INCOME

1985 - 1986

COUNCIL'S R10-m HOUSING DEAL

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The agreement for the erection of about 400 houses was signed by the mayor Mr Matthews Mahlangu and the company's manager, Mr Alec Rabie, shortly after the council's monthly meeting yesterday morning

Mr Rabie said R2,8 m would be used for infrastructure and R10 m for the building of houses at Atteridgeville Extension 2 He expected a few houses to be completed by November this year

Mr Mahlangu said the lack of proper housing was one of the major causes of the present wave of unrest in the country

"It is a time-bomb slowly ticking away And we appeal to the Government to face up to this problem and assist local authorities and all those involved in the provision of housing to defuse this time-bomb "

The mayor added that the council had been accused of not giving sufficient attention to the building of houses in the township

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30/6/86 BUSDAY 12C

Metal and engineering firms table new wages offer

EMPLOYERS have tabled a new wage offer for 350 000 employees in the metal and engineering industry in an attempt to resolve the disputes and deadlocks existing between the employer body and six unions

The unions represent nearly 130 000 workers and their response — which will be relayed to employers at a special Industrial Council meeting in a week's time — could indicate whether a widespread strike is in the offing

Nine of the 15 unions on the council have accepted the offer, but sources believe Manpower Minister Pietie du Plessis would be unwilling to extend the agreement to the entire industry if many unions refused to be party to it

The Steel and Engineering Industries Federation of SA (Seifsa) met the unions on Friday to confirm it was improving wages for workers on lower grades

CLAIRE PICKARD-CAMBRIDGE

Minimum increases offered range between 32c/hour on the lowest unskilled grades to 60c at the top This amounts to increases of between 17% and 11,5% and puts the new minimums at between R2,22 and R5,81 an hour

Talks began in April and several unions declared disputes after the second round of talks

The Metal and Allied Workers' Union (Mawu), the Steel, Engineering and Allied Workers' Union (Seawu) and the Electrical and Allied Workers Trade Union of SA (Eawtusa) — in deadlock with Seifsa — have stuck to their original demand of a minimum of R3,50/hour.

The SA Boilermakers' Society (Sabs), the Engineering and Allied Workers' Union (Eawu) and the Eastern Province and Border Engineering and General Workers' Union are now also in dispute with Seifsa

□ MICK COLLINS reports Mawu will this week hold its first national congress which is expected to focus on the deadlock in national wage negotiations in the metal industry

More than 300 delegates are expected to attend the Johannesburg meeting

Allowances: council votes for parity

Dispatch Reporter

EAST LONDON — Management Committee members are to receive the same allowances as city councillors

The city council's monthly meeting last night voted for parity following an amendment to an action committee recommendation by Mr Eric Whitaker

His amendment, won by a single vote, overturned the recommendation to inform the Administrator, Mr Eugene Louw, about council's earlier refusal and the fact that both the coloured and Indian management committees were not attending action committee meetings in protest against not receiving equal allowances

Seven councillors voted in favour of Mr Whitaker's amendment for parity and although the mayor, Mr Joe Yazbek, was reluctant to call for a division, he agreed to the request by Mr Whitaker

The councillors who voted for the management committee members to receive the R460 a month allowance instead of R260 are Mr Yazbek, Mr Ivan Zulman, Mr Vossie Bezuidenhout, Mr Len Cooper, Mr Patrick Kay and Mr Philip Rohtbart

Mr Donald Card, Mr Errol Spring, Mr Willem Morris, Mr Gwyn Bassingthwaighte, Mr Neville Randall and Mr Brian Snell voted against parity

Motivating his motion, Mr Whitaker said management committee members were not around the horseshoe because they were not allowed to be, not because they did not want to be there

"I see no reason why there is no parity We will have to accept them eventually around the horseshoe," he said

He was seconded by Mr Bezuidenhout, who said council did not have anybody to send matters pertaining to the coloured and Indian areas to

Mr Kay lashed out at Mr Spring and accused him of "disgusting inconsistency" by not supporting parity

"This municipality claims to be an equal opportunity employer but when it comes to the higher ranks that is thrown out of the back door The management committee members deserve parity and it is disgusting that they have to ask for it," he said

Replying later, Mr Spring said he had been anything but inconsistent in his stand on parity and had always maintained that all races should sit around the horseshoe

He backed earlier statements by Mr Card against parity and said he wanted to point out that council was now giving credibility to a discredited policy as management committee members were not even accepted in their own communities

"They do not have the same status as councillors and if we wanted to do anything positive for these two communities we should be fighting for them to sit around the horseshoe," Mr Spring said

Mr Card said earlier there was no case for parity because "you cannot pay the manager of a store the same as you pay the shop assistant behind the counter

"People think councillors are paid a lot but the allowances don't even cover our expenses However, if we talk in terms of parity we have to talk in terms of work, time and cost There is a vast difference on this between councillors and management committee."

He said the move would cost council R36 000 which had not been budgeted for

128

DP 1/7/86

Inquiry to check causes of conflict

DIANNA GAMES

A JOINT inquiry to examine causes of employee conflict and propose solutions for them has been set up by the Anglo American Corporation and the National Union of Mineworkers.

This comes after recent outbreaks of violence on some Anglo mines.

In its review for the year to March 31, the corporation welcomes the negotiations between the Chamber of Mines and the Council of Mining Unions on the removal of the discriminatory "scheduled persons" provision in the Mines and Works Act.

The review says the clause is the only remaining obstacle to merit-based selection and advancement on the mines

It adds that SA's average per capita income, R6 225, is far behind its major trading partners' average of R27 650 — both 1983 figures — despite SA being one of Africa's most developed and wealthy states

The review says. "Although the country has one of the best educated and industrially experienced labour forces on the continent, restrictive and racially-based legislation and economic recession have prevented the best use being made of this resource."

Drastic redistribution of wealth shown in survey

GERALD REILLY

THE black, coloured and Asian share of total disposable income rose by 12,2% to 44,5% between 1972 and 1985, according to a Bureau of Market Research survey

A drastic redistribution of income had taken place since 1980, the bureau found Between then and last year, the personal disposable income of whites fell 17,9%.

Two factors were chiefly responsible for the redistribution of income the fall in white incomes and increase in direct taxes

Between 1972 and 1980 white incomes rose 0,3% annually, black's by 4,7%, coloureds' 1,5% and Asians' 3% Between 1981 and 1985 white incomes fell 0,2% a year while the income of blacks and coloureds rose by 1,8% and that of Asians by 3,1%

In 1985 whites paid on average 15,1% of their incomes in direct tax compared with 8,8% in 1980.

The bureau said the economic circumstances of blacks, coloureds and Asians improved in a period marked by negative growth

"In the current circumstances, it is highly unlikely the welfare of non-whites can be further improved through salary increases and greater taxation of whites," said the bureau.

It warned that the economy was in a protracted recession, profit margins were being eroded and bankruptcies were on the increase

Therefore, the bureau said, employers could not pay higher wages and salaries Neither could the direct taxation of whites be increased further.

condition as "fine'
The students were in-
ation yesterday.

Business Report

FRIDAY, JULY 11, 1986

Cape Times 11/7/86 (69) (128)

Call to modify free enterprise system M

Financial Staff

THE free enterprise system in SA will have to be modified, the chairman of Barlow Rand, Mike Rosholt, said in Johannesburg last night

"We must recognise that the central economic issue in future will inevitably be the process of income redistribution in favour of the lower income groups," he told a dinner for delegates to an international symposium at the University of the Witwatersrand

"That process of income redistribution will be easier to live with if it is voluntary rather than forced

"Having said that, I cannot emphasize too strongly that at the same time we must strive relentlessly to preserve those aspects of our present system which remain valid and essential for the future well-being of the country

"In particular, we must ensure that income redistribution does not become capital distribution resulting in an inevitable diminution of the income which is to be shared

"We must try to ensure that over a period we all become equally wealthy and not equally poor"

Rosholt said the modified private enterprise system must be "seen as a catalyst for the redistribution of an increased national income"

It must also be seen as being fully aware of its additional social responsibilities and as "actively promoting power sharing rather than being an accomplice of racial oppression"

Rosholt said SA stood on the brink of power-sharing between the races, and "in whatever form that occurs, the present balance in our economy between free enterprise and State socialism must tilt towards the latter"

The extent of that tilt would depend on how radicalized the new participants turned out to be and how powerful their voice in the new dispensation

Unfortunately, "events and deprivation are hardening black attitudes to capitalism and free enterprise, and it is going to be difficult to reverse this trend"

An aggravating factor, said Rosholt, was the government's recent commitment to the virtues and benefits of free enterprise

"It would be better for the system if the government were to prove its commitment by discreet action rather than by public proclamation

"The greater the latter, the stronger the black perception of the links between free enterprise and the current political system"

SA could not develop to the full extent of its great resources, human and material, without a political solution

Equally, no political solution would be workable without the necessary financial muscle

"It is paradoxical that access to overseas funds should have been cut off at a time when partly of its own volition, but partly also because of judicious outside pressure, SA has introduced overdue reform processes and has raised black expectations, which can never be fully funded in the siege economy we now face," said Rosholt



Mike Rosholt

Gencor Dalkv ... 20% DDI show ... ISI

LABOUR AFFAIRS

DICK USHER



Employers' care — Unisa study

ABOUT 80 percent of South African employers believe the business sector has an obligation to improve the social circumstances of their black employees, according to a new Unisa study

The study, *An Assessment of the Development and Welfare of Employees in the Republic of South Africa*, by Professor Piet Nel of Unisa's Bureau of Market Research, says that employers are generally well-disposed towards their black employees

About one-third apply minimum living standard figures, but more than one-fifth do not follow a policy of equal work for equal pay

"Segregation in the workplace is, however, fairly common Seperate facilities are most common in respect of cloakrooms," says the study.

"Discrimination, a built-in element of labour policy and legislation for many years in South Africa, has been progressively dismantled since 1979 Today, the only legal discrimination left in the labour field is in a few job categories in the mining industry"

The study estimates that 1,7 million blacks — 23,1 percent of the economically active black population — are unemployed and underemployed in South Africa and the TBVC countries (Transkei, Bophuthatswana, Venda and Ciskei) at present

Between 3,6 million and 6,8 million new jobs will have to be created over the next 15 years

"This task should be measured against the present 7,72 million jobs in South Africa and the TBVC countries and an increase of 226 000 jobs in the past five years and 1,55 million over the past 15 years

"An analysis of job creation in the period 1950 to 1985 shows that it was only from 1960 to 1970, when the GDP rose by 5,9 percent per year in real terms, that the percentage increase of employment was at least equal to the increase in population"

Since 1970 there had been a marked improvement in the economic welfare of blacks, says the study

"Their share in the personal disposable income of the RSA has risen from 32,2 percent in 1970 to 44,5 percent in 1985 A fairly drastic redistribution of income has occurred since 1980 In the period from 1980 to 1985 the real personal disposable income of whites declined by 17,9 percent"

The study says that two factors were chiefly responsible for the redistribution of income

- Average real remuneration of whites rose by 0,3 percent per year between 1972 and 1985, compared to increases of 4,7 percent, 1,5 percent and 3 percent for blacks, Indians and coloureds
- Massive increases in direct taxes paid by whites In 1985 whites paid 15,7 percent of their income in direct taxes compared to 8,8 percent in 1980

Doctors get 20 pc rise 'but new tariff is a guide only'

Masa concerned at health of private medical services

By Kym Hamilton, Pretoria Bureau

Medical tariffs for "contracted out" doctors have risen by an about 20 percent and are retrospective to July 1

Announcing the new fees, the Medical Association of South Africa (Masa) said yesterday the adjustment was "reasonable compensation to doctors for their services"

CPI-BASED

The new tariffs will not bring about an improvement in the real income of doctors, but the adjustments are based on the consumer price index

The Federal Council of Masa said it was concerned about the possible collapse of private medical services due to spiralling practice costs.

Even with the latest increases, doctors' incomes will continue to reflect the decrease of between five and 10 percent in the real income of the population over the past 16 months

Masa emphasised that the new tariffs were a guide only and doctors were requested to take the financial position of their patients into account

The new tariffs represent an increase of 19,10 percent for general practitioners and specialists, 20 percent for anaesthetists, 21,6 percent for radiologists and 20 percent for clinical pathologists

This is an annual increase of 15,1 percent, which was still an average 4 percent lower than the consumer price index over the past 16 months, said Masa

Specialities which were cost intensive as they were dependent on imported sophisticated equipment, received special consideration because of the falling exchange rate. In these instances anatomical pathology tariffs increased by 27 percent and ultra sound by 41 percent

Parity in nursing salaries 'probably before year's end'

Pretoria Correspondent

There is no doubt that parity in salaries for South African nurses of all races will be implemented, probably before the end of the year, says Miss Odelia Muller, vice-president of the South African Nursing Association

Miss Muller was reacting to recent inquiries made by some senior nurses who were confused by the announcement by Dr Willie van Niekerk, Minister of Health and Population Development, in March this year that "parity would be valid immediately".

NEED FOR PATIENCE

Miss Muller, who appealed to the nursing profession to be patient a little longer, said the principle of parity had been accepted.

"The Commission for Administration is still busy with a second investigation into a career-specific dispensation for nurses and once the commission's proposals are accepted parity will be implemented," she said.

"You must understand that it is an enormous administrative task to adjust the salaries of about 100 000 nurses in South Africa," she added

"The Minister's announcement of parity in salaries for nurses of all races evoked a very positive response from the nursing profession

usiness

Call to cut red tape stifling small firms

Business Editor

INFLUENTIAL insurance company Sanlam today put its weight behind calls to cut red tape stifling small businesses

Calls for cuts in personal taxation and action to reduce the inflation rate were also contained in the organisation's latest economic report, which gave an "unofficial" estimate that 2 million — 18% — of South Africans were unemployed or underemployed

Summing up current prospects, the insurance company said "In view of the proportions unemployment in South Africa is now assuming and the serious socio-political consequences this has for the country, there is an urgent need for a much faster growth rate than that of the past five years"

But, cautioned the report, this was unlikely in 1986 when only "marginal" growth was expected, although this would probably accelerate next year

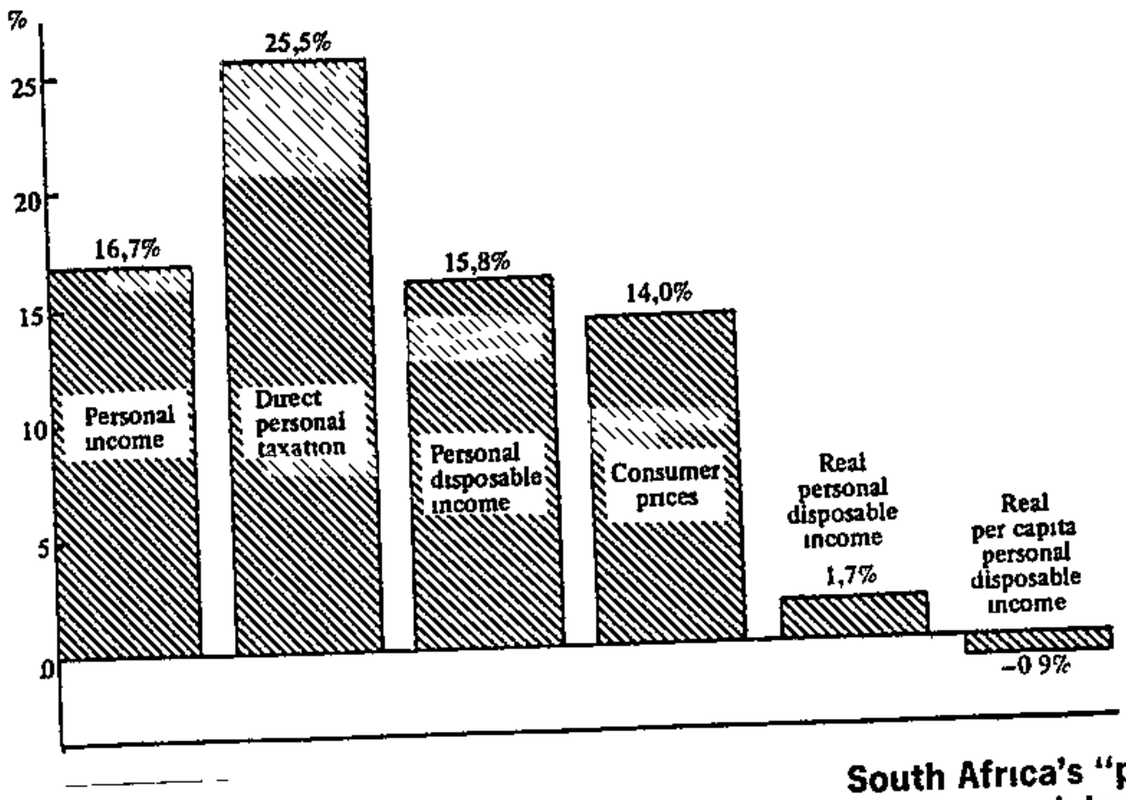
Giving what it called a "profile of impoverishment", the report said that taking into account inflation and an increase in the population of about 2,5% a year, real peronsal disposable income had dropped by almost 1% a year over the past six years — "and that is without GST, which has increased by 36% per annum in this time"

But the report said increasing salaries and wages was not the solution to the problem, as such increases without a corresponding increase in productivity could raise inflation

"We believe it to be essential that the tax burden of individuals be reduced and the inflation rate lowered drastically

"Consumers' willingness to spend depends largely on their sentiment — that is their confidence in the future economic and political situation

It urged that the Government speed up the process of repealing laws hampering the growth of small business by accepting the recommendations made by the President's Council Committee on deregulation



South Africa's "profile of impoverishment" ... a graph prepared by Sanlam using figures from Central Statistical Services and the Reserve Bank illustrates how, from 1980 to 1985, real personal income per capita has dropped by almost 1% a year, excluding the effects of general sales tax.

Sharp increase in summonses and

Consumers are losing ground, says Sanlam

By Stan Kennedy

Taking into account inflation and a population increase of 2,5 percent a year, real disposable income per capita has dropped by one percent a year over the past six years — and that is without GST, which has shot up by 36 percent a year during this period

Consumers are still burdened with obligations incurred earlier and which must be redeemed now, while their real income is shrinking The weaker financial position of consumers and their inability to discharge obligations is leading to a sharp increase in summonses and judgments for debt since 1981 For many, bankruptcy is inevitable

In its July *Economic Survey*, Sanlam says the factors contributing to the decline in spending in the first quarter of the year include a general lack of consumer confidence, only modest increases in wages, high unemployment, exceptionally high inflation, the increasing tax burden and organised consumer boycotts

Political instability

Others are a strong rise in Government spending, a sharp decline in real fixed investment by the public and private sectors and a further depletion of inventories

"It is against this background in the first quarter, and the signs that real economic activity most probably declined further in the second quarter, that additional stimulation has become extremely urgent

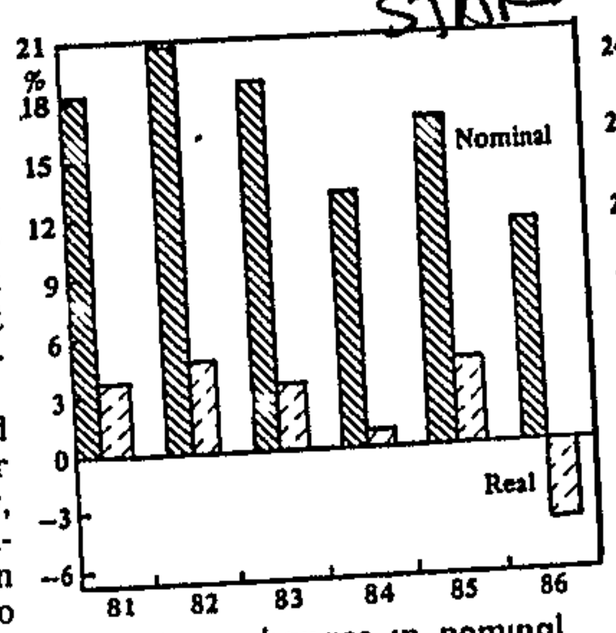
"We consider that further fiscal stimulatory measures, more reductions in short-term interest rates, a stronger rand and more stable socio-political conditions are necessary to get the economy going again"

Sanlam questions whether South Africans, in the midst of the current political instability, have the economic determination to ward off the sanctions onslaught

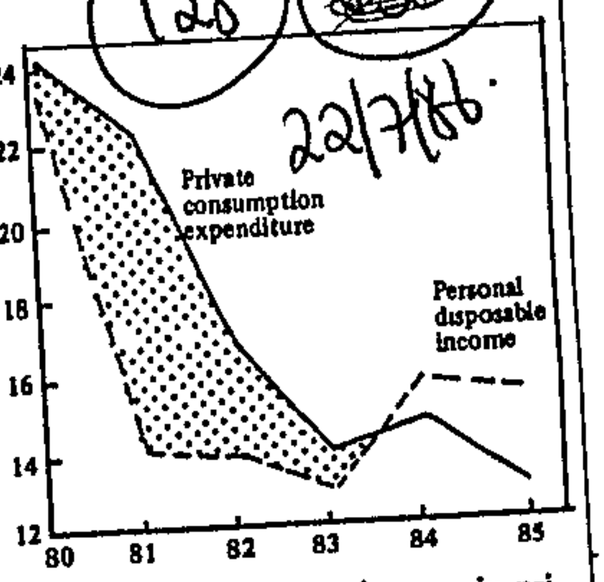
"It goes without saying, that a general improvement in business and consumer confidence is a prerequisite for a sustained upswing

"Considering the daunting problems facing the country, a continued high economic growth rate is all the more necessary now Private consumption expenditure represents between 50 and 60 percent of the total domestic expenditure on goods and services and is an important incentive to growth"

To absorb all the new job-seekers, an average economic growth rate of about 4,5 percent a year is necessary — more than double the rate South Africa has been able to



Percentage changes in nominal and real renumeration per worker



Annual percentage changes in private consumption expenditure and personal disposable income

attain since 1980 Unofficial estimates are that up to two million workers, or 18 percent of the available labour force, are either out of work or not fully employed

The surplus on the foreign trade account rose steeply in May, bringing the total surplus for the first five months of the year to just over R4,9 billion This compares with the R4,4 billion surplus for the same period last year

However, Sanlam estimates that the current account of the balance of payments for the first five months will be down from R2,2 billion last year to R2 billion

Large purchases of strategic goods, notably crude oil, in the first three months of the year, pushed up the volume of merchandised imports, at a seasonally adjusted annual rate, to 40 percent from 25,6 percent in the last quarter of 1985

"However, there are indications that the programme of stockpiling strategic goods is almost completed and that, in future, the volume of imports will once again be more closely related to the general rate of expansion in the economy"

Although the depreciation of the rand is pushing up import prices considerably, Sanlam believes that the current account of the balance of payents will show favourable surpluses during the rest of the year It estimates that there will be a surplus of between R4 billion and R5 billion for the year as a whole

R108-m bonanza for miners

The Star's Africa News Service

MASERU — The South African gold mines paid out a bonanza of more than R108 million in deferred, remittance and other payments to Basuto mine workers in the first six months of this year.

This is an increase of R12 million from the R96 million recorded last year.

The Employment Bureau of Africa (Teba) in Maseru, which recruits Basuto mine workers, said the value of deferred payments had increased from about R55 million recorded last year to about R59 million in the first six months of this year.

There had been a 15 percent increase in remittances from about R38 million in the first six months of last year to about R44 million in the same period this year.

The Lesotho manager of Teba, Mr Jock Germond, said the increase in deferred payments and remittances was due to the more remunerative wage structure in the South African gold mines

Whites still get most pay

PRETORIA—Whites still earn far bigger salaries than the other race groups, according to survey findings released by the Central Statistical Service yesterday

In March this year, whites employed in the wholesale trade earned an average R1 831 a month, compared with R344 for blacks Coloureds and Indians earned R598 and R882 respectively

Disparities in the retail trade were smaller Here, whites earned R934 a month, compared with R343 for blacks, R409 for coloureds and R551 for Indians

Disparities also exist in the automobile, control board and hotel industries

White motor trade workers, on average, received R1 427 each in March, compared with R343, R539 and R931 for blacks, coloureds and Indians respectively

Boards

South Africa's 2 186 white control board employees, on average, drew R2 045 each in salaries, compared with R417, R378 and R528 for the 919 blacks, 378 coloureds and 48 Indians working for the boards

Whites in the hotel trade earned R891 on average, compared with R250, R317, and R537 for the other groups

The control boards is the only category covered in the survey in which the whites outnumber blacks

In March, there were 49 600 blacks in the motor trade, compared with 41 700 whites, and 30 400 blacks in the hotel industry, compared with 8 500 whites

The retail trade supplied jobs for 175 000 blacks and 127 000 whites The wholesale sector had 96 000 blacks and 82 900 whites

Coloureds and Indians numbered 13 800 and 4 800 respectively in the motor trade, 6 800 and 3 200 respectively in the hotel industry, 46 200 and 19 800 in the retail industry, and 23 700 and 12 800 in the wholesale industry — (Sapa)

APARTHEID BAROMETER

STATE OF EMERGENCY DETENTIONS

THE government has refused to release the number of those detained under the Emergency regulations. According to Detainees Parents Support Committee the names of just over 3 000 Emergency detainees are known to them They estimate about 8 000 people have been detained so far under the Emergency About 1 000 of these are believed to have been released so far

According to the independent Labour Monitoring Group, a total of 2 646 trade unionists had been detained by July 15 This figure includes 269 office bearers and officials

DETENTIONS BY ORGANISATION

	PWV	Tvl country	E Cape	N Cape	W Cape	Natal	OFS	Unknown	Total
Students/ scholars/ teachers	130	36	31	21	22	81	38	7	366
Unionists/ workers	77	36	17	14	13	42	34	22	255
Community/ Political	183	78	195	34	33	78	33	9	643
Clergy/ churchworkers	26	21	20	7	8	17	1	3	103
Media	2	0	6	0	5	0	0	0	13
Other/Unknown	328	154	445	90	384	62	122	54	1 639
TOTAL	746	325	714	166	465	280	228	95	3 019

Figures supplied by the Detainees Parents Support Committee

EMERGENCY DEATHS

According to figures released by the government's Bureau for Information, by 6am on Wednesday morning this week there had been 174 deaths since the start of the Emergency These figures do not include unrest deaths in the "independent homelands".

BRAIN DRAIN

South Africa recorded a net migration loss of 2 157 for the first four months of the year, compared with a migration gain of 5 011 during the same period last year

A total of 4 760 people emigrated between January and April — an average of nearly 1 200 a month Last year 2 948 people emigrated between January and April A total of 2 603 people immigrated between January and April this year, compared with 7 959 during the same period last year

The Central Statistics Service figures show that 758 of the emigrants were professional people including 162 engineers (122 last year), 27 doctors and dentists (19), 79 accountants (21), 95 educationists (42) and 161 administrative and managerial employees (119). The immigrants included 409 professionals (1 046), making a net loss of 349 professional people.

WEALTH DISTRIBUTION

The white share of total disposable income in South Africa was 55,5 percent in 1985, according to a Bureau of Market Research survey. The other 44,5 percent was shared by blacks, coloured and Indians

According to the bureau, the black, coloured and Indian share of total disposable income rose by 12,2 percent, while between 1980 and 1985 the white share fell by 17,9 percent.

GROUP AREAS ACT REMOVALS

The Minister of Constitutional Development and Planning, Chris Heunis, said in parliament last year that by August 1984 a total of 126 176 families had been moved from their homes under the Group Areas Act of 1950 He did not say how many people this involved. Of these families, 2 418 (two percent) were white, 83 691 (66 percent) were coloured, and 40 067 (32 percent) were Indian The forced removal of Africans occurs under other laws.

By the end of 1984 a total of 899 group areas had been proclaimed. Of these 451 group areas were for whites (83,6 percent by area), 326 for coloured (10,6 percent) and 122 for Indians (5,6 percent) Whites comprise about 13,9 percent of South Africa's population, coloured 8,1 percent, Indians 2,5 percent, and Africans about 75,5 percent (including those living in the "independent homelands")

BANNED BOOKS, PUBLICATIONS, OBJECTS

Unbanned.

The Male Member (Kit Schwartz)

PRISONERS OF CONSCIENCE: Dennis and Edith Bloem

Kroonstad United Democratic Front leader, Dennis Bloem and his wife, Edith, were detained under the Emergency regulations on June 12. An application for their release, brought by their family members, was refused in the Bloemfontein Supreme Court last week

Dennis Bloem, who runs a family-owned general dealer business in the coloured township of Brenthurst, near Kroonstad, is one of the founders of the UDF area committee in the area During the past year he has been detained four times for a total of nearly nine months Between June and December last year he was held under section 29 of the Internal Security Act. This year he was twice detained under section 50 of the Internal Security Act before being detained under the Emergency regulations six weeks ago He has never been charged with any offence This is Edith Bloem's first period of detention.

Dennis Bloem also worked closely with civic associations and student groups in the African township of Seeisoville. In January this year at least two members of the township council allegedly fired at him in his car. An urgent interdict restraining certain councillors from further threatening him was refused by the Bloemfontein Supreme Court. Both his house and his shop have been petrol-bombed.

The Bloems, both in their forties, have a large extended family dependent on them

Housewives query credibility of economic figures

The Housewives' League has queried whether published figures relating to inflation rates and the consumer price index (CPI) are reliable "or just a good PR exercise"

Mrs Lyn Morris, president of the league, says in its magazine *Rands and Sense* "We do not see how the compilers of these figures can say prices have come down over the past month, resulting in lower rates

"Do they conduct their surveys where the SA housewife does her shopping?" she asks

"As far as inflation is concerned, what is wrong with us? Our trading partners and other countries have managed to reduce their rates of inflation and living costs Why can we not do the same?

"In the past few months, we have lost an insurance company and a medical aid society and have experienced problems and loss of confidence in parts of our banking sector

"We have been getting into debt as never before, summonses and judgments against individuals are at the highest level in history, unemployment is also at a frightening level, and companies have been going into liquidation almost daily Soon our rand won't be worth the paper it is printed on — if it is now

INTEREST RATES

"Salary and wage increases have by no means kept pace with our totally unacceptable inflation rate

"If they had, would we be have been able to afford the compensating increases in the marketplace?

"Dropping interest rates are crushing those who live on investments — pensioners, widows and the retired What is the point of trying to save?"

Addressing businessmen, Mrs Morris claims that many have lost credibility in the eyes of the consumer She says to them "Petrol and transport costs have been blamed consistently for price rises, but when we had two petrol reductions your response was 'Oh, no, transport is such a small element of our costs the decreases will not make any difference to our prices' Can we believe anything you say from now on?"

Mrs Morris writes that interest rates were lowered to stimulate the economy, but consumers are afraid to buy on hire purchase in case interest rates go up again, as they did last year

CATASTROPHIC

"The latest economic-stimulation package is being funded by borrowing from the Central Energy Fund This smacks of borrowing from Peter to pay Paul — an exercise that any housewife can tell the Minister of Finance usually has catastrophic effects on finances"

Mrs Morris maintains there is no confidence in the marketplace If the Minister had dropped GST a percentage point or two, she says, consumers would have been aware of the move with every transaction and confidence would have been built up

Turning to the political situation, she says housewives have had to shop in stores faced with strikes "Some stores closed because they could not guarantee the safety of their customers staff This is a totally unacceptable situation and must be addressed immediately"

Nurses and teachers of all races 'to get equal salaries this year'

Govt promise on pay parity

Action is to be taken "as swiftly as possible" towards the achievement of pay parity between the different races in all occupational classes, Mr E van der Merwe Louw, the Minister for Administration and Economic Advisory, said yesterday

"To demonstrate its concern, Government has provided appropriate funding so as to allow for the complete elimination during the current year of salary disparities, based on racial classification, in nursing, paramedical staff and in education," he said

Investigations into the improvement of salary dispensation and the elimination of salary disparities among nurses and paramedical staff had reached an advanced stage

The Minister of National Health and Population Development would soon announce further particulars

The elimination of educationists' salary disparities was still receiving attention and the relevant Minister would issue a statement in due course, the statement added

MARKET-RELATED

"During the debate on the commission for administration's budget in the House of Assembly on May 30, I announced that during this year, in accordance with Government policy, an amount had been set aside for the further achievement of selective market-related salary dispensations for those occupational classes where the greatest need existed," Mr van der Merwe Louw said

"In line with this, during 1985, the position of director-generals was investigated by two independent and highly regarded personnel consultancies, with a view to bringing about a market-related salary adjustments

"Their proposals have also been submitted to a panel of business leaders for comments and recommendations On this basis, Government has concentrated on an improved salary dispensation adjustment for director-generals, with effect from July 1," he said

Besides the position of director-generals, various other occupational groups had also been identified by the Cabinet as groups that were to receive priority salary improvements during this financial year

"It is common practice not to divulge detailed information about salary improvements Such information will be passed on to the heads of the relevant departments and institutions," the statement said. — Sapa

30/7/86 BUS DAY 125

Action on pay rates 'as swiftly as possible'

ACTION is to be taken "as swiftly as possible" to eliminate pay discrimination between the races working for the State, a statement by Minister for Administration and Economic Advisory Services, Eli van der Merwe Louw, said yesterday.

Nurses, paramedics and teachers will be first in line

No details were given of the money nor the number of people involved

The Minister of National Health and Population Development would soon announce further particulars in this regard, the statement said

The elimination of disparities with regard to educationalists was still receiving attention and the relevant minister would issue a statement in due course, the statement added

Louw also said certain State employees would receive priority pay rises this year, mentioning specifically the position of director-general which, he said, needed to be made market-related

Earlier this week, Minister of Education and Development Aid Gerrit Viljoen said the training of black teachers was the nucleus of a 10-year plan to achieve parity in education

Every year more than 50% of the department's 100 477 teachers were involved in some form of training, Viljoen told reporters in a briefing

The percentage of unmatriculated teachers dropped from 74% in 1983 to 63% last year, due mainly to the department's adult education programme, he said

The need for sufficient adequately qualified teachers was reflected by the fact that the teacher-pupil ratio at primary schools was still 1 40,5 and at secondary schools 1 32,5

A large percentage of teachers — 95% — could be regarded as non-qualified or under-qualified, Viljoen said

However, the department aimed to train teachers so that there were enough adequately qualified teachers to ensure equal education opportunities as soon as possible

It was envisaged that 11 600 teachers would attend about 378 week-long in-service training courses at the Soshanguve College for Continuing Education this year, Viljoen said.

The department aimed eventually to establish about 60 of these centres.

The expertise and effectiveness of standard eight to standard 10 teachers would be improved by a new project, called "Project Alpha"

About 780 teachers would be involved in the project this year, and 1 500 and 3 000 respectively next year and 1988

More than 11 000 teachers were registered for courses at Vista University this year.

The department also had various other projects and training courses to improve its teachers' qualifications, he said

About 13 600 principals and senior staff would be involved in a management training programme over the next three years

"Training is an investment in the future," Viljoen said. — Sapa-Reuter

DD 31/07/86

Kritzinger tells of impacts on dairy industry

Dispatch Reporter

GRAHAMSTOWN — The per capita increase in consumption of dairy products by black people was of special importance in assessing the future of the industry, the executive director of the South African Dairy Foundation, Mr Marius Kritzinger, told the annual dairy congress of the East Cape Agricultural Union

Mr Kritzinger who was the guest speaker, said if the expected growth in the black population was considered, the growth in per capita consumption plus the growth in population could have an accumulative effect on the expected future consumption of dairy products in this group

He said the per capita consumption of fresh milk had decreased slightly during the last seven years, while the per capita consumption of longlife milk products, milk powder and cheese had increased slightly

During the last 10 years the consumption of fresh milk had not kept pace with the population growth Home deliveries had dwindled drastically — yet the availability of milk stimulated consumption

Since 1969, milk substitutes had become strong competitors, largely because of aggressive and intensive marketing by manufacturers

During 1985, milk blends and creamers had replaced about 150 million litres of milk

The price of fresh milk had risen by about 270 per cent in the last 10 years This was considerably lower than the consumer price index rise of 330,5 per cent

Hikes in the milk price enjoyed such "emotional and unfavourable publicity" that consumption was negatively influenced Consumers switched to cheaper and less nutritious substitutes

The consumption of skim milk had also dwindled The milk blends and creamers were "responsible" It was the same with condensed milk and full cream milk powder

However, there were positive aspects, Mr Kritzinger said

The penetration of the black consumer market into the dairy industry had begun This sector of the market had already reached 40 per cent of all dairy products

- Drinking yoghurt had appeared and was a strong seller,
- Flavoured milk was making progress, particularly among young people, as a competitor for cool drinks,
- Cheese consumption had shown growth and sales of baby foods had accelerated strongly,
- A spreading butter had also appeared on the market to compete with margarine A genuine dairy blend had appeared to counter non-dairy mixes, and
- A mixture of milk and fruit juice had proved a huge "success story," Mr Kritzinger said

The enormous capital investment in South Africa's dairy industry, the fourth largest agricultural enterprise, grossing more than R750 million, was also underlined

Mr Kritzinger said South Africa was one of the few countries in the world which produced two milk types fresh and industrial

"We still have a few producers of cream (butterfat), about 2 800 producers meet about six per cent of our needs, but these producers are getting fewer The balance, 94 per cent of the cream, is supplied by the skim milk factories"

The dairy industry consisted of about 1,7 livestock units and farmers had a capital investment of R3,8 billion in the industry

The present average production was about 4,5 million litres a day, with about 200 insulated tankers with a capacity of 16 000 litres each, transporting the milk.

"Processing milk is like producing milk a non-stop business 365 days a year and 366 days every fourth year," he added

At a conservative estimate, a new fresh milk processing plant required a capital investment of R2 million for every 10 000 litres processed

More than 23 000 people were employed by 140 processing plants Because they were working with sophisticated equipment and highly perishable products, they had to be trained continuously

"The total monthly salaries and wages for these employees exceeds R25 million," Mr Kritzinger said

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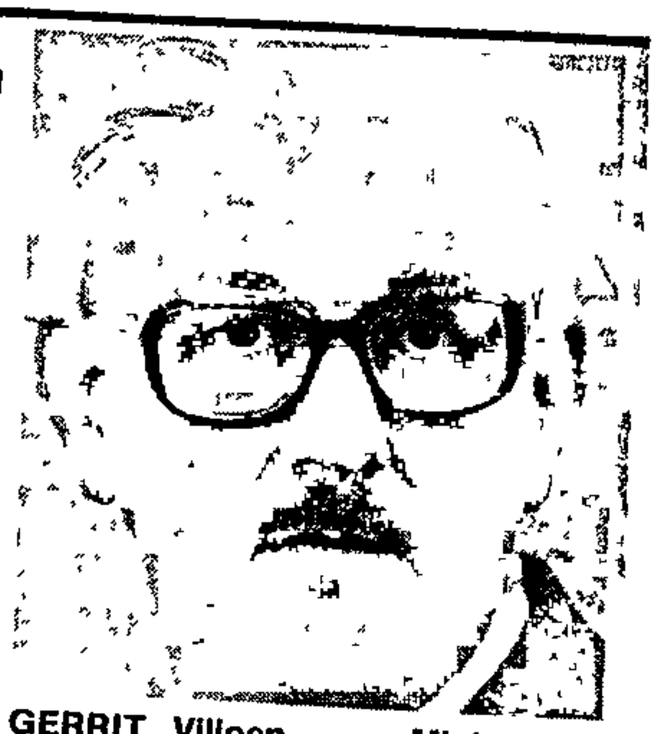
Teachers to get equal salaries

THE Government announced yesterday that teachers of all population groups will get the same salary as from December 1.

The Minister for Education and Development Aid, Dr Gerrit Viljoen, said the Government has made funds available to eliminate disparities in salaries for people in different occupations

He said as far as teachers were concerned the Government has committed itself to a programme of equality in salaries

A major step towards the implementation of this plan was taken last October when equal salaries were introduced for teachers with degrees and diplomas, while the salary gap between black and white teachers in the lower qualification group narrowed considerably



GERRIT Viljoen . . . Minister of Education and Development Aid.

Sapa-Reuter

Pleasure

The Minister said: "I have pleasure in announcing that following a Cabinet meeting, full parity in salary for all teachers of all population groups will be introduced with effect from December 1, 1986."

About 81 000 black teachers employed by the Department of Education and Training and those in the self-governing states will benefit.

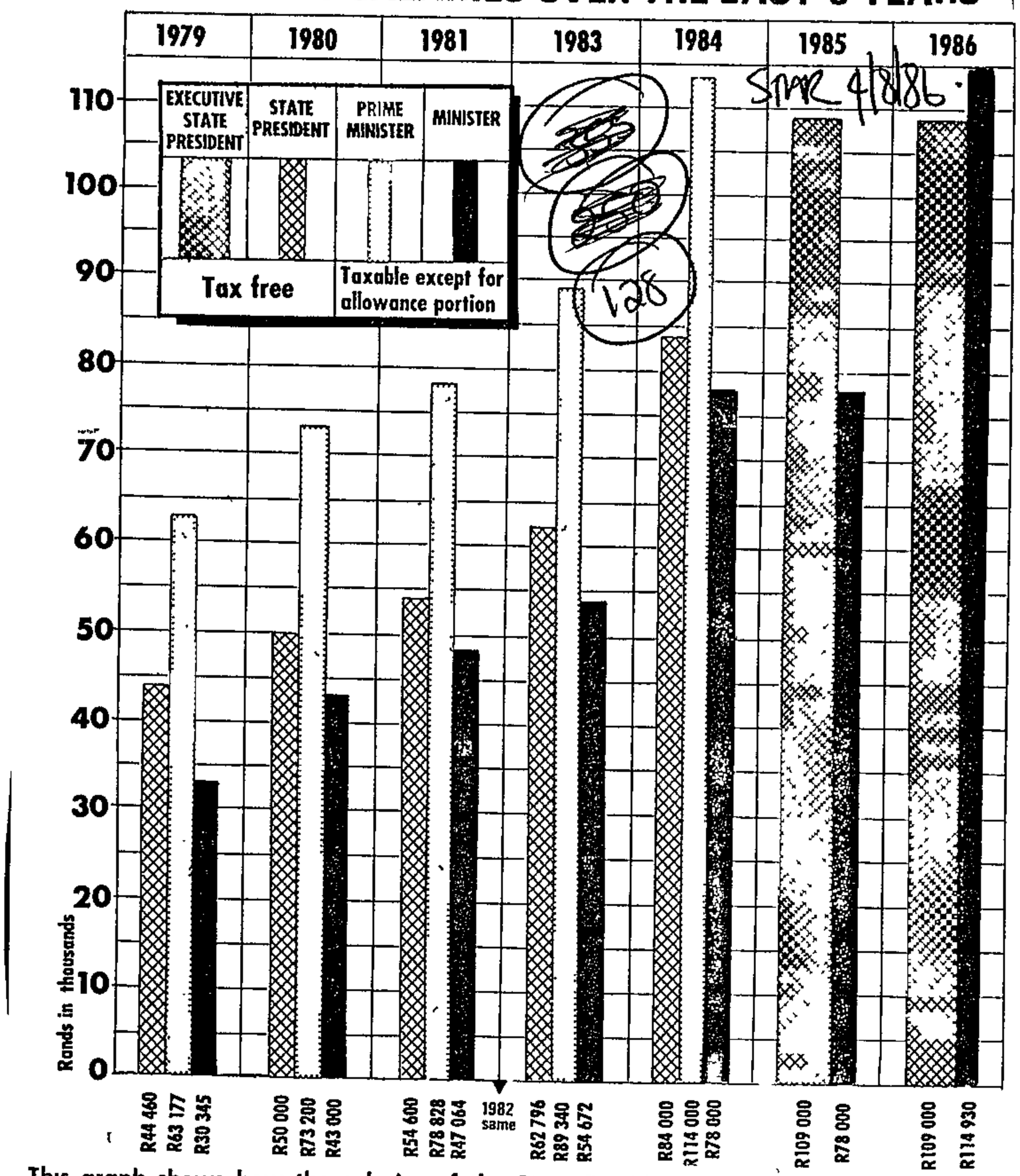
Black teachers will receive either one or two salary notches to make their salaries equal to those of white teachers

Teachers who already have parity will not benefit.

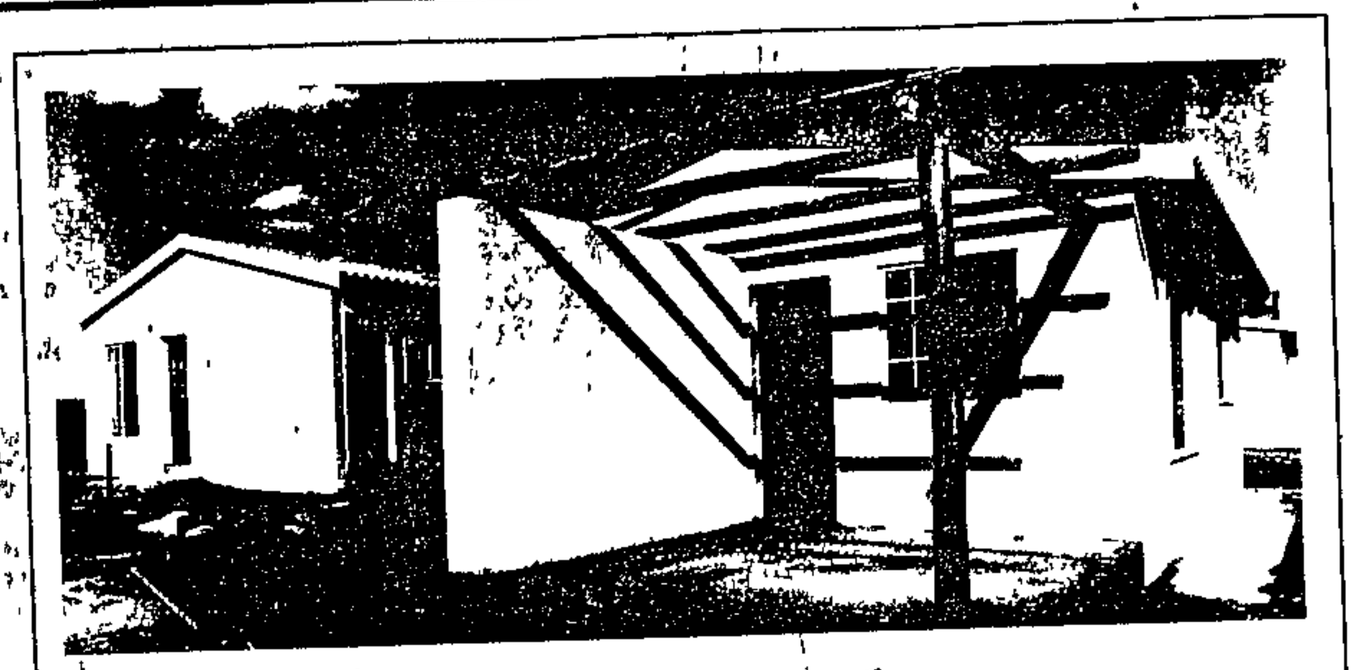
Details about the new salary notches will be released to education departments as soon as details have been finalised, the Minister said.

The earnings of our rulers

GOVERNMENT SALARIES OVER THE LAST 8 YEARS



This graph shows how the salaries of the State President and Cabinet Ministers have increased over the past eight years In 1979, when Mr Botha was already the executive head of state, but his title was still Prime Minister, he earned R63 177, of which the taxman took a portion. Now, with the title of State President, he receives a tax-free salary of R109 000. During the same period, the remuneration of Cabinet Ministers soared from R30 345 to R114 930, which is taxable except for an allowance portion



Affordable houses on low incomes

This paper — considerably edited and abridged — was presented by a respected author and international expert on low-income housing at a recent conference held in Johannesburg The author has asked to remain anonymous

HOUSING — as a key factor in social development — must be made affordable to all For low income groups, affordability is the crucial starting point for almost all other considerations

Long ago the so-called "Law of Rent" — which says that outlays for housing is a constant percentage of income — was established and it is still very common to hear planners refer to a fixed percentage of 25% of current income as the "affordability level"

This rule is then universally applied to all income groups — with disastrous results

A new "Law of Rent" has emerged from empirical studies of low income groups in developing countries Far from spending a uniform 25% of income on housing, this law says the lower the income the higher the percentage spent on housing

In very simple terms, affordability is defined as that percentage of present income a person or family can afford to spend on housing The simplicity of this definition has been achieved at the expense of realism and is virtually useless in practical terms

The four salient components of affordability are cost, income, rent propensity and finance terms The inter-relationship between the four components can be translated into numerical terms

If annual income is 100% then rent propensity (per the old-fashioned definition) is 25% and maximum cost 300% (per finance terms of 8% interest over 25 years)

If objection is made to the finance terms on the grounds that they are unrealistic, the standard answers are to cut the cost of the house or to make people pay more out of their present income or simply choose a higher income target group

The static affordability concept offers no other alternative and is therefore becoming known as the "vicious circle of affordability" or "the low-cost housing dilemma"

It appears virtually impossible to break out of the vicious circle where most of the variables are given and where present income is taken as one of the starting points

Affordability must be understood not as a once-for-all entity but as it really is — namely, a dynamic and ever-changing magnitude

Cost of housing is not given if taken over time and a house is not a given entity once and for all The obvious breakaway point is to think in terms of self-built, improvable housing, such as site-and-service schemes

The initial cost would then only have to cover, land, services, planning and design — but little or no superstructure except for materials Already the costs have been split into immediate and future costs of about 40/60

All of the cost is not incurred from the start, and much of it is left to suit the individual's rent propensity over time through incremental consolidation

Income can be defined in almost as many ways as there are ways of making it A few examples

- ☐ Salary from employment, which changes from year to year;
- ☐ Rental income from rooms let to tenants or for a right to cultivate a piece of land or build on it,
- ☐ Profit on trading or sale of produce, houses, services, etc

Also there is the income created by capital appreciation on a piece of land or a house This income may not be in cash until one sells or borrows against it, but it is income just the same

All of which adds up to a very flexible and dynamic component, particularly if income from all the household members is included

Rent propensity is also difficult to lay a cool administrative hand on

First of all, rent propensity has to do with what people want to spend on housing, not what consultants, planners or politicians think they should be able to spend — or to afford

Thus we are dealing with something which at times can be as high as 45% and as low as 10%, depending on family size, age of head of household, tradition and location, other consumption priorities and income expectations

Present income does play a part in rent propensity — perhaps the most important one By actually plotting what households spend on housing compared with what they presently earn, it can be shown that the lower the income the higher the percentage of income spent on housing

What is even more interesting is the fact that if low income families increase their income they are likely to spend 50% or more of the increase on improved housing — if better housing is available

Finance terms are the real culprits of the housing dilemma

The most common method of providing housing finance is still the so-called "fixed annuity" type loan, which calls for equal, periodic payments of capital and interest

Since these loans normally run over a very long time the payments stay fixed, as everything else changes

This fact creates the well known situation of a potential buyer or allottee having to give up acquiring a house because the loan repayments are "un affordable" initially Later on they would present less of a problem, but the project never got off the ground

There are many other loan forms which are more appropriate If the house represents the security of the loan there should be no need to require a substantial deposit at the very start of the transaction, when legal fees and other charges are also due

The added security required by building societies in the form of a deposit could be taken care of by public sector guarantee or an insurance — or done away with through more competition in the finance market

To bring the concept of affordability more in tune with reality, one should look at the housing problem from the point of view of the user and his/her "willingness-to-pay"

For the potential house-owner the house is not only "shelter" It has several other attributes, such as symbol and expression of status, physical frame for a home environment, appreciating economic asset, security for raising finance and a base for income-earning activities, such as the sub-letting of rooms or for a business

It is therefore appropriate to refer to "user-value," which is the value the user will put on an asset whether he/she can afford it or not — that is, what it would be worth to him/he as a user or owner

It is quite evident that if there was a choice of different finance terms, the most popular would be those which best fit the borrower's income profile over the period of the loan

The user-value of a house financed in this way would therefore be higher The borrower would be prepared to pay a higher price for the house or a higher interest rate for the loan than for different finance terms

Experience shows that the more rooms provided, the more the housing scheme becomes affordable to those lower down the income scale

But more rooms will cost more to build? Of course, but as long as the rental income from these rooms is higher than the monthly payments on the extra cost/loan it is a viable proposition

But are rents per room as high as that? Yes in this case they are, due to the pressure on habitable space caused by the large and growing demand relative to supply of low income housing

Renting rooms is a source of income which makes a many-roomed house more affordable in the long-term for a low income earner than a one-roomed house

This changes the income profile of the borrower There are other ways in which these change over time or with the very acquisition of a house

For instance job seniority gives higher salary, automatic wage adjustments tied to inflation/cost of living, children leaving school and becoming net contributors to family income, improved earnings, fixed annuity loan on the house, leaving more for consumption or investment in a new or additional house

Thus it is clear that if re-housing to the user means extra income, all of that income (not just 25% of it) is likely to be spent on housing initially

To acquire this source of income — which, moreover, has a tendency to be inflation-proof — the allottee is very willing and often able to find extra money for a deposit and for the monthly payments

To conclude affordability is not static and inflexible but dynamic and subject to change by the housing process itself

These are the characteristics which must be exploited in the implementation of the housing policy so that the provision of housing for the poor becomes itself a generator of income

The figures drop, the expenses soar

REG RUMNEY reports on how it is possible for the Housewives' League to say inflation is down and for government statisticians to say it is up

STATISTICS do not necessarily lie — but they can be difficult to believe

The Housewives' League recently queried the reliability of the Consumer Price Index (CPI), the official measure of inflation

The CPI as a whole for June year-on-year (*ie* June 1986 prices compared with June 1985) dropped to 16,9 percent from May's year on-year 17,5 percent, and July's figure may also fall again

The League's magazine "Rands and Sense" quoted president Lyn Morris as asking rhetorically "Do they conduct their surveys where the South African housewife does her shopping?"

Morris is not the only one to be puzzled Everyday shopping experience does seem to conflict with the CPI's food index, which rose a trifling 0,3 percent in June, compared with May

In fact, the year on year rise in the food index was 17 percent — a full two percentage points down from May's year-on-year figure

No one is accusing the compilers of the inflation index, the government's Central Statistical Services (CSS), of rigging the figures

What may be happening is that the recent rash of special offers may be distorting the index

The CSS takes these into account (they are, after all, real prices), while it does not consider privately negotiated discounts

And shoppers who can and do consistently take advantage of these special offers will be able to keep their shopping costs down

They are not available everywhere, and not all of us do avail ourselves of them.

But aside from this, economists warn that while the year on year inflation figure might come down, inflation will not plummet

Those with an optimistic turn of mind may point to the low demand in the stagnant economy as an encouraging sign for lower inflation, but economists feel this is not enough

Standard Bank economist Nico Czypionka expresses "reservations about the downward trend'

Cost pressures are popping up all over, he says, citing the co-op's putting up the prices of canned food and a maize pricing structure that in effect means a monthly increase

This is aside from the increased costs, because of a relapsed rand, of any number of imported items

Low demand has forced all parties, at retail and producer level, to be very conservative in their increases, but there are now pressures on profitability, companies cannot absorb losses forever

He stresses that we are still talking about double digit figures for inflation

Nedbank economist Ian Macfarlane says the CPI figure for July may drop, but he too believes because of cost-push pressures, the long term trend is by no means down

In fact he believes the inflation figure could be higher by the end of the year

Firstly the deterioration of the rand has to be taken into account

Then, too, profit margins of companies are under severe pressure

Inventory levels are at historically low levels and the cost of restocking at high prices will add to inflationary pressures

In its latest Guide to the Economy, the Nedbank Group Economic Unit put it this way "Until recently almost all signs pointed to the inflation rate declining in the months ahead The indirect impact of the petrol price reductions had yet to be felt, and further cuts in the price could not be ruled out

"The policy of keeping administered prices below the rate of inflation was expected to help and the indirect impact of the appreciation of the rand earlier this year also had yet to be felt.

However, the recent uncertainty in the foreign exchange markets and the fall of the rand, particularly against third currencies, may make producers reluctant to pass on the benefits of the earlier appreciation

A further drop in the petrol price can also now be ruled out unless the currency again improves '

The Nedbank report concludes "There is a real danger of inflation rising again next year Unit wage costs could rise rapidly Emigration has depleted the ranks of skilled workers in an environment where there is already a pent up demand for larger wage and salary increases "

In any event, in inflation South Africa is now far out of line with the industrialised nations (for the moment, its major trade partners)

South Africa's double digit inflation contrasts with West Germany's incredible minus 0,2 percent, Britain's 2,5 percent, Japan's 0,5 percent and 1,6 percent in the US

It's small consolation that our inflation rate seems to have avoided the hyper inflation trap which Bolivia's February rate of 2 356 percent represents

The grand world recovery misses its deadlines

The oil price fall last year was meant to lead to a world economic recovery by the middle of 1986 So what happened? CHRISTOPHER HUHNE reports from London

THE oil price fall was meant to be good news. So what has been going wrong?

Confident forecasts that growth would pick up in the first quarter were confounded, hopes were postponed to the second quarter

With weak second quarter results being reported around the world, the famed recovery is being postponed again, to the third quarter and beyond

The story is broadly similar in all the main Organisation of Economic Co-operation and Development (OECD) countries in France GNP rose only 0,3 percent in the first quarter with manufacturing output down, in West Germany, GNP is provisionally estimated to have fallen 1,7 percent in the first quarter Ironically one of the best first quarter figures was put in by Britain with 0,7 percent growth, but it looks as if the second quarter may offset that good news with little or no growth at all

Some of this is bad luck that West German figure, for example, was in part due to the 40 percent fall in construction work during the first quarter

But there are other, more deep-seated factors at work, too It is certainly too early to write off the recovery, as some market pessimists are doing, but the chances of turning it into a good old-fashioned boom are waning by the day

The first point is surely that the world recovery was looking none too healthy when the oil price fall began at the end of last year, which is one reason why the fall began

There was no real secret why the recovery was running out of steam The first and most important factor was that its most robust engine for the past few years, the United States, was paying for much higher growth than the rest of the world by an expanding and ultimately unsustainable current account deficit as it sucked in the world's exports

If there was some sign of the other big economies picking up the baton, any slowdown might have been averted But they did not. Indeed, real interest rates were, if anything, creeping higher

In this context, the oil price fall merely made the forecasts of steady growth more robust As the club of the developed countries — the OECD itself — pointed out, its forecasts were not revised upwards by much, but the downside risks which attached to those forecasts were a good deal less

What almost every forecaster overlooked was the way in which the oil price fall would affect people The losers — the Arab sheikhs — would have to cut back their spending quickly unless they were prepared to run into debt The gainers, by contrast, could savour their real incomes rising in the bank before rushing out to spend.

Evidence that this is exactly what has been happening comes from the trade figures, notably from countries like France, which have traditionally done well in the Organisation for Petroleum Exporting Countries' (Opec) markets French exports fell in February and March, and were still 5,2 percent below the level of last June.

The other factor is probably an element of business destocking Businesses have been trying to reduce stocks both by meeting demand from the shelf, rather than from increased output, and by cutting back on their purchases of raw materials and fuels

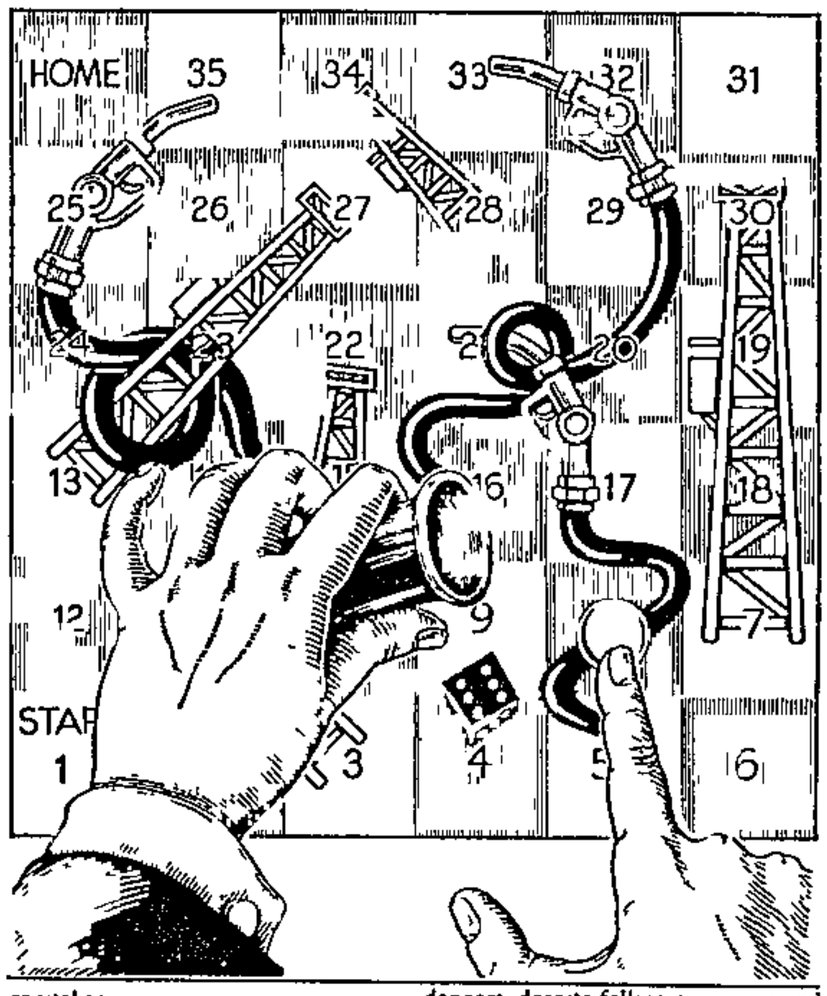
The first element of destocking probably reflects high real interest rates

The second element — postponing the purchases of materials — is more difficult to explain As the London School of Economics points out, this was a feature of the falling price "pauses" during the inter war period it made sense for businesses to hang on before making purchases because they expected prices to fall further

So we have enough explanations for a growth pause in the first half of the year what next? The first signs are beginning to appear of the upturn in consumers' spending which most forecasters see as the main motor of the post oil price fall recovery But these signs are pretty small

The broad pattern of effects is thus still in place personal real income growth may at last be beginning to feed into higher sales, and this will, in turn, be reflected in better output — possibly quite quickly, since the cushion of stocks is relatively low

This should in turn encourage higher business investment as capacity use gradually increases It is already high in some countries such as West Germany and even Britain, where long recessions have led to a lot of capital scrapping



The chance of turning the oil price fall into a real opportunity for a boom has almost certainly been muffled One of the most disappointing features of this year has been the sluggishness internationally of investment, and the evidence of pessimism from business surveys

That is certainly one reason why the Americans have been impatient with the low-inflation countries with large trade surpluses — Germany and Japan — which could have done much more to boost their economies and pump private demand, particularly investment

The real downside risk in this scenario is that the United States is forced by the recalcitrance of its external deficit and the pressures on the dollar to restrain its imports through a sharp slowdown in US growth It wants to see faster growth in the rest of the world so its deficits can be reduced by increasing its exports rather than cutting its imports

In Japan, a reflationary package is likely, but the finance ministry still appears to be demanding spending cuts, which is not the right way to go And the Germans forsee inflationary dangers, despite falling consumer and wholesale prices

The one serious side effect of the oil price fall was its effect on oil exporting Third World debtors like Mexico, Venezuela, Nigeria and Indonesia

The deal between the International Monetary Fund and the Americans on one side and the Mexicans on the other is a pronounced break with the deflationary packages which have become traditional IMF medicine it spells out that Mexico gets more cash if its growth stalls, or if the oil price falls

On balance, we are on course for a not very dazzling recovery as the rich world's consumers begin to spend their real income gains from high wage rises coupled with low or negative inflation — Guardian

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The HP/leasing industry perks up

SIGNS of recovery are beginning to appear in the hire purchase and leasing industry as banks report increased volumes of finance for motor vehicles

Wesbank said business volumes started to recover this month

Senior GM Neville Nightingale said trading volumes in new and used cars had picked up

Most of the general banks bread-and-butter business is the provision of finance for motor vehicles to consumer and corporate clients

A Nedfin spokesman confirmed the trend He said the bank had experienced a significant upturn in demand for finance for used and new cars in the last month

Barnib MD Viv Bartlett said the bank had experienced a 20% growth in new business in the last month on a month-to-month basis

He said "We expect to have a record month in September in terms of sales of

STEPHEN ROGERS

cars, plant and equipment Furthermore, our total volumes for the year to August are significantly higher than in the same period last year"

Bartlett attributed the upturn in car sales to deferred replacement demand and the finalising of the perks tax Act this month

He said "However, we have also noticed a more positive attitude coming through in the business community

"Although we anticipate more growth in the months ahead, the leasing/HP industry is coming off a low base and, with the recent tax changes, is unlikely to regain the high growth rates of previous years"

(3) No Each department collects those statistics on education needed for its own purposes

(4) Yes Complete information systems for the collection of the statistics mentioned in (1) are being finalised at present This includes detailed specifications concerning the way in which these statistics should be collected Modern techniques are used to edit all the collected statistics carefully

(5) No

Israel: money from RSA

*3 Mr L F STOFBERG asked the Minister of Finance †

(1) Whether he or his Department is investigating or has investigated certain allegations about the flow of large amounts of money from South Africa to Israel during the period 10 to 17 June 1986 which were broadcast in a SABC news commentary programme on or about 18 June and further particulars of which have been furnished to the Minister's Department for the purposes of his reply, if not, why not, if so, (a) what is the name of the programme concerned, (b) who made these allegations, (c) what was the nature of the allegations and (d)(i) what steps are being or have been taken by his Department in this connection and (ii) with what result,

(2) whether he will make a statement on the matter?

The DEPUTY MINISTER OF FINANCE

(1) All applications by South African residents to transfer funds to foreign countries for investment and other reasons are submitted via the authorised dealers to the exchange control authorities for consideration

The exchange control authorities are therefore always aware of all approvals granted for the transfer of funds to foreign countries, and there is therefore no reason to direct an exhaustive investigation into the allegations made An approach to the Reserve Bank elicited that there was in any case no abnormal flow of funds to Israel during the period 10-17 June 1986

(a) Radio Today, Report by Peter Allan Frost from Israel on 17 June 1986

(b) A report in a local paper in Israel

(c) That investments in Israel by South African Jews had increased considerably during the preceding week or more

(d) (i) In accordance with the present more stringent measures to limit the outflow of capital from South Africa, applications made by South African residents to transfer funds to Israel and other countries both during this period and thereafter, have been strictly monitored

(ii) Falls away

(2) No

Salaries

*4 Mr D J N MALCOMESS asked the Minister of Transport Affairs

Whether the salaries of any employees of the South African Transport Services were increased as a result of occupational differentiation during the latest specified period of three years for which information is available, if so, (a) what was the highest rank in respect of which such increases were paid and (b) on what date did these increases become effective?

†The MINISTER OF COMMUNICATIONS AND OF PUBLIC WORKS (for the Minister of Transport Affairs)

No However, when salaries were adjusted in July 1984, market related salaries played a role and adjustment was made on a differentiated basis

(a) Assistant Director

(b) July 1984 pay month

*5 Mr D J N Malcomess—Constitutional Development and Planning [Reply standing over]

Telephone services cut off

*6. Mr P G SOAL asked the Minister of Communications

Whether telephone services were cut off in any areas on 16 June 1986, if so, (a) which towns, townships or areas were affected, (b) for what reasons and (c)(i) what was the longest period for which any such service was cut off and (ii) what is the name of the area concerned?

The MINISTER OF COMMUNICATIONS

It is not in the security interest of the State to reply to this question

Mamelodi: inquest

*7 Mr P G SOAL asked the Minister of Law and Order

Whether, with reference to his reply to Question No 4 on 6 May 1986, a date has now been set for the inquest into the deaths of the persons killed in Mamelodi on 21 November 1985, if not, (a) why not and (b) when is it anticipated that a date will be set, if so, what is that date?

†The MINISTER OF COMMUNICATIONS AND OF PUBLIC WORKS (for the Minister of Law and Order)

No

(a) The dockets concerned were submitted to the Attorney-General on 19 June 1986 for his decision

(b) The information is not known

Kidd's Beach

*8 Mr E K MOORCROFT asked the Minister of Education and Development Aid

(1) Whether land near Kidd's Beach was acquired for the residents of Mooiplaas and Kwelera by the South African Development Trust, if so, when,

(2) whether this land is to be transferred to Ciskei, if so, (a) why and (b) when, if not,

(3) whether the land is to be retained; if not, what is to be done with it, if so,

(4) whether any squatters are living on this land at present, if so, (a) on what basis and (b) what steps are to be taken in respect of these squatters?

†The DEPUTY MINISTER OF DEVELOPMENT AND OF LAND AFFAIRS (for the Minister of Education and Development Aid)

(1) The properties in Released Area No 64, District of East London, as well as the bordering land defined by Parliament in 1983 as an area in which released areas may be declared were initially earmarked as compensatory land for the Newlands, Kwelera and Mooiplaats areas The properties in Released Area No. 64 were mainly acquired during 1983/84 by the South African Development Trust

(2) (a) and (b) and (3) The Trust properties concerned remain under control of the South African Development Trust and decision about the future thereof will be taken later.

(4) (a) and (b) Except for the communities at present on Good Hope and Need's Camp no squatters are resident on the Trust land concerned.

Doctors double income every four years

DOCTORS who charge at the scale of medical aid benefits (or guaranteed fee) are doubling their income every four years, the Representative Association of Medical Aid Schemes (Rams) says

This came out yesterday after an urgent meeting between Rams and the Medical Association of SA (Masa) to discuss a proposed 20% hike in doctors' fees

Rams' spokesman Tony Leveton says the same doctors are over-servicing at an alarming rate and earning more than doctors who charge in excess of the scale of benefits

He says "Medical aid schemes have appealed to doctors to think again about their planned 20% fee increase.

"We urged Masa to reconsider its 1986 adjustment to fees and to support Rams in its effort to find and implement effective cost containment measures."

Leveton says doctors are dispensing 35% more medicine this year compared with 1985

He says "Our objective in talking to Masa is to try and stem runaway costs and to solve the financial crisis in the medical aid movement"

MICK COLLINS

The rise in the frequency of services and the marked jump in subsequent consultations was causing grave concern

Leveton says "The white sector — which accounts for most medical aid members — first or member-induced general practitioner consultations are running 7% higher than in 1985

"But subsequent consultations ordered by doctors are 65% higher than last year — which indicates a major problem"

The tendency to over-service in the form of subsequent consultations had resulted in a massive 132% increase in the gross income of general practitioners who charged at the scale of benefits

Pay hike for 90 000 nurses on the cards

CAPE TOWN — About 90 000 nurses and paramedical staff are to benefit from "salary structure adjustments" backdated to September 1, the Minister of National Health and Population Development, Dr Willie van Niekerk, said yesterday

Much of the increase would be used to establish parity in pay for various population groups, he said

Special allowances for staff employed at psychiatric hospitals and in intensive care units, as well as additional payments for night duty, would be effective from the same date

Replying to questions at a press conference here, Dr Van Niekerk said it was impossible to give actual figures or percentages of the increases as these were still being calculated

However, details of the improvements had been conveyed to the "institutions concerned", which were implementing them as quickly as possible

● Dr Van Niekerk also told representatives of medical aid societies that the government was prepared to look at changes to the legislation affecting medical aid schemes, if these were required

He said his discussions with the representatives had aimed at establishing the facts about recent subscription increases

"The main fact being that increases have not been 20 per cent across the board," Dr Van Niekerk said

Another fact was that when viewed as a percentage of salary, the public's contributions had hardly risen over the period 1971 to 1986 However, a major increase had occured in black medical aid subscriptions

The minister had told the medical aid representatives the government viewed the issue as a private sector matter, but naturally had an interest in it — Sapa

'Brake' on municipal salaries

Pietermaritzburg Bureau

THE City Council yesterday accepted in principle that all municipal staff posts be frozen and a 'firm brake' be placed on salaries

The motion, tabled by Councillor Rob Haswell, was referred to the Management and Finance Committee for a policy to be formulated 'within the framework of the motion'

Mr Haswell said he believed this would be a meangingful way in which to show that the council was doing its 'level best' to curb increases and the council owed it to the city's ratepayers

Mr Haswell said in his notice of motion that there was widespread concern over the high cost of municipal services in the city

'But there appears to be little hope of even maintaining, let alone reducing, our water, electricity, sewerage and refuse charges'

The motion was carried by eight votes to three

Maxwell was called in by the organ- AP

PSA to seek rises for men at the top

10/9/86 (28 Bus Day

THE Public Servants' Association is to press for increases for managers in line with those granted to political office-brearers and directors-general of State departments

PSA president Colin Cameron told the association's congress in Durban yesterday that government workers earned every penny of their salaries

The PSA dared not object to big rises in politicians' and directors-generals' pay.

It had be accepted their work input and level of responsibility was objectively determined and that their salaries were in harmony with those in similiar positions in the private sector.

It was appreciated that for finacial

GERALD REILLY

reasons it was not possible now to pass on similiar benefits to other ranks of management in the pubic service but this would have to be done as soon as possible

Because of this the dictorate of the PSA had decided, in its representations to government, to lay emphasis on the extension and maintenance of professional differentiated salaries

Cameron also stressed the need for timely general salary adjustments to compensate for inflation and to prevent a backlog

The PSA had long ago accepted the principle of market-related salaries for government workers. The significance of market related was, however, not defined Was it 5% or 10% below the market or should it be above the market?

This was an aspect that demanded intensive scientific study.

Cameron said he had emphasised before the key role played by public servants in total managements in a national context

He said public servants had often done more than their share under extremely difficult personal circumstances. They had proved to be a bulwark of stability in the midst of uncertainty and instability.

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — SEPTEMBER 8

Gold

Govt workers claim massive pay backlog

Public servants likely to demand 15% rise

DEMANDS on government for pay increases of about 15% are expected to be made by the Public Servants Association (PSA) before the year's end

At the PSA annual congress in Durban yesterday, it was decided to ask government to make funds available for general salary increases from April next year

Government workers claim a huge pay backlog has built up over the past two years and that dissatisfaction in the service is rife

They say their earnings were frozen in the 1985/86 financial year and they were granted meagre 10% increases in the current financial year, against an inflation rate in excess of 15% in each of the two years

PSA president Colin Cameron says salaries must be kept abreast of those in the private sector, particularly under current conditions when an economic upturn has started and staff poaching could again become a real problem

Referring to the huge increases granted politicians and State department director-generals, Cameron indicated demands would be made for similar adjustments for public servants in management slots

GERALD REILLY

However, PFP public sector spokesman Reuben Sive said there was no basis for comparing the earnings of legislators with public servants Comparisons could not be used to justify big pay hikes for government workers.

Sive said about a third of the national budget was spent on public sector earnings Government workers must realise, he said, funds for their salary adjustments were not unlimited

Cameron also lashed out yesterday at State pensions critics and said the payouts were adequate but not excessive

Cameron said the three-day congress had put the delegates' minds at rest about the prospective privatisation of certain government activities

'It was clear the whole privatisation programme is being handled in a very circumspect way'

He said government had a stated policy of privatising some of its activities, particularly those that had major economic components

Referring to prospective Regional Services Councils (RSCs) and the restructured provincial governments, Cameron said the congress had decided to ask the authorities that uniform service conditions be established in current and new structures

PFP finance spokesman Harry Schwarz said yesterday that lowering pensionable age limits in the public service would not solve the overstaffing problem, reports NORMAN SHEPHERD

Reacting to a report that government was considering extending the option to retire earlier to certain civil servants, Schwarz said staff should instead be rationalised, and their ability to buy back service reviewed

Lowering pensionable age-limits had failed to create jobs in West Germany, he said, where job continuity and task familiarity had suffered A loss of skills had also resulted

Inflation has beaten 'everyone'

Mercury Correspondent

JOHANNESBURG—The gap between salary increases and inflation is yawning wider with workers of all race groups, for the first time, trailing the inflation rate by 5,8%

'This gap is the worst in memory,' said Jane Ashburner, manager of the remuneration division of P E Corporate Services, a large business consultancy

The shock results emerged yesterday when P E released its 1986 general staff salary survey

Since the date of the survey, the Consumer Price Index has risen to 18,2%

The survey, undertaken from data provided from more than 1 000 organisations employing approximately 1 200 000 staff of all race groups, showed that the overall percentage increase in basic salary levels for all race groups for the period June 30, 1985, to July 1, 1986, was 11,1%

The CPI for the same period was 16,9%, reflecting the 5,8% lag

Looking at the cumulative increases against the cumulative inflation rate over the past five years, the survey showed that no one had kept pace with inflation

The cumulative CPI for this five-year period is 97%. Blacks came the closest to this with a cumulative wage increase of 91% They were followed by Asians at 90%, coloureds at 80% and whites on the lowest rung at 73%

'Salaries have not kept pace with inflation for the past 10 years in the case of whites,' said Mrs Ashburner

The cumulative percentage pay increase for the past 10 years for whites is 199,3%, against a cumulative CPI for the same period of 255,0%.

Referring to the high cumulative increases for blacks, she said their averages were pushed up in the boom years of 1981/82 when abnormally high increases were granted in attempts to close the wage gap

'Most people don't want to move there' — survey

Cape Herald 22 March '84

HOW do the people who are living there — or might have to move there — feel about their "New Home" or Khayelitsha, so named by the Community Council?

Jenny L, a 26-year-old nurse and mother of two young children had moved there from Langa, said "I lived in Langa with my parents Nine of us shared a four-roomed house

"Because we were so crowded, I asked the Board if they had accommodation for me They sent me to Khayelitsha I had no choice Where else could I go? If I could choose, I wouldn't live here"

That's the view of one resident. What do the folks back in Crossroads think?

"I do not like Khayelitsha There is no chance of making the same kind of living there as we are doing here

"I sell anything I can to educate my children. My children have no background in Khayelitsha And it is very healthy here in Crossroads."

QUESTIONS

The speaker is a 53-year-old Crossroads man, one of a group of people who were asked what they thought about moving to Khayelitsha Asking the questions was a group of people taking part in the Second Carnegie Enquiry into Poverty and Development in Southern Africa, which is now in full swing

Almost half of the sample group of 373, were against moving — and only nine were willing to go

Fifty-three houses were randomly chosen at Crossroads for the purpose of the survey towards the end of last year

The preliminary report concludes that since the "recent conflicts" in January it is quite likely that many more residents will be prepared to move to Khayelitsha

REASONS

But, at the time, residents were largely against the move. The most frequently offered reasons for saying so were.

- the distance from shops, schools and work, and the cost of transport,
- high rents,
- the fact that people wouldn't be able to earn their living from homecrafts and home industries as they have been doing at Crossroads;
- the move into two-roomed houses at Khayelitsha would disrupt the close-knit family structures at Old Crossroads;
- Old Crossroads, sprawling over the landscape, has a sense of community which would be lacking in the enclosed, carefully controlled sandy spaces of Khayelitsha and
- the fact that Minister Koornhof's promises of rehousing in proper structures at New Crossroads, KTC and Old Crossroads have not been carried out.

OBJECTIONS

Other objections to the move were.

- "No It is too far. I want to build a proper house here (Crossroads) We are very worried we will be moved to New Crossroads and have to pay those high rents and water bills," said a 52-year-old night watchman who has been living in Crossroads for eight years.
- A woman who sells second-hand clothes and chickens was dead against moving She said simply "No, there is nothing to sell there."
- Her views were echoed by a 62-year-old in the same line of business, who said. "I cannot live there because the small things which I make money out of, the apples, fish ... they are not allowed there."

ACCOMMODATION

One person who *did* want to go was a 65-year-old lodger who said yes, "if the accommodation is good."

But perhaps the most telling comment is the simple statement of a 53-year-old man who had been living in Crossroads for the past eight years: "It is far away from everything"

...CONT

swer to poverty in an apartheid society was simply to raise wages or improve housing

Professor Ellis's involvement in the Carnegie inquiry was inspired by the Club of Rome's book, Limits To Growth, and the increasing application of mathematics to social problems.

Housing

When he returned to UCT from Boston University in 1974, he immediately began grappling with South Africa's "tremendous housing needs".

A founding member of UCT's Urban Problems Research Unit, he co-authored the book, Low Income Housing Policy For South Africa, for the unit.

The Carnegie Inquiry is being conducted by UCT's South African Labour and Development Research Unit (SALDRU) under the direction of Professor Francis Wilson.

The inquiry, funded by a R500 000 philanthropic grant from the Carnegie Corporation of New York, involves around 200 separate probes being conducted throughout Southern Africa.

Conference

It aims at focusing public attention on the scope and causes of poverty, and outlining ways to fight it. The results of the surveys are to be presented at a conference at UCT next year.

The original Carnegie Commission (also known as the Poor White Commission) of 50 years ago was hailed as the catalyst for a major advance in South African social thinking.

It was greatly instrumental in helping the Government of the time get to grips with the "Poor White" problem of the 1930s Professor Wilson hopes that the current inquiry will have a similar effect

Researchers put unemployed at 4-6 million

Every second black worker may be jobless

By PHILLIP VAN NIEKERK

SOUTH AFRICA is facing a massive social disaster with between four and six million blacks out of work, according to estimates by two researchers at the University of the Witwatersrand

Professor Jeremy Keenan of the Department of Social Anthropology and Michael Sarakinsky, a post-graduate student, say half the country's economically active blacks could be unemployed

In a "Memorandum on Unemployment", they say that income levels have declined and poverty has increased dramatically since 1976 in black households

The estimates could have explosive implications for the sanctions debate, where one of the main pegs of the anti-sanctions lobby has been the threat of black job losses

Unemployment is also often cited as one of the main causes of the civil unrest which has burnt across South Africa for the past two years.

Many of the jobless are locked into the burgeoning squatter cities on the periphery of the metropolitan areas

These include Onverwacht, Winterveld, Crossroads and Khayelitsha, KwaNdebele and the shanty towns which ring Durban and Port Elizabeth

Keenan and Sarakinsky accuse the South African government of minimising the unemployment levels

They say the exact level of black unemployment is unknown because of the "appalling lack of reliable data".

In their memorandum they dismiss as "ludicrous" the most recent official figure of black unemployment, which stood at 519 000 in June 1986

The authors base their figures on the pioneering work into unemployment done by Charles Simkins at the University of Cape Town in 1977 and 1981

In 1977 Simkins estimated there were 2,3-million unemployed, while in 1981 he revised his calculations and estimated there were two million unemployed

Simkins made his calculations before the recession began in the early Eighties, wiping out jobs in many industries and leading to a levelling off of growth in employment

Jobless figures may reach 6-million

Keenan and Sarakinsky use the World Bank's estimate that there — the authors estimate — there are up to an estimated overall range of between 4,8-million and six million

From PAGE 1

250 000 new workers reach the job market every year and that 250 000 jobs have to be found if unemployment is to remain static.

However, the authors say, there are a number of factors — such as the under-enumeration of the population — which lead them to believe the estimate is in fact conservative.

The authors quote figures from the Central Statistical Services which show there was a net decrease of 16 000 jobs in the modern sector of the economy between 1977 and 1985 and a decrease of 181 000 between 1981 and 1985.

In the independent homelands, also excluded from the CSS figure, the authors estimate that since 1977 an extra 1,1-million people have joined the unemployment scrapheap in the unemployment sector of the Transkei, Bophuthatswana, Venda and Ciskei.

Simkins — of the University of Cape Town's Department of Economics — said yesterday he had given up talking of gross amounts of unemployed because the government's statistical information was so poor.

Their estimate is based on an estimate of 1,8-million unemployed in these areas, two-thirds having become jobless since 1977.

"I do not intend to leap in with a new figure," he said. "But if you added on everyone who has joined the labour force since 1981 to my 1981 figure, you would have a figure well in excess of three million"

Added to Simkins' base figures and the other estimates, they say, this adds agriculture [illegible] excludes

Gap between pay hikes and inflation hits an all-time high

JOHANNESBURG —The gap between salary increases and inflation has widened to an all-time high with increases for all race groups lagging the inflation rate by 5,8 per cent, according to the results of the 1986 General Staff Salary Survey.

The survey was released yesterday by the remuneration division of P-E Corporate Services SA (Pty) Ltd.

It was undertaken from data provided by over 1 000 organisations employing approximately 1 200 000 staff of all race groups, and showed that the overall percentage increase in basic salary levels for all race groups for the period June 30, 1985 to July 1, 1986 was 11,1 per cent.

The Consumer Price Index (CPI) for the same period was 16,9 per cent, reflecting the 5,8 per cent lag.

"This gap is the worst in memory," said the manager of the division, Miss Jane Ashburner. The picture became even more dismal, she added, when one considered that since the effective date of the survey, the CPI had risen to 18,2 per cent.

The lag in salary increases started in 1983 and had continued at an alarming rate ever since. As inflation had been spiralling, companies had been restricted from granting significant increases by the severe financial restrictions they had been operating under.

Until 1982, the CPI had been used as one of the most important guides when determining salary and wage increases. "Forces of circumstance have now dictated, however, that companies' financial results be the prime measure taken into consideration when determining increases," she said.

The survey showed that whereas last year the lowest movements were recorded for whites, this year coloureds received the lowest salary increases at 10,4 per cent. However, the movement for whites was not far ahead at 11,0 per cent.

Blacks moved from the top position in the salary and wage increase stakes to second place behind Asians The salary movement for blacks was 11,3 per cent while that for Asians was the highest of all race groups at 11,6 per cent Last year blacks received 12,3 per cent and Asians 10,7 per cent.

Miss Ashburner said the fact that increases for other races had come closer to those for whites indicated that the sociopolitical factors that had largely determined wage increases for non-whites in the past had generally been shelved and replaced by the hard economic realities brought about by the recession.

Looking at the cumulative increases against the cumulative inflation rate over the past five years, the survey showed that no-one has kept pace with inflation.

The cumulative CPI for this five-year period was 97 per cent Blacks came the closest to this with a cumulative wage increase of 91 per cent, followed by Asians at 90 per cent, coloureds at 80 per cent and whites on the lowest rung at 73 per cent.

"Salaries have, in fact, not kept pace with inflation for the past 10 years in the case of whites," said Miss Ashburner.

The cumulative percentage pay increase for the past 10 years for whites was 199,3 per cent against a cumulative CPI for the same period of 255,0 per cent — Sapa

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Blacks' standard of living has not improved — researcher

By Reg Rumney

A leading academic researcher has disputed the idea that blacks' standard of living has improved during President P W Botha's "reform" era.

Professor Jeremy Keenan, of the University of the Witwatersrand, says this "predominant rhetoric" is based on State data which he questions

"The thrust of the State's argument has been that black earnings have increased significantly since the beginning of the economic upswing which began in 1978 and which lasted 44 months before peaking in August 1981 after attaining a 7,9 percent increase in GDP in 1980

"Central Statistical Services figures," Professor Keenan says, "show that real African earnings rose by 75,3 percent between 1970 and the end of this economic upswing in 1981, or by 5,5 percent a year compared to 0,2 percent for whites.

"Similarly the African share of total income is shown to have risen from 19,81 percent to 29,0 percent over the same period while the white share dropped from 71,7 percent to 61,5 percent"

Professor Keenan says these figures are misleading "These and similar data were used to buttress the prevailing ideology that economic growth, through various forms of 'trickle down', benefits all sections of the population," he says

"But," he adds, "during the 1978-1981 upswing, unemployment continued to increase.

"And unlike the first half of the 1970s, when African earnings did increase significantly .. the 1978-1981 upswing was characterised by a real increase in African earnings of only 11,3 percent — far short of the 5,5 percent per annum for the decade as a whole

"'Earnings' as measured by the CSS, include not only wages, but all allowances, bonuses, overtime, as well as the contributions of employees to pension funds, medical aid schemes and so forth In short, 'earnings' are not much different from 'labour costs'.

"Most of the 11,3 percent increase in African earnings between 1978 and 1981 was accounted for by increased employer contributions to pension funds and increased overtime"

Professor Keenan says data on the racial distribution of income is equally misleading It is based on the "incomes of recipients of income" It ignores the "non-recipients" of income, the unemployed, whose numbers more than doubled during the 1970s

"In other words, if we look at the distribution of income on an absolute basis we see that both black per capita real income and the black share of net national income either remained constant or may in fact have declined during the latter half of the 1970s"

Pay rises will be higher in next year — survey

Star 29/9/86

Average pay increases over the next 12 months should climb to about 12,6 percent compared with 11,1 percent over the past year

This is the prediction of PE Corporate Services

But there will be wide variations, depending on the job category and the particular business sector, and the vast majority of pay packets will still trail behind the rate of inflation

The following tables examine the forecasts made in a nationwide survey that invited predictions from more than 1 000 employers which between them have labour forces of 1,2 million workers

- 1 Projected raises by job category and race group, showing the percentage of workers likely to fall into particular increase brackets
- 2 Sector by sector, the percentage of companies that forecast the pattern of the increases they have in mind
- 3 The table follows the track record of percentage increases in basic salaries over the past decade — and compares them with climbs in the consumer price index

TABLE 1

EMPLOYEE CATEGORY	SALARY INCREASE RANGES PREDICTED						
	Less than 5%	5,0% to 7,5%	7,5% to 10%	10% to 12,5%	12,5% to 15%	15% to 18%	Over 18%
Top Management	—	2	7	56	26	8	1
Senior Management	—	3	10	54	27	6	—
Middle Management	—	2	11	52	29	6	—
Salaried Staff							
White	—	2	13	54	24	7	—
Asian	—	3	12	47	30	8	—
Black	—	3	10	48	27	11	1
Coloured	—	2	14	47	29	8	—
Hourly Paid							
White	—	2	16	40	26	16	—
Asian	—	—	13	33	36	16	2
Black	—	1	11	33	32	20	3
Coloured	—	—	14	34	32	18	2
Artisans	—	1	11	46	32	10	—
OVERALL AVERAGE	—	2	12	44	31	10	1

TABLE 2

INDUSTRY	SALARY INCREASE RANGES PREDICTED						
	Less than 5%	5,0% to 7,5%	7,5% to 10%	10% to 12,5%	12,5% to 15%	15% to 18%	Over 18%
Primary Production	—	4	26	37	31	2	—
Mining	—	2	9	67	12	9	1
Materials Manufacture	—	—	16	63	13	8	—
Construction	—	2	48	48	2	—	—
Industrial Equipment Manufacture & Supply	—	—	4	62	20	14	—
Consumer Goods Manufacture	—	—	10	39	42	9	—
Distribution	—	3	7	40	47	3	—
Service Industries	—	—	2	53	29	15	1
Financial Institutions	—	—	2	40	44	13	1
Non-Profit Organisations	—	2	19	59	20	—	—
OVERALL AVERAGE	—	2	12	44	31	10	1

TABLE 3

PERIOD	Whites	Asians	Blacks	Coloureds	CPI
1976/77	7,3	17,1	16,7	13,2	10,6
1977/78	8,2	10,5	28,1	13,9	9,2
1978/79	10,9	12,4	13,2	14,5	13,5
1979/80	16,4	17,1	13,8	18,2	14,6
1980/81	15,6	22,1	24,6	14,3	14,5
1981/82	14,6	24,2	20,3	18,0	14,4
1982/83	12,3	12,1	13,6	12,3	12,8
1983/84	10,0	10,3	11,6	11,5	12,4
1984/85	9,9	10,7	12,3	10,3	16,4
1985/86	11,0	11,6	11,3	10,4	16,9
1976/86	299,1	394,5	457,4	358,9	355,0

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Pay hikes will trail inflation

Squeeze on living standards to stay

JOHANNESBURG — The average rise of pay packets will increase over the next 12 months by about 12,6 per cent, the heftiest rise in five years for many workers, according to a business survey released yesterday

There will be wide variations depending on the business sector and race group and the bulk of wage and salary increases may still lag behind the climb in inflation, meaning a sustained squeeze on living standards

P-E Corporate Services, which invited predictions from more than 1 000 companies with combined labour forces of about 1,2 million, also cautioned that the precise level of increases may hinge on the fulfilment of promises of a modest economic revival

The average pay increases of 12,6 per cent forecast in wage reviews over the next 12 months — many of them timed for the year end — compared with 11,1 per cent between mid-1985 and mid-1986

However, the head of the P-E remuneration division, Miss Jane Ashburner, found that employers predict the average pay rises for white workers, which have trailed behind the surge in the consumer price index for five years on the trot, may be no better than 11,2 per cent

The average increases for black workers, which soared to nearly 25 per cent in the 1981/82 boom and steadily shrank to 11,3 per cent over the past 12 months, should swing back upwards to 13,9 per cent

"Analysts may at first sense a closing of the wage gap," cautions Miss Ashburner "But in fact the gap is widening A 10 per cent increase on R2 000 is R200. A 10 per cent increase on R500 is R50"

The survey indicates average increases of 12,1 per cent for coloured workers and 11,7 per cent for Asian employees

Taking all race groups and job categories into account, most of the rises will be in the 10-15 per cent bracket — 44 per cent of them between 10 and 12,5 per cent and 31 per cent of them between 12,5 and 15 per cent — Sapa

Nurses 'restive' over pay parity

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By Michael Tıssong

There was to have been parıty ın nurses' salaries by September 1 Because thıs had not happened the nursıng professıon was becomıng restıve, saıd Dr Abu-baker Asvat, head of the health secretarıat of the Azanıan People's Organısatıon (Azapo)

Hospıtal Servıces spokesman Dr P C Hauptfleısch saıd yesterday that the decısıon on nurses', salarıes was taken by the Cabınet

In February, the Transvaal MEC for hospıtals, Mr Daan Kırsteın, saıd parıty would cost the provınce R14 mıllıon

Mınıster of Natıonal Health and Populatıon Development Dr Wıllie van Nıekerk saıd earlıer thıs month that when parıty was ıntroduced, ıt would be backdated to September 1

Another Government spokesman saıd parıty would be ıntroduced "before the end of the year"

Dr Asvat saıd "It ıs ımperatıve that the authorıtıes unequıvocally state when and how equalısatıon ıs goıng to be ımplemented"

Salaries to rise by 12,6% on average

JOHANNESBURG—The average rise of pay packets will increase over the next 12 months by about 12,6%, the heftiest rise in five years for many workers, according to a business survey released yesterday

There will be wide variations depending on the business sector and race group and the bulk of wage and salary increases may still lag behind the climb in inflation, meaning a sustained squeeze on living standards

P-E Corporate Services, which invited predictions from more than 1 000 companies with combined labour forces of about 1 200 000, also cautioned that the precise level of increases may hinge on the fulfilment of promises of a modest economic revival.

Trailed

The average pay increases of 12,6% forecast in wage reviews over the next 12 months — many of them timed for the year end — compared with 11,1% between mid-1985 and mid-1986

However, Miss Jane Ashburner, head of the P-E remuneration division, found that employers predict that the average pay rises for white workers, which have trailed behind the surge in the consumer price index for five years on the trot may be no better than 11,2%

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'Analysts may at first sense a closing of the wage gap,' cautions Miss Ashburner, 'but in fact the gap is widening'

The survey indicates average increases of 12,1% for coloured workers and 11,7% for Indian employees — (Sapa)

South Africans getting out of debt

GERALD REILLY

SOUTH AFRICANS were paying off their debts at an increasing rate and fighting shy of getting too deeply involved in credit buying, said Dun & Bradstreet marketing director Paul Edwards

However insolvencies had sharply increased in the past three years. Edwards said a downward trend in the numbers being summoned for debts was emerging for the first time in months

It appeared consumers had learnt a lesson by playing fast and loose with the easy credit available two to three years ago The trend was supported by the ratio of savings to disposal incomes.

It was apparent that people were paying more into savings accounts, rather than increasing their credit commitments.

It was significant, too, that consumers appeared not to be abusing the ample credit available at commercial banks and financial institutions

Another indication was that HP lending in the first half of the year was down in the figure for the same period last year In August 63 572 debt summonses were issued compared with an average monthly total last year of 67 750

This year's peak was in April when 74 450 summonses were issued Edwards said the number of debt judgments were slightly down in August — 31 884 compared with a monthly average in 1985 of 33 250.

This year's peak was in April at 37 663. The amounts involved in the judgments were also falling

In August the total was R58,703m down from a peak of R71,303m in July The average monthly figure last year was R47,916m

Upswing appears under way

Sharp rise in spending by consumers

GERALD PROSALENDIS
Economics Editor

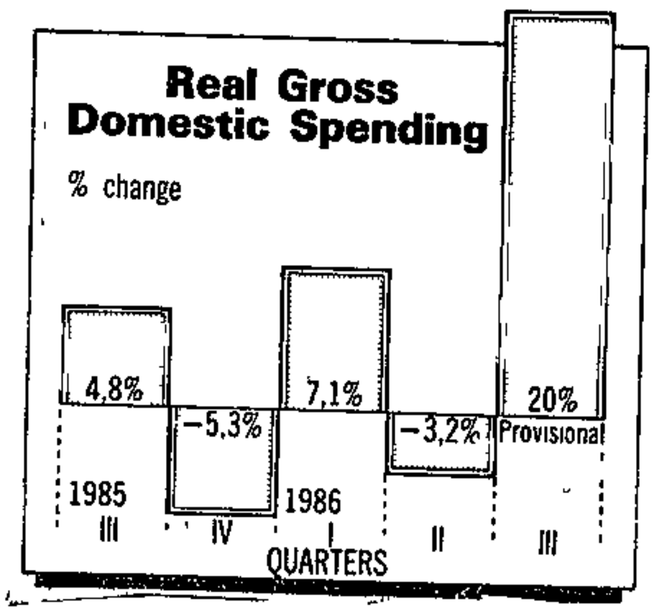
REAL gross domestic expenditure (GDE) increased at a staggering annual rate of 20% in the third quarter of the year, confirming that SA's economic upswing, which stumbled in the first half of the year, is now well under way.

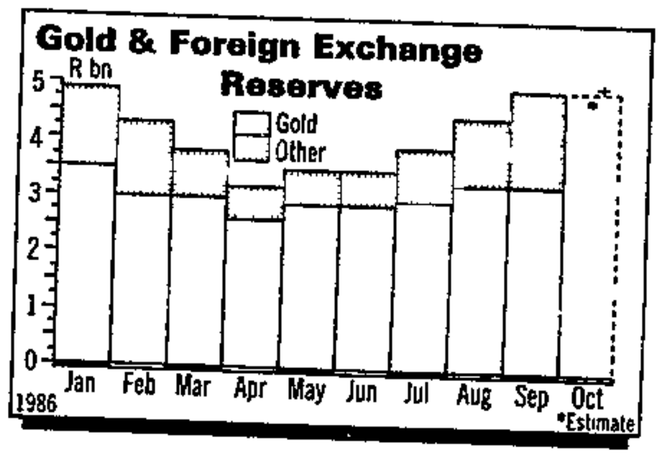
"The increase in GDE reflected a reversal of the drawing down of inventories of earlier quarters and a mild further recovery in private consumer demand," says Reserve Bank Governor Gerhard de Kock.

And manufacturers of durable goods, such as clothing and household furniture, are reporting sharply higher sales A fading consumer boycott has added impetus to the trend, they say.

For example, Edgars, the consumer-based clothing retailer, pushed up sales by 24% to R423m (R341m) for the 26 weeks to September 28. MD Vic Hammond says consumer spending has revived strongly, particularly in the black market.

Real gross domestic product (GDP)





increased by 2% to 3% in the third quarter, according to preliminary official estimates. Also, the rate of decrease in real private fixed investment decelerated in the third quarter.

"Real gross fixed investment by government and public corporations stabilised at a fairly low level after severe cutbacks in capital programmes in the first half of the year," says De Kock.

Other developments which point to the recovery gathering momentum include:

☐ The announcement by Sats of a net surplus of R94m in the six months to September and a R200m profit reversal, compared with the same period last year. It now expects to turn last year's R367m loss into a R150m profit over the next six months

☐ Wholesale sales in 1980 prices, which declined until May, increased in the subsequent four months. In September, wholesale sales were 10,5% higher than in May, but were still 8,9% lower than in the same period last year.

☐ Retail sales declined for the first seven months of the year, but recovered somewhat in August and September. In September, they were still 5,4% lower than in the same period last year.

☐ In September, new motor vehicle sales were 18% higher than in March, but were

● To Page 2

Rise in consumer spending

● From Page 1

still 12,9% lower than in September last year.

□ The value of imports increased substantially in the third quarter, according to official estimates This, however, was partly because of fears of trade sanctions But the value of gold and other exports increased considerably.

□ The Reserve Bank's gold and foreign exchange reserves increased to R5bn ($2,3bn) at the end of September Preliminary estimates put the figure for October even higher

□ SA's trade surplus rose to R1,55bn in September, after rising to R1,12bn in August from R994,2m in July In a surprise development, the Commissioner for Customs and Excise included the breakdown of world trading zones and 22 categories of imports and exports, which had been omitted from the statement for August At the time, this was widely interpreted as a move to make it easier for SA to circumvent trade sanctions

SA is now well-placed to handle any rise in imports resulting from growth and demands for repayment of debt by foreign bankers

"It is ironic that the third quarter — the period in which both the European Community (EC) and US imposed new sanctions — has turned out the best for the economy and the balance of payments for some time," says De Kock

"Nevertheless, there is little doubt that the combination of capital outflow and sanctions will prevent the upswing from gaining as much momentum as it might otherwise have done and will retard economic growth in SA in the longer term," he says

Despite the improved outlook, the authorities have scaled down projections of GDP growth for the year to less than 1%

Study pinpoints the workers' cash problems

By DICK USHER
Labour Reporter

WORKING-class households on the Cape Flats are confronted by seemingly insoluble financial problems

This conclusion has been reached by Mr Wynand Louw of the University of Western Cape in a study in Manenberg, Mitchell's Plain and Crossroads of the need for advice offices and financial services

Political suppression and economic exploitation had led to a highly structured class society where the vast majority had little or no access to the legal system, and there was a dire need for financial and legal community-based action and aid, he said

Advice offices were the link between the citizen and the law They could also suggest that there were remedies and not only problems He proposed an advice-office trust to

- Act as a network agency between existing advice facilities,
- Provide initial finance for newly established offices, and
- Compile and distribute training and educational material.

Money shortage

The study showed the main areas of financial problems budgeting, rent, water and electricity, hire-purchase, medical aid, unemployment insurance, income tax, fines, funeral insurance, pensions and savings.

"The dominant problems in all three sample areas are intimately related to chronic shortage of money A variety of other money-related problems were ranked relatively high by all three sample areas," said the study

"If the severity and range of these problems are seen in the context of a generally low level of formal education present in the working class (which in itself often results in difficulty in coping with life's daily demands) it becomes obvious that a need for advice does exist in these communities"

Although the study recognised that the difficulty of family budgeting was directly related to inadequate income and poverty and there was little an outside agency could do on that level, it was also possible to advise and educate people on managing and spending available income

"The problem is, however, that so many households have virtually nothing to budget with once fixed expenditures such as water and electricity and rent are paid"

Hire-purchase

Several abuses of the hire-purchase system were found

In many instances it was the only alternative available to the working class to buy expensive but necessary household commodities and served an important social function in the overall enhancement of life

But 36 percent of respondents said they had experienced problems and a need existed to advise people on how to avoid over-extending themselves and to assist customers with problems arising from irregularities

Possibly because people were embarrassed about discussing difficulties, hire-purchase problems could be seen as the most effectively concealed financial problem area in working-class communities

A particularly high 69 percent of people in Mitchell's Plain — where sub-economic rents are significantly higher than Manenberg and Hanover Park — said they had rent problems

Black earnings falling

HOSTILITY among blacks to the free-enterprise system is likely to become a long-term, structural problem in South Africa — unless the economy grows fast enough to accommodate the burgeoning unemployed and school-leavers

This prediction was made by Johannesburg Consolidated Investment economist Ronnie Bethlehem at the Assocom conference

Dr Bethlehem told delegates that real income per capita in SA, calculated from Reserve Bank Quarterly Bulletins, had dropped by an astonishing 12% between 1980 and 1985

He forecast that under sanctions and no economic growth, blacks' income as a percentage of the economy would decline from 36% to about 20% in the next 10 years or so

"Thus we will have a large body of people condemned to deprivation and we will never be able to solve the confidence problem

"The attitudes of blacks towards Marxism-/socialism will not be changed under these circumstances This one of the most compelling reasons why the SA economy must grow at reasonable rates over the longer term"



Ronnie Bethlehem warning

BUSDAY

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20/10/86

Salaries don't match the CPI

WORKERS at all levels are still way behind in the money stakes, compared with their US counterparts.

And, overall, salaries for all race groups are not keeping pace with the consumer price index (CPI).

Taking US salaries as a 100% base, gross salaries in SA for foremen, supervisors and sales representatives amounted to 64%, and net salaries to 56%.

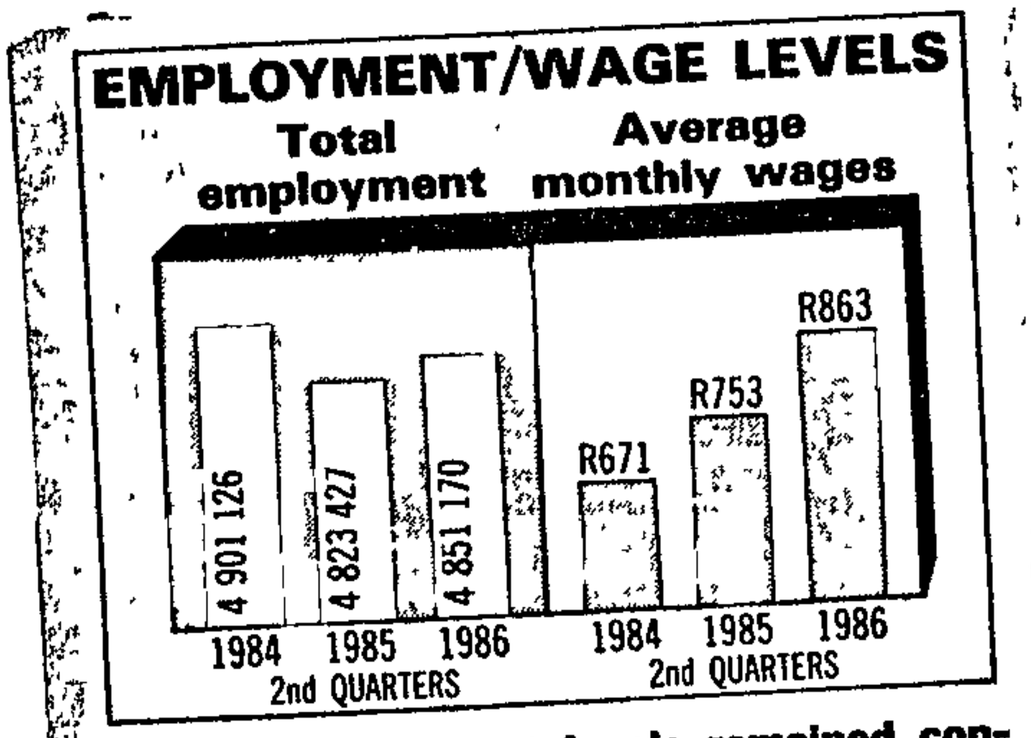
Figures sourced to the SA-German Chamber of Commerce and Industry show that on the senior executive/director and general-manager level, gross salaries were 64% and net salaries 50% less than those paid in the US.

Salaries in SA increased from July 1, 1986 by 11,1% over a one-year period. However, the CPI increased by 16,9%, leaving a gap of 5,8%.

Cumulative increases in the CPI over the last five years amounted to 97%. In this period, black wages increased by 91%, Asian by 90%, coloured by 80% and white by 73%.

The lower-income group showed an inflation rate of 19,1% for August, the middle-income group 19,2% and the higher-income group 18,3%.

As a reflection of falling living standards and lack of confidence, consumer spending continued to drop in August.



Overall employment levels remained constant in the second quarter of this year, while average wage levels showed a 14,5% improvement on the corresponding 1985 quarter.

Latest government figures show 4 851 170 people in paid work at the end of June, a 0,3% decline on the first quarter but up on the 4,82-million in work at the end of June 1985. The figures show employment figures have remained steady between 4,8-million and 4,9-million since 1983.

The average monthly wage/salary at the end of June this year was R863, compared to R753 the previous year. In real terms, however, it represents a decline. Based on constant 1980 prices, that R863 translates to R388, compared to R399 in June 1985.

Govt wins against unemployment

GERALD REILLY

GOVERNMENT'S fight against unemployment is making some impact on the problem, labour authorities claim.

And in Pretoria yesterday, Manpower director general Piet van der Merwe provided figures which seemed to support the claim.

So far R885m has been allocated to job creation, training, food aid, small business development and unemployment insurance.

In the current financial year, R160m has been allocated for job creation and another R75m for training unemployed workers.

In the small business development category in the year to March, 27 818 job opportunities were created or maintained, and between April and June another 14 853.

AD FOCUS

Income, not culture defines what consumers seek to buy

A CULTURALLY determined market would imply that products and product categories followed cultural lines and, that in communicating the product benefits, the marketer must appeal to the culturally specific. But, argues PAUL ZULU, a senior lecturer in Social Science at Natal University, consumption is a function of economic status. This is an abridged version of a paper delivered by Zulu at last week's Marketing Mix conference — "The Black Component — A Part or Apart".

WHILE there is no denying that elements of a culture do impinge on habit, product choice and inclination, I would argue the so-called culturally based products are an insignificant minority within the universe of marketable products, and that access in terms of money and exposure creates a product culture which is basically a response to the economic circumstances of the consumer.

A critical examination of sub-cultures in the townships reveals a correlation between their emergence and social deprivation originating from either political or economic exclusion

☐ **Consumer behaviour, marketing and culture:**

Both consumer behaviour and marketing starts with the "givens" as natural. At best they manufacture consumers through advertising and promotional strategies, at worst they reinforce the existential situation of consumers.

For instance, in the absence of electrification, people in Soweto use coal.

A typical advertisement designed for this reconstituted market would portray a husband and wife window-shopping for coal stoves, since this represents "African culture in the townships"!

☐ **Class and culture:**

Irrespective of the definition of class, consumers adapt purchases to their pockets The working class suffers from limitations both in terms of buying capacity and access to opportunities, including access to media.

This narrows choices and leads to a working class culture Consumption is geared towards low-cost products. And middle-class consumption patterns differ not because of any inherent attributes, but because of economic means.

But the determining factor of race in SA mediates between consumption and access. If Africans spend relatively more on conspicuous consumption, and Indians live in extended family housing and operate family businesses, the explanation lies not in the culture of the two races but in the laws which constrain their access to and opportunities for investment.

☐ **Culture and communication:**

I will make a few observations that emerged from involvement in three projects which sought to elicit African perceptions of financial and industrial corporations

☐ African respondents read political messages in the sponsoring of sport by some corporations;

☐ Africans deplore racially or ethnically-based advertising and see it as political manipulation,

☐ Any marketing communication perceived to be furthering racial exploitation will elicit a negative response.

The reality of marketing is that it is fast becoming a negotiated practice where the dialogue starts in the marketer's consciousness of the environment within which he operates, but must increasingly take into account the consumer's definition of the environment.

Schoeman rules out pay rise for SATS

Transport Reporter

Railway workers had a very strong case for salary increases, but the financial position of the South African Transport Services (SATS) precluded this "at this stage", the Minister of Transport Affairs, Mr Hendrik Schoeman, said yesterday

In a statement issued after his meeting in Pretoria yesterday with the Federal Council of SATS trade unions, Mr Schoeman admitted that the salaries of SATS employees did not keep pace with the cost of living

However, "the financial postion of Transport Services does not allow for a salary increase at this stage", he said

The Minister said he appreciated the way in which staff "brought their dues" to increase the productivity level of SATS in difficult times

Discussions with the federation concerning salary demands would continue

The federation represents 167 000 railway workers from nine unions, who have seen their salaries fall behind the cost of living and the inflation rate, have had their overtime and bonus payments cut to the bone and are threatened by further redunancies.

The federation had asked the Minister for a salary increase of 15 percent It lodged a 25 percent demand in October 1984, but was only granted a 10 percent increase early this year — in line with other public servants.

PUBLIC SERVICE

Railwaymen feel the public service is growing richer at the expense of SATS.

Last year the public service was granted more than R200 million for its job differentiation programme, over and above the notch increase granted annually to thousands of public servants.

SATS staff got nothing in 1985

Only 46% of Sowetans have work

SOCIAL turmoil and recession have hit Sowetans where it hurts most — in the pocket.

Figures, released at the weekend, show that only 46% of all Sowetans between the ages of 20 and 64 earned a salary in 1985.

This compares badly with the 67% who earned fixed incomes in 1970.

A survey conducted by the University of SA's (Unisa's) Bureau of Market Research questioned inhabitants about demographic characteristics and all sources of income.

The bureau's income and expenditures division head, Professor Johan Martnes, said that up to 1970 incomes a household showed a steady increase.

He said· "But from 1975 to 1985 there has been a drastic decline.

"People are now back to the same levels of income a household as in 1970."

The situation was largely blamed on unrest as continuing violence precluded entrepreneurs from investing and, as a result, job opportunities dried up.

The report said: "It is evident the economic circumstances of a certain group of Sowetans are causing frustration, whereas others are enjoying relative prosperity.

"On the basis of household size, an estimated 25% of Soweto households earned less than they needed to maintain their minimum living level in 1985."

In real terms average household income more than doubled from 1962 to the R9 624 level of last year.

Inflation outstrips pay rises by 5,8%

THE gap between salary increases and inflation is yawning wider with workers of all race groups — for the first time ever — trailing the inflation rate by 5,8%.

"This gap is the worst in memory," said Jane Ashburner, manager of the remuneration division of P-E Corporate Services

The shock results emerged yesterday when P-E released its results of the 1986 general staff salary survey

The picture becomes even more dismal considering that since the end of the survey in August, the Consumer Price Index (CPI) has risen to 18,2%

MICK COLLINS

The survey, undertaken from data provided from more than 1 000 organisations employing approximately 1,2-million staff of all race groups, showed that the overall percentage increase in basic salary levels for the period June 30, 1985, to July 1, 1986, was 11,1%

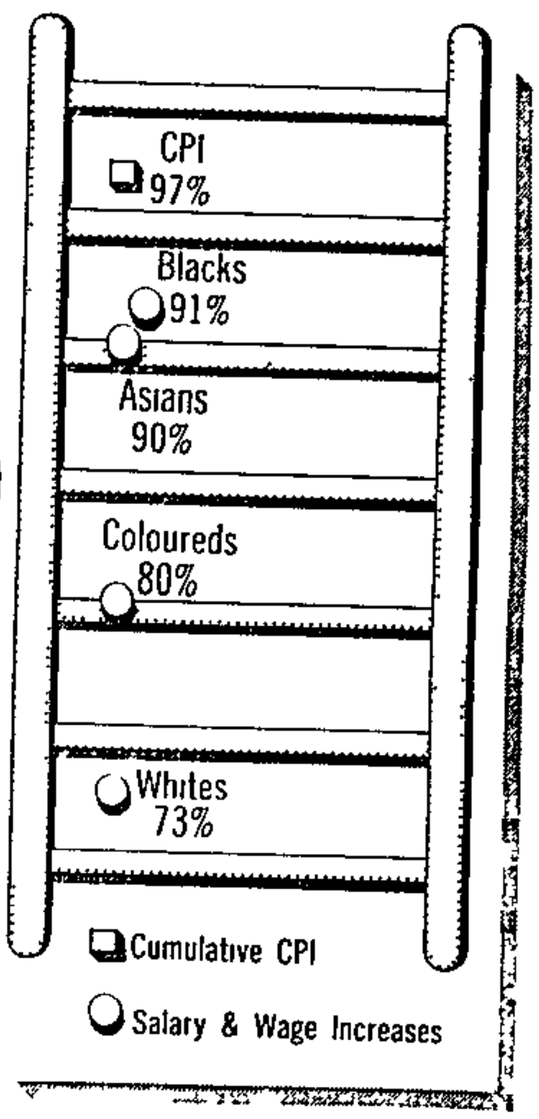
The CPI for the same period was 16,9%, reflecting the 5,8% lag

The cumulative CPI for this five-year period is 97% (see graph) Blacks came closest to this with a cumulative wage increase of 91% They were followed by Asians at 90%, coloureds at 80% and whites on the lowest rung at 73%

The cumulative percentage pay increase for the past 10 years for whites is 199,3% against a cumulative CPI for the same period of 255,0%

● See Page 10

WHERE WE STAND



$100m loan helps Escom projections

THE recently negotiated $100m, four-year loan to Escom from the Public Investment Commissioners (PIC) is believed to have helped the utility cut its funding projections for 1987 by R1bn to R3,4bn.

A spokesman for Escom said the reduction also follows the deferment of several capital projects.

The PIC released the $100m to Escom after successful negotiations between Escom and SA's foreign creditor banks. Maturing foreign loans caught inside the standstill net are paid into the PIC account if offshore bankers choose not to roll the loans with local borrowers

ALAN SENDZUL

Escom recently disclosed that it had managed to obtain a loan from the PIC, but this appears to be the first time the utility has brought these funds on to its books

Besides the PIC loan, Escom has obtained R375m in foreign capital this year in short-term European trade finance from export credit agencies And, the public corporation has continued to apply a policy of requiring foreign suppliers of specialist capital equipment to put up the finance for projects involving their equipment

Engineers, technicians top the pay-hike stakes

THE highest salary increases this year among whites were awarded to technical and engineering staff in the manufacturing sector, who got a 12,6% increase.

Results of a general salary survey conducted by P-E Corporate Services and released to *Business Day* yesterday show that the higher-than-market-average increases granted by the mining industry this year could have helped this category to come out tops

Manager of P-E's remuneration division Jane Ashburner said the lowest movement was recorded for personnel staff at 9,9%

"This is normal in recessionary times as the budget of the personnel department is the first to be raided in companies' attempts to cut costs"

Ashburner said the lag in salary increases started in 1983 and had continued at an alarming rate ever since

"This is due to the fact that inflation has been spiralling, while companies have been restricted from granting significant increases

MICK COLLINS

"Employees have suffered from a double blow

"Firstly, there has been an erosion of take-home pay and hence disposable income, due to these low increases and high taxes

"Secondly, there has been a decline in the purchasing power of their disposable income due to high inflation This spells one thing — lower standards of living," she said

Blacks moved from the top position in the salary-and-wage-increase stakes to second place below Asians.

The salary movement for blacks was 11,3%, while that for Asians was the highest of all race groups at 11,6%.

Last year blacks received a 12,3% increase, so they have taken a drop this year, while Asians have had a hike from last year's 10,7%

Ashburner said the higher percentage increases granted to blacks could be misleading in terms of closing the wage gap because the increases awarded were on lower average salaries and wages

"A 20% increase on R300 a month will put an extra R60 in a man's pocket, while a 20% increase on an average white salary of say R1 200 is an increase of R240

"In effect, then, the wage-gap is actually being widened."

The survey showed a reversal of last year's position on managerial and non-managerial staff increases.

Last year, managerial staff received a 9,7% hike, against a non-managerial 10,2%. This year the increases were 11,5% and 10,7% respectively

The industry sectors that seem to have a more buoyant outlook for next year are the distribution sector, the consumer goods manufacturing sector and financial institutions.

Here 47%, 42% and 44% of companies respectively predict increases of between 12,5% and 15%

"There is not going to be a dramatic change for the better next year, either in terms of a lower inflation rate or radically improved increases," Ashburner said

Pay rise talks soon

Dispatch Correspondent

PRETORIA — The public sector's battle for salary increases to match the inflation rate has started in earnest

The federation of Sats trade unions meets the Minister of Transport Affairs, Mr Hendrik Schoeman, here on Monday to demand an immediate 15 per cent salary adjustment — the balance of the demand for 25 per cent increases rejected by Mr Schoeman last October

The posts and telegraphs association has asked for a meeting with the Minister of Posts and Telecommunications, Dr Lapa Munnik, to discuss increases

The Public Servants Association will have discussions with the commission for administration later this month

Across the board general increases are certain from the start of the new financial year in April, but whether they will exceed 10 per cent is doubtful, according to Pretoria sources

A 10 per cent pay hike would mean increased Sats tariffs, even though Sats is expected to show a modest surplus at the close of the financial year, and higher post office charges

The Progressive Federal Party's spokesman on the public sector, Major Reuben Sive, estimates that the pay bill for central government workers, including police, prisons and SADF personnel, will soar above R6 billion for the current financial year.

Recovery 'held back by HP rate loading'

By Michael Chester

Many hire purchase consumers are still being forced to pay interest rates as high as 27 percent — double the prime rate charged by banks on loans and overdrafts

"Prime" has plunged from its 1984 peaks to as low as 13,5 percent, but many retailers still set HP rates at the legal maximum

The gap was revealed today by researchers at the Dun & Bradstreet business information service, which lists it as one of the main causes of current sluggishness in consumer spending, despite economic indicators which signal a recovery from recession

The current *Duns World* newsletter urges government intervention to enforce a lowering of the interest rate ceiling on HP deals

It says the stubborn sluggishness of consumer demand may look paradoxical in view of the over-supply of funds for lending

But several factors hold down demand

A NEW WARINESS

The list was topped by the high cost of credit Next came a new wariness among consumers not to fall into the over-commitment trap which caught many in the early 1980s

Many were still battling to service debt burdens they accummulated when spending ran way ahead of disposable income

The evidence was seen in the mounting value of civil judgments against individual debtors, which soared from R111 million in 1981 to R575 million last year and threatened to shoot above an unprecedented R700 million in the final 1986 count.

Wariness over debt, coupled with high interest rates, could hold the value of hire purchase debt and private loans at no more than 50-60 percent of 1984's R6 000 million peak

Other factors holding down consumer demand were uncertainty over the political situation and the threat of sanctions

Many consumers now felt it more important to build up savings

Star 7/10/86

Drivers starve on SA wages, says survey

CAPE TOWN — The minimum wages for most drivers are below starvation levels and their salaries have declined in real terms over the past 10 years, a University of Cape Town study has found

Drivers in all categories were compelled to drive for longer hours than people in similar jobs in Britain

These findings have been disclosed in a study released by UCT's Southern Africa Labour and Development Research Unit (Saldru)

They come in the wake of a growing concern about the number of accidents in South Africa involving trucks

The Saldru study shows that minimum wages, as laid down in industrial council agreements, for drivers of vehicles under 500 kg were all below the Supplement Living Level (SLL), determined by the Bureau for Market Research at the University of South Africa

The minimum wages of one-fifth of drivers were below 50 percent of this level "which is truly a starvation wage"

Only eight percent of the minimum wages for drivers of vehicles between 500 kg and 3 500 kg were above the SLL, while the minimum wages for 21 percent of drivers of vehicles between 3 500kg and 9 000kg were above the SLL, and 47 percent of those for drivers of vehicles above 9 000kg

The study says that since May 1976 "the percentage of jobs falling below the SLL has increased alarmingly for all categories of drivers, the percentage of jobs with wages above the SLL has decreased in all categories, while the number of jobs with wages less than 50 per cent of the SLL has also increased in all categories"

The hours worked by drivers ranged from 57 a week to 42 a week, and 53 percent of the agreements specified maximum weekly hours between 44 and 46 hours a week

"Maximum weekly hours for South African drivers compare very unfavourably with those for drivers in Britain, where the range of ordinary hours is between 34 and 40 per week," — Sapa

(128) Bus. DAY 6/10/86

Black needs will change SA's face in the next decade

WILLIE HARRIS

THE numbers game is changing the face of SA in more ways than one. The black population explosion is expected to cause a surge of more than 4-million rural blacks into the country's major cities in the next decade — or thereabouts

The country will have to accept the existence of townships on an "informal settlement" basis around major cities

And government and the private sector are gearing up to face this challenge, although there is still a dearth of information on just what methods will be used

This *Business Day* survey contains a wide spectrum of opinions from people involved in meeting the problem — and it would appear that the key to the solution is the offering of "options" to blacks requiring shelter

The options are likely to range from minimum servicing — like a water tap for 20 families who will then be allowed to build their own shacks with whatever materials they can afford — through toilet-plus-tap and a small loan for R3 000 to R5 000 to buy specified materials from a central depot, to the construction of a "core" house of two bedrooms which can be added to as the homeowner can afford it

On the higher scale, for families with a minimum total income of R380 a month, the building societies are stepping in to help, with the Perm Building Society leading the way

During the past year, the Perm has lent nearly R150m to blacks and is lending at the rate of R25m a month The United Building Society is also coming on strong with loans of almost R100m during the same period

The Housing Trust, started by government with R400m as "seed" capital to encourage private sector finance, is still in the birth stages, but it appears that the existing financial infrastructure will be adhered to

The main problem is that 80% of the black population about to migrate to the urban areas can afford little or nothing in the way of housing, and shelter of some kind must be provided to avoid a dangerous social situation with health risks and rising crime.

Above all other considerations is the fact that housing is vital for political stability in such a massive rural-to-urban metamorphosis

Two other positive factors must be taken into consideration — the increased employment opportunities which will be created, and black willingness to play their part in the form of "Sweat Equity" — building their own shack, shelter or home by themselves

The "Sweat Equity" concept is illustrated in the article on the Daveyton development at Holfontein, but the necessity for installing infrastructures for servicing those areas will also provide job opportunities for contractors who will need to use heavy machinery in many cases, particularly in more up-market developments

But the question of affordability remains central, and in this area finance at rates lower than the present market rates, through subsidies of one kind or another, look to be essential

transport equipment

The latest trade balance increased by R1,12 billion in August on the previous month With the rand trading at US45c and gold around US$422 as the *FM* went to press, the outlook for this year's trade balance is encouraging. ■

GOVERNMENT FINANCES

Moving goalposts

One of the most oft-heard criticisms in official circles, for otherwise sound tax reform proposals, is that the effect on revenues is unknown While it would seem a tax reform programme and revenue estimates are two separate issues, it can hardly be said that Pretoria is anywhere near certain of revenues under its current tax system

The latest Reserve Bank bulletin notes that exchequer issues in the first quarter of this fiscal year (April to June) were 22,1% higher than a year ago Without details, the bulletin says this is "in accordance with the normal pattern of recent years "

But a fairly slow rate of increase was recorded in July compared to an "extraordinary high level of issues" a year before A further deceleration in August slowed the increase for the first five months to 15,8% This, says the bulletin, "only moderately exceeded" the 13,9% officially estimated increase

The bulletin also refers to the R1,5 billion economic package announced in June that analysts queried on details as to how the total was reached The bulletin refers to the same total but notes that revenues forgone by the measures total R250m and extra spending comprises R450m — totalling R700m

These amounts were financed by transfers from the Central Energy Fund and the Industrial Development Corporation, and not by a tax or budget deficit increase

But as the bulletin notes, exchequer *receipts* during the first quarter of the fiscal year were "substantially higher" than a year ago — 19,4% This is excused away by a substantial increase in gold mining revenue, owing to the rand's depreciation and "stable" gold price But a slower rate of increase in the next two months saw revenues increase by just 10,9% for the first five months of the fiscal year — below the official 13,1% estimate

The deficit for the first five months was R3,3 billion, R1 billion more than a year ago, or 85% of the annualised estimated R3,9 billion deficit The ratio a year ago computed at 75%, signalling a moderately more expansionary fiscal policy this year

Whether or not all this signals possible tax increases in the months ahead is anyone's guess But how the Margo Commission will influence the tax system should be known sometime this month

It is of note that Margo sent certain delegated commission members to run programmes on Revenue's high-powered computers — for revenue estimates What taxes were tested is unknown ■

BER SURVEY

Factory challenge

People may well expect housing to provide jobs and economic growth But unless new property is given away it assumes consumers, whether black or white, have sufficient means to secure tenancy It may be so in some cases, but surely not on a sufficient scale to "get things going "

So what about other sectors, manufacturing in particular?

As the Bureau for Economic Research (BER) says in its latest *Manufacturing Survey* "The South African manufacturing sector should be a major force in putting the



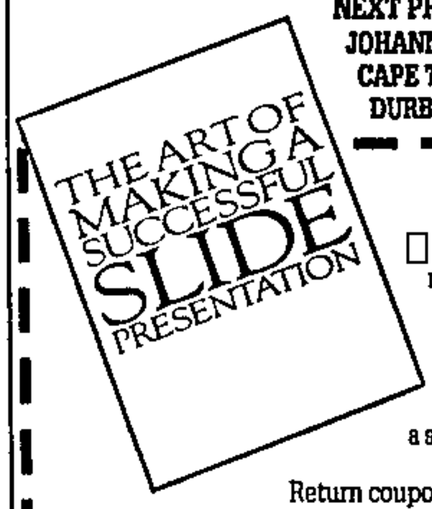
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COURTING LAWYERS

Webber Wentzel, probably SA's largest firm of attorneys, has signed an informal deal with Shepstone & Wylie that will have very definite formal consequences. The latest move marks Webber Wentzel's aggression in the booming financial services market: just last month it formed a joint venture multi-discipline company with accountants Deloitte Haskins & Sells.

Webber's 42 partners will meet regularly with Shepstone & Wylie's 18, and provide clients with access to offices on the Witwatersrand, and in Durban, Maritzburg, London, Luxembourg and other European centres Webber Wentzel practises in commercial and corporate law with detail in areas such as mining and minerals.

Shepstone & Wylie is acknowledged as SA's leading firm in maritime law and international trading, and will open a London office in conjunction with Webber Wentzel A senior Webber Wentzel spokesman argues that the tie with Shepstone & Wylie, described as a "pooling of resources," was motivated by "today's increasingly competitive business environment "

While many legal firms have come to rely on conveyancing fees for much of their fee income, accounting firms have stolen a march by rapidly diversifying into tax, international, computer and management consultancies The Webber Wentzel-Shepstone & Wylie tie-up may induce other colourful developments in SA's quiet but robust legal field

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Doctors are feeling the squeeze — MASA

Pretoria Bureau

Doctors are not as wealthy as is generally believed, the Medical Association of South Africa (MASA) said in Pretoria yesterday

Dr Rene le Roex, chairman of the association's federal council, said soaring practice costs were making it increasingly difficult for the private practitioner to render the best standards of health care

Rental of consulting rooms and costs of medical supplies, especially imported materials, were seriously affecting private practice, Dr le Roex said

At present, a general practitioner's practice costs account for about 64 percent of his gross income With a cost-intensive practice, such as pathology, these costs could top 80 percent

Since 1983, practice costs for general practitioners have increased from 52 percent of gross incomes to 64 percent The rental of rooms, which accounts for 15 percent of practice cost, has increased by 66 percent and the cost of medical supplies by at least 40 percent, MASA said

Allegations by medical aid schemes that doctors were doubling their incomes every four years were "devoid of all truth", according to the organisation

Chairman of the National General Practitioners' Group (NGPG) of MASA, Dr Douglas Gurnell, said he found it inconceivable that medical schemes could purport to be experts on doctors' incomes.

A spokesman for a financial institution which provides practice financing to doctors said there had been a significant increase in the number of doctors asking for assistance and advice

"We are aware of 11 doctors who have been declared insolvent during the first six months of this year," he added

Medical journal defends doctors

By Joe Openshaw, Medical Reporter

Payments to doctors amount to only about a third of the payout of medical aid schemes, according to an editorial in the latest issue of *The South African Medical Journal* (SAMJ)

Commenting on the wide-ranging increases in medical aid rates, the SAMJ says hospital stays and the cost of medicines are major cost factors

"If Press reports and TV interviews are to be believed, the whole medical aid movement is in danger of collapse Doctors are again cast as the villains of the piece and accusations of overservicing and exploitation of the sick have been widely disseminated by those with a medico-political axe to grind

"The Medical Association of South Africa (MASA) in particular has expressed great concern that should the situation not be bought under control, many patients will will no longer be able to afford medical aid cover," says the SAMJ

"Although MASA will never condone the abuse of medical schemes by doctors, it must remain the prerogative of the individual doctor to decide what treatment would be in the best interest of the patient "

The journal says MASA cannot and will not accept that medical aid schemes are qualified to decide on the need and the indications for medical care and on particular procedures

The loser in this kind of tussle, says the SAMJ, can only be the patient

(128) (BB) Bus Day 1/10/86

GERALD REILLY

Medical schemes say no to doctors

THE Representative Association of Medical Schemes (Rams) has declined to grant doctors an increase in the 1987 scale of benefits.

The Medical Association of SA (Masa) is upset by the decision because it is shortsighted and will be to the ultimate detriment of the public, says Masa federal council chairman Dr Rene le Roex

Rams' recent allegations against the medical profession were clearly an attempt to influence public opinion to justify the decision not to grant a fee increase, he said yesterday

Le Roex said about 80% of doctors charged medical-scheme tariffs and not those recommended by Masa. Because of uncontrolled cost-increases, doctors could be compelled to charge the higher tariff to make ends meet

This meant patients would have to pay, out of their own pockets, the difference between medical-scheme and Masa tariffs

While the state had committed itself to privatisation, the private practitioner was finding it increasingly difficult to provide the best health care standards

A general practitioner's practic costs accounted for about 64% of h gross income. In cost-intensive pra tices, the amount could be 80% more, he said

In January, Rams granted overall increase of 12,5% in the sc of benefits The previous adjustm was 8,8% in July 1984

Surge in Reef retail sales

Rent boycott sparks boom in spending

RETAIL sales are being boosted by between R60m and R80m a month because of the rent boycotts in black areas throughout the country.

Economists say the boycott is effectively a massive subsidy to the black consumer

The huge cash injection into the economy is said to be as high as R400m and is money which should have been remitted in rents

Blacks have withheld rent in 54 townships nationwide and retail executives report a direct correlation between rent boycotts and increased sales

Reef retailers, while reluctant to release exact figures, say sales have risen by 10%-20% in real terms in the past six months.

Checkers MD Clive Weil explains: "Blacks do not put their money aside as more sophisticated consumers do. The (rent) money is being spent."

Edgars MD Vic Hammond says consumer spending is strong, particularly in black areas. Edgars recently increased sales by a massive 24% to R423m (R341m) for the 26 weeks to September 28.

Business Day Reporter

OK Bazaars sales director Ken Coote says it is difficult to quantify the effect of the rent boycott Still, he says, OK will show an increase in sales in real terms for the past six months — and he admits the rent boycott has played a role.

At Spar, volume is up 5% in real terms for the current six months compared with the same period last year. Spar executive-director Sidney Matus says turnover has been particularly high at stores popular with blacks

The rent boycott and a feeling of safety among black shoppers explains Spar's success, says Matus.

Mark Swilling, head of the University of Witwatersrand-based Community Research Group, conservatively estimates that black councils are losing R40m a month, but says he would not be surprised if the figure were closer to R60-R80m

Real gross domestic expenditure in the third quarter increased at a runaway annual rate of 20% and real gross domes-

● To Page 2

Councils lose out in boom

tic product by 2% to 3% in the third quarter.

Market research shows black spending has been on the upswing for six months Retail industry sources report blacks also feel more comfortable shopping in white areas since the state of emergency was imposed.

A private market survey on buying trends, commissioned by Checkers, confirms the boost in grocery sales since the rent boycott was imposed

Using 100 as a base figure, black spending jumped from 86 in February, 1986, to 109 by July

Private stockpiling by black buyers anticipating another consumer boycott has also spurred sales to some extent

Township unrest has provided an added boost for large retail chains as black shopowners have been reluctant to carry large stocks, fearing burglary and looting

● From Page 1

Metro Cash and Carry MD Cecil Smith says this has sent many blacks into white shopping areas with their rent money Metro expects to achieve its 31,5c share earnings target forecast and to pay an interim dividend of 6c

Meanwhile, the rent boycotts have led numerous tonwship councils to the brink of bankruptcy

In Soweto, where 94% of residents are not paying rent, town clerk Nico Malan estimates the council has lost R59m since the boycott began in June.

Tom Boya, deputy president of the Urban Councils Association of SA, explains "The fact that rent — the main source of income — has not been paid has rendered the townships ungovernable and has resulted in their collapsing"

CA Times 3/12/86

Plunge in whites' standard of living — report

Chief Reporter

A CONSIDERABLE lowering of living standards among urban whites in South Africa is reflected in surveys conducted in 1985 and this year by a private research firm based in Johannesburg.

A report on the surveys notes that while there has been an improvement in the past 18 months, where curtailment of personal expenditure is concerned, it is clear that most people "are still cutting back savagely on entertainment and recreation to try and beat the rising cost of living".

"This is still not good news for holiday resorts, restaurants, clothing or bottle stores. The latest poll confirms what their cash-books are telling them. Whites still don't have the spare cash to support them to the extent they once did."

The survey report says that this year, responses from a sample of 800 women and 500 men show that 57 percent of urban whites say they have slashed spending on holidays, 57 percent have cut down on eating at restaurants, 56 percent have reduced expenditure on clothing, 46 percent do not go to the cinema as often as they used to; 25 percent say they have cut down on liquor, 30 percent have reduced the hiring of videos, 32 percent have reined-in on hire-purchase commitments, 18 percent have lowered their accommodation standards, and 18 percent have reduced payments on insurance.

The managing director of the survey firm, Mr "Butch" Rice, says in summing up the report: "What a sad commentary on the state of the South African economy!

"If the whites are hard-hit, the penalties endured by the black communities must be surpassingly bad."

Business 6/11/96 (28)

Mass housing: affordability is bottom line

JANE STRACHAN

THE provision of affordable homes is a problem which has recently caught the public's eye.

Cynics might argue that the building industry and property developers are entering this market simply because they perceive it as the major future growth area of the property industry, but nevertheless it means much-needed research and development is taking place in the low-cost sector.

One thing which has been made clear is that traditional standards cannot continue to be applied if the homeless are to be housed — high Western norms are being imposed on a mass of people who are currently, in many cases, sharing makeshift shacks.

An indication of the change in attitude towards low-cost, alternative building methods is displayed by the building societies' willingness to be flexible.

At the SA Perm, for example, new guidelines on standards demand solid walling structure, acceptable foundations, safe roofing structures to SABS standards, access to water on site and an acceptable sewerage system. The society lends on a range of 14 innovative building methods.

Affordability is a primary concern at the bottom end of the market — while there are hundreds of schemes around the country with homes falling just within government's first-time-buyers subsidy limits, few projects are available from the private sector at a much lower level than this.

In recent months, however, a rash of new building products have come on the scene, showing that a home for about R10 000 is a possibility.

The problem now is to ensure these homes reach their intended buyers. This requires a new approach to marketing, targeting and sales techniques. It is advisable, for example, to offer a choice of self-build or professional erection methods.

Many of the new methods call themselves "DIY", but in fact would be difficult for the layman to assemble without assistance.

A point for the developer to bear in mind is that the low-cost buyer is often an unsophisticated person to whom innovative systems may not be acceptable. This buyer usually wants a home that doesn't look like a matchbox, but which generally resembles the conventional brick-and-mortar construction.

Some have recognised this. Turner Blocks, on entering the market, noted that the entrepreneurs missed, in their explorations, the question of acceptability of the new materials and ingenious methods of construction to the prospective owner.

Chris Sullivan, chief town planner for the Cape Divisional Council, believes traditional building materials and methods of construction will continue to be the predominant method for some time to come.

Ideally, he says, what is needed is a different set of standards that reflect different levels of expectations and affordability.

"At the lower end of the informal settlements there are continual improvements being brought about to the basic shanty," he commented at a recent seminar. "In fact, it is ironic that in the informal settlements there is a profusion of innovative applications of materials, systems and organisations."

Twice as many go broke

Post Correspondent

JOHANNESBURG — Personal insolvencies have more than doubled this year to the highest level since the Second World War.

The rate of insolvencies soared from 200 a month at the beginning of the year to more than 400 a month in October, according to statistics published in the October issue of Barnib's Industry Focus.

Barclays economist Mr Cees Bruggernmans said the decline in personal disposable income, unemployment and the high interest rates in previous years were the main factors behind the increase

Unemployment among whites, coloureds and Asians increased 16% from the beginning of this year to October from 70 000 to 81 000, while the unofficial number of unemployed blacks is estimated at four million

(128) CAPE Times 25/11/86

Real after-tax income '20% lower' than in 1980

Financial Staff

IN TERMS of spending power, real after-tax income per head of the population will be almost 20% lower this year than in 1980, the November Economic Spotlight, issued by Volkskas, points out

It says real income has gradually fallen every year since 1982, when it was 3,1% lower than in 1981

"Calculated accumulatively, it would appear that the real personal income per head of the population after taxation was approximately 11,2% lower in 1985 than in 1980

"It would appear that there will be a particularly sharp decline in real personal income after taxation in 1986

"This decline amounts to an estimated 9,5%, which means that the real income per head of the population will be almost 20% lower in 1986 than in 1980"

The bank says that according to available information the inflation rate for 1986 as a whole will be 19%

"This is higher than has been forecast until recently

"There are no short cuts to reducing the inflation rate

"However, there is no doubt that it must be forced to lower levels because it is an obstacle in the way of a sustained, satisfactory, real economic growth rate"

Volkskas forecasts that the rate of inflation will be lower in 1987, although "still undesirably high"

Cost-push factors should have a smaller impact, demand-pull factors are unlikely to come to the fore and the performance of the rand is expected to be more stable

Consumers are buying more freely

GERALD REILLY

CONSUMER spending is rising, particularly on furniture, domestic appliances, TV sets and jewellery, Central Statistical Services says.

Retail sales continued their upward trend at current prices with a seasonally adjusted increase of 0,5% from July to August.

Although retail sales at constant 1980 prices for August show a slight decrease of 0,7% compared with July, the upward trend which started in April continues.

Real retail trade sales for the three months to August show a seasonally adjusted increase of 1,2% over the previous three months.

'Poor will be poorer'

Cape Times 28/11/86

JOHANNESBURG — Sanctions will result in a transfer of wealth from South Africa's unskilled poor to the other nations of the world which have the commodities to replace SA goods squeezed out by embargoes

The poor and the hungry of Southern Africa are going to become poorer as a result of sanctions

This is the view of D T "Dammy" Watt, chairman of Rand Mines, one of the country's larger mining groups which employs about 100 000 people

He says in his latest annual statement to Rand Mines shareholders "We in the business community have been seeking to increase wages, to improve conditions of employment and to enhance the quality of life of unskilled workers, and thereby to achieve a more equitable distribution of wealth

"One of the most horrendous effects of sanctions will be to counter this redistribution"

He says that although the initial assessment of the economic impact of the sanctions already adopted appears to be minimal, it is nevertheless certain that they will result in the destruction of a large number of jobs

Watt says it is futile to believe that sanctions will expedite the reform process in South Africa. — Sapa

SA whites set for increased spending

The Argus Correspondent

JOHANNESBURG — There are signs that South African urban whites may be relaxing the grip on their purse strings which they were forced to tighten in the worst of their struggle with recession and inflation.

Most are still locked in economy drives to hold down spending, but not as severely as in the thickest of the gloom, according to the results of surveys by Omnichek researchers.

"Our latest surveys show that most urban white families are still cutting back savagely on entertainment and recreation to try to beat the rising cost of living," said Mr Butch Rich, managing director of the research unit

Improvement

"But there is a marked improvement compared with the extent of curtailment in personal expenditure we noted 18 months ago

"However, there's still little good news for holiday resorts, restaurants, clothing retailers or bottle stores

"Our new poll confirms what their cash books are telling them Urban whites still don't have the spare cash they once did"

Even so, at least there had been a modest shrinkage in the number of families cutting their spending to the bone

Holidays

- Families still slashing spending on holidays had dropped from 65 to 57 percent compared with counts made in June last year
- Those cutting back on buying new clothing items had fallen from 63 to 56 percent
- While 64 percent had cut their visits to the cinema 18 months ago, only 44 percent now gave trimmed back on the cost of tickets
- The number of white families cutting back on spending on liquor had dropped from 38 to 25 percent and on hiring home movies from 39 to 30 percent

Sad commentary

"It's still a sad commentary on the state of the economy", said Mr Rich "It's obvious there has been a considerable lowering of the quality of life in South Africa

"If the whites are hard hit, the penalties endured by the black communities must be dramatic."

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disease probe

Growth prospects 'uncertain' for SA

By Stan Kennedy

Despite welcome signs of economic recovery, prospects for sustained growth are uncertain because of the poor financial position of the average consumer, says Bankorp Trust's *Market Opinion.*

As a result of high inflation and previous higher lending rates, real savings have not increased enough to sustain consumption demand, it contends

Personal loans, even in real terms, are still high, and the average consumer has not been able to consolidate his position. Prices of durable and semi-durable goods have increased so much that the consumer's ability to replace them is limited.

Expectations of higher interest rates next year are not conducive to consumption spending and investment sentiment.

"While we believe that short-term rates could still decline by one to 1,5 percent, we feel these rates are probably at their lower turning-point.

"Future renewed demand inflation will, in an environment of increased credit extensions, resurgent economic growth and rising imports, lead to an increase in interest rates."

Excessive stimulation of the economy can be ruled out because of the balance of payments situation. A big surplus is expected, but much will be lost in capital outflows. Exports will have to be increased and imports contained

"Our current high inflation is disturbing. Purely in terms of economic activity and growth in the money supply, the inflation rate should be in the region of 10 percent a year.

"The extent to which imported inflation, via the decline in the value of the rand, has contributed to inflation is obvious."

Bankorp says low demand, depletion of stocks and postponement of replacing stocks probably contributed to the rand's decline still working its way through the system.

Excessive demand should place further pressure on prices.

Overall, the economy will start growing from its low base, and the initial recovery will be "very good". Thereafter, it can be expected that only moderate growth will take place.

Bankorp recommends buying gold shares in times of relative weakness, and says longer-term fundamentals favour a higher gold price

AHI calls for freeze

GERALD REILLY

A PRICE and salary freeze is part of the drastic action recommended in an inflation-fighting report commissioned by the Afrikaanse Handelsinstituut.

The report, compiled by Rand Afrikaans University economist Professor Geert de Wet, has been submitted to government and warns that a freeze could not be implemented without pain

Among other moves, the report urges government and the mining sector not to raise salaries for a "few years", unless this is justified by higher productivity

Requests for increases in administered prices, including electricity, water, transport, steel and petrol prices should be refused for three years.

Increases in agricultural product prices should not be routinely granted If the refusal to raise food prices caused serious problems in the farming industry, relief should be granted through subsidies, not through price hikes, it said.

The Public Servants' Association reacted sharply to the suggestion that government workers should have their salaries frozen

A senior spokesman said "Wipe out the big pay backlog, pay fully market-related salaries and significantly reduce inflation: then we can talk about public-sector salaries."

A spokesman for Finance Minister Barend du Plessis said the Minister had not yet seen the report and was, therefore, in no position to comment

The SA Agricultural Union had no comment on the report

Vaal unemployment soars

PRETORIA. — Soaring unemployment accompanied by a decrease in income characterised the Vaal Triangle during 1985, statistics from the University of South Africa have shown.

The average income of black households in the townships of Sebokeng, Evaton and Sharpeville amounted to R7 401 last year. A recently released report compiled by Professor Helgaard de Jager van Wyk of Unisa's Bureau for Market Research shows that in spite of a real increase of 6,7 percent since 1980, this is still 23 percent lower than the Soweto figure.

The number of people in each household has also jumped to an average of 5,54 people from 4,95 in 1980. This increase resulted in the income for each person falling by 4,8 percent.

With the deterioration in the economic situation of individuals, there is increasing unemployment. Only 66,5 percent of the potential male workforce was employed last year — a decrease from the 1980 figure of 81,6 percent.

1986

As white spending declines . . .

Black pockets 'getting fuller'

BLACK buying power is rising steadily and will overtake white spending in the second half of the 1990s, says Unisa's Bureau for Market Research director Professor Marius Loubser.

The narrowing gap is accentuated by black population growth of about 2,8% and white growth of 1%-2%.

Economists say latest figures show that shopping boycotts in pursuit of political aims have the latent power to harm the economy.

In 1970, whites' share of total spending was 67,8%, blacks' 23,3%, coloureds' 6,5% and Indians' 2,4%

By last year, whites' share had shrunk to 55,5%, while blacks' had increased to 31,8%, coloureds' to 8,8% and Indians' to 3,9%.

GERALD REILLY

Total personal disposable incomes amounted to an estimated R72,1bn last year — whites R40bn, blacks R23bn, coloureds R6,3bn and Indians R2,8bn

Between 1980 and 1985 total white spending fell by 0,5%, against a black increase of 15% and a coloured and Indian increase of about 20%.

By the year 2000, and based on patterns over the past 15 years, whites' share of total spending will amount to 42,5%, blacks' to 40,7%, coloureds' to 11% and Indians' to 5,8%, Loubser says.

Potential income growth among blacks, coloureds and Indians will increase with improving standards of academic and technical education, he adds.

IN BRIEF

Campaign for equal grants

AN UNEQUAL situation was perpetuated when government foster-care grants for blacks and whites were recently increased by the same amount, leaving grants for blacks at less than half that of their white counterparts

So said the Foster Care Action Group, which has submitted a report on the issue to Parliament

Insurers pass examination

THE highest qualification in the life insurance and pension industry has been achieved by 62 candidates who completed the professional examination set by the Institute of Life and Pension Advisers this year

The examination equips advisers to assist the public on all aspects of estate and financial planning

Church call to end boycott

NINE major church bodies yesterday called on pupils and students to end their boycott of education next year and asked the government to re-open schools now closed

The group, which included the Johannesburg dioceses of the Anglican and Roman Catholic Churches, called on pupils to return to school in 1987.

Charles Sebe renews row

CHARLES SEBE, the former Ciskei security chief sprung from jail two months ago, emerged briefly from hiding yesterday to renew allegations in a complex family political feud.

Sebe, Commander-General of State Security until he was jailed on terrorism charges in 1984, sparked a major dispute between Ciskei and neighbouring Transkei when he escaped.

His brother, President Lennox Sebe of Ciskei, accused Transkei of complicity Pretoria has sought in vain to mediate

Yesterday Charles Sebe called journalists from the Transkeian capital Umtata to a Press conference at a venue they were told not to disclose, and demanded his brother's resignation

Repeating denials of his brother's charges that he plotted to overthrow the Ciskeian government by force, Charles Sebe said "We (Ciskei) are under an unpopular President who imposes his will over our people"

He declined to answer directly any questions about his jailbreak, saying only "I simply walked out"

— Sapa-Reuter.

FIN MAIL 5/12/86 -

SHARE SCHEMES

Endangered species?

Share participation schemes are growing in popularity — despite severe tax treatment No fewer than 27% of 876 companies involved with PE Corporate Services' salary survey use share schemes. And the JSE's Tony Norton says practically every company in this year's listings boom has included a share scheme.

Share participation schemes, in their various forms, are open to double taxation. The sale of shares acquired under schemes is clearly taxed in some circumstances, yet confused by grey tax rules in others The main problem is the intention with which shares were acquired

If there is an intention to profit when the shares are sold, profits *may* be taxed But if the "profit" is deemed to be of a capital nature, it is tax-free. The profit versus capital problem has been resolved in, for example, the US, where profits are of a capital nature if the shares are held for a certain period

Share schemes are considered of utmost importance by remuneration experts, as an incentive linked directly to overall performance. This is notwithstanding the disadvantages — for example, extraordinary efforts by an individual may be nullified by extremely poor economic conditions, or other factors beyond individual control.

PE's statistics show that executive incentive schemes (share schemes are just one) are most popular among manufacturers and suppliers of industrial equipment (77%); financial institutions and mining (both 67%); and consumer goods manufacturers (63%). Incentive schemes are least popular in construction (27%) and primary production (8%).

Overall, 43% of companies offer incentive schemes. Profit-sharing is the most popular, used by 45% of such companies Profit-sharing is most commonly linked to budget targets, but also to return on investment, assets, and total earnings Discretionary rewards based on managerial judgment are also popular (15% of companies). Share schemes are used by 27% — 11% share options and 16% share purchase loans

For many years, share schemes survived tax laws and indeed increased in popularity. But now the taxman has turned a malevolent eye on them, with increasing reports of queries on share sales. In a recent case in the tax

a book of standard by-laws to facilitate privatisation and deregulation. Such a rule-book would simplify the efforts of private enterprise in taking unproductive work away from government.

RSC levies are easy to condemn from an economic viewpoint A low-markup store is assessed on the same basis as a high-markup business Levies cannot be deducted by a business running at a loss which is not, therefore, paying tax. And capital-intensive business is favoured over those emphasising use of labour. ■

White spending in decline

Between 1980 and 1985 total white spending in South Africa fell by 0,5 percent compared with a black increase of 15 percent and a coloured and Indian increase of about 20 percent, says a report from Unisa's Bureau for Economic Research by Professor Marius Loubser

The report says black buying power is rising strongly, and could overtake white spending in the second half of the 1990s

Last year total personal disposable income was an estimated R72,1 billion, with whites accounting for R40 billion, blacks for R23 billion, coloureds for R6,3 billion and Indians for R2,8 billion

In 1970, whites' share of total spending was 67,8 percent, blacks were on 23,3 percent, coloureds 8,8 percent and Indians 3,9 percent

By the turn of the century, based on more conservative patterns over the past 15 years, whites' share of total spending will be 42,5 percent, blacks' 40,7 percent, coloureds 11 percent and Indians 5,8 percent

The black population is growing by about 2,8 percent and the white by only 1 or 2 per cent — Sapa

Triangle blacks badly off

S128
SUNTIMES
7/12/86

BLACKS in the Vaal Triangle earn 23% less than those in Soweto

The University of South Africa's Bureau of Market Research says black families in Sebokeng, Evaton and Sharpeville earned an average of R7 401 in 1985 — only 6,7% more than in 1980

Unemployment is increasing In 1985 nearly 45% of the potential male work force in the area was unemployed

In 1980 only about 20% was unemployed Persons in the 20 to 29 age group are hardest hit by unemployment

The survey shows that 32,2% of income was spent on food and 11,5% on housing and electricity

There was a 120,9% increase in spending on communications, more households installing telephones

Spending on alcohol fell by 31,9%, and on furniture and household equipment by 29,8%

Barclays sees increase in consumer spending

SUN TIMES 14/12/86

By David Southey

AN improvement in consumer spending with concommitant effects on the profits of companies in the consumer market are forecast for 1987 by Barclays chairman Basil Hersov and managing director Chris Ball.

They say in the bank's report for the nine months to September that the erosion of real wages and salaries, the lower savings rate, stagnating employment and lack of financial commitment are likely to inhibit a vigorous resurgence in credit-related consumer purchases for some time.

They warn that borrowers' memories of prime overdraft rate at 25% in 1984-85 have "engendered an unwillingness to rely too strongly on external credit".

But stock positions throughout industry are low and any pick-up in demand will require the rebuilding of inventories and could stimulate financing needs. This could lead to increased credit demand "if only because of the poor capitalisation of many enterprises after an exceptionally prolonged period of economic deprivation".

Jobs needed

The banking sector is expected to lag behind not lead the economic recovery.

Mr Hersov and Mr Ball say a deterioration in socio-economic conditions for the foreseeable future "appears inevitable".

Focusing on SA's serious unemployment problem, they say, "The modern core of the SA economy has not created additional job opportunities, even though the labour force increased by an estimated 1,8-million people between 1980 and 1986. A further 1,4-million are likely to be added to the labour force up to 1990 without any certainty of additional job opportunities being created. As a consequence the burden on the informal sector to absorb these increases in the labour force will mount."

Barclays had taxed income of R97,5-million for the nine months compared with R94,6-million for the 12 months to December 1985 — earnings a share at 148c (182c for the previous 12 months). Mr Hersov and Mr Ball make no forecasts for earnings in

□ To Page 3

Barclays

□ From Page 1

the current year.

Reflecting the slack demand for credit, the Barclays group's balance sheet shows minimal growth in the nine months, assets increasing from R18 656-million to R18 752-million.

The charge for general and specific provisions for bad and doubtful debts was R143-million compared with R158,4-million for the 12 months of 1985.

Plessey asks union for cut-price wages

SUNTIMES 128 14/12/82

ASK trade unionists to agree to reduced wages and you will be laughed off the premises.

But when Plessey managing director John Temple made the suggestion as part of an employment-boosting export plan he was greeted with less than scepticism by the trade unions

Dr Temple says: "Exports present a substantial opportunity for South African businessmen But we must be realistic in our pricing With the co-operation of the unions, it might well be possible to agree on reduced wage rates for specific export projects."

Competitive

Dr Temple says certain telecommunications components can be exported provided that pricing is competitive.

"I am afraid to say that right now we have not budgeted for a single cent of revenue for this type of export next year This is because we have priced ourselves out of the business Under my scheme, we could take on part-time staff to fulfil specific orders These people would benefit because they are now out of work

By Udo Rypstra

Cottage

"Some components could be made at home at piece rates — as has happened in the Far East where 'cottage' industries have sprouted to provide an income for everyone."

He has consulted a "very active" union, which "saw dangers and problems But they agreed to further discussions."

The unions would monitor export projects and take part in thge pricing structure.

Partners

Dr Temple says: "They will be partners Representatives of the unions could accompany export mission teams to investigate markets and agree how to dstribute income.

"Orders of between R3-million and R4-million a year could be obtained on high value-added components for which all raw materials are available in SA. This could supply short-term employment to between 100 and 150 people."

Dr Temple does not wish to jeopardise wages of employees, nor does Plessey want to ask the unions to compromise their position.

"But our concern is for the unemployed people. They would welcome the opportunity of temporary work I believe the greatest social responsibility for both companies and unions is to give employment."

The special export projects would make little or no profit for the companies concerned, but would help Plessey to gain a foothold in the market and increase employment opportunities

A shopping 'explosion' forecast

DAVID FURLONGER
Industrial Editor

THE furniture and consumer durables industries are on the verge of a demand "explosion", says Credit Guarantee Corporation.

A study of the two industries by the specialist credit insurer says they will benefit sharply from urbanisation and increased consumer confidence, but warns that there could be serious supply shortages as manufacturers lack capacity to cope with demand.

Credit Guarantee says there has been an upturn in demand since August last year, albeit off a small base. Retailers are enjoying a 30%-40% improvement on last year's sales and total industry turnover this year is expected to equal 1984 in real terms.

The revival is attributed to lower HP terms, falling interest rates, and buying ahead of expected inflation-led price rises. Although most growth is in the white market, the black market is not as bad as might be expected.

But the study warns: "In an industry that is becoming increasingly capital-intensive and where competition is intense, the effect of high inflation on input costs and profit margins is reducing the capacity for expansion. There are already supply shortages and this could have serious consequences for the long-term outlook for the industry.

"Most sources agree that — given a relatively stable political environment — State spending on black housing, electrification of the townships, and accelerating urbanisation of the black population will result in an explosion of demand that will be a major impetus for the industry's growth."

Earnings gap between races is still wide

Pretoria Bureau

The gap between the earnings of whites and other races is still a long way from disappearing, figures from Central Statistical Services show.

In March, whites in the wholesale trade earned an average R1 831 a month, compared with R344 for blacks Coloured people and Indians earned R598 and R882

Disparities in the retail trade were smaller Whites earned R934 a month, compared with R343 for blacks, R409 for coloured people and R551 for Indians

There are also pay gaps in the automobile, control board and hotel industries White motor trade workers received R1 427 on average in March, compared with R343, R539 and R931 for blacks, coloured people and Indians

White control board employees drew an average of R2 045, compared with R417, R378 and R528 for blacks, coloured people and Indians

RETAIL TRADE

Whites in the hotel trade earned an average R891, compared with R250, R317 and R537 for blacks, coloured people and Indians

In March there were 49 600 blacks in the motor trade, compared to 41 700 whites, 13 800 coloured people and 4 800 Indians

The hotel industry employed 30 400 blacks, compared with 8 500 whites, 6 800 coloured people and 3 200 Indians

In the retail trade there were 175 000 black workers compared with 127 000 whites The wholesale sector had 96 000 blacks and 82 900 whites

NATIONAL

Whites still top earners in public service

The Argus Correspondent

PRETORIA. — Whites still dominate the top structures of the one million-strong public service and their salaries will eat up nearly half of the State's wage bill of more than R10 300-million this year

This is in spite of the fact that whites make up just more than one third of all public servants

Figures from Central Statistical Services show that white public servants earn well above what their coloured, Indian and black counterparts take home every month

According to figures for the first quarter of 1986, 1 052 252 people are now employed in central government departments, the self-governing homelands, the provincial administrations, local authorites and various statutory bodies.

In the first three months of this year they earned a total of R2 597-million

Provincial

According to the figures, 391 077 people are now working in central government

However, the average black salary was R513 as compared with R1 253 for whites Indians took home an average of R1 144 and coloureds R754.

Another 127 890 people now work in the self-governing homelands, where the average salary for blacks is R523 a month

Provincial administrations employ a total of 262 189 people, paying whites an average of R1 296 and blacks R387. Indians get R1 014 and coloureds R508

At local authority level there are 240 100 employees — 140 000 of them blacks The average here for whites is R1 808 and for blacks R372

Then there are another 30 996 employed by various statutory bodies, such as the CSIR, the performing arts councils and state libraries Whites employed here average R1 981 a month and blacks get R304

Public service employment figures have grown steadily over the past few years — in spite of promises by President P W Botha to tighten up on administration.

Government spokesmen have said more staff are needed under the tricameral constitutional system They said many people have been taken on in vital departments, such as those dealing with black education

INCOME — 1987

ECONOMY

Salaries: City workers not in the pound seats — survey

By MAGGIE ROWLEY

BLACKS in the Cape Peninsula earn the second lowest salaries out of 12 metropolitan areas in South Africa, a study by the University of South Africa's Bureau of Market Research shows

The research into income and expenditure patterns is conducted every five years and the latest figures reflect earnings in 1985

Areas covered are Johannesburg, the East and West Rand, Pretoria, Maritzburg, Free State Goldfields, Vaal Triangle, Durban, Bloemfontein, Port Elizabeth, Klerksdrop, Kimberly and the Cape Peninsula

Research director at the bureau, Profesor J H Martins, said today the average income in the Peninsula was R1 061 which represented 65 percent of the average income in Soweto It was second lowest only to Kimberly where blacks earned on average R1030

Black men earned on average R4 990 in the Peninsula compared to R6 519 on the East and West Rand, R6 512 in Soweto, R6 177 in the Vaal Triangle Men earned the least in Kimberley (R4 657), followed by Klerksdorp (R4 732) and Bloemfontein (R4 740)

Black women in the Peninsula were slightly better off comparatively, earning on average R3 145 compared to R4 292 in Soweto, R4 075 in Maritzburg, R4 022 in Durban They earned the least in Klerksdorp (R2 367), with the Vaal Triangle (R2 395) and Kimberly (R2 470) in second and third places

At R6 751, average household income among blacks in the Peninsula was the fifth lowest in the areas surveyed In Soweto it was R9 624, followed by Pretoria (R9 359) and the East and West Rand (R8 628)

INCOMES POOLED

A comparison of the average size of black households shows that the Cape Peninsula with 6,37 persons a household is second only to Klerksdorp which has on average 6,43 people who pool and share their incomes

The survey among coloured people shows that the average household income was R12 249 in Johannesburg, R10 358 in the Peninsula and R9 627 in Port Elizabeth

Average income per person, including the unemployed, was 14 percent higher in Johannesburg than Cape Town and 43 percent higher than in Port Elizabeth.

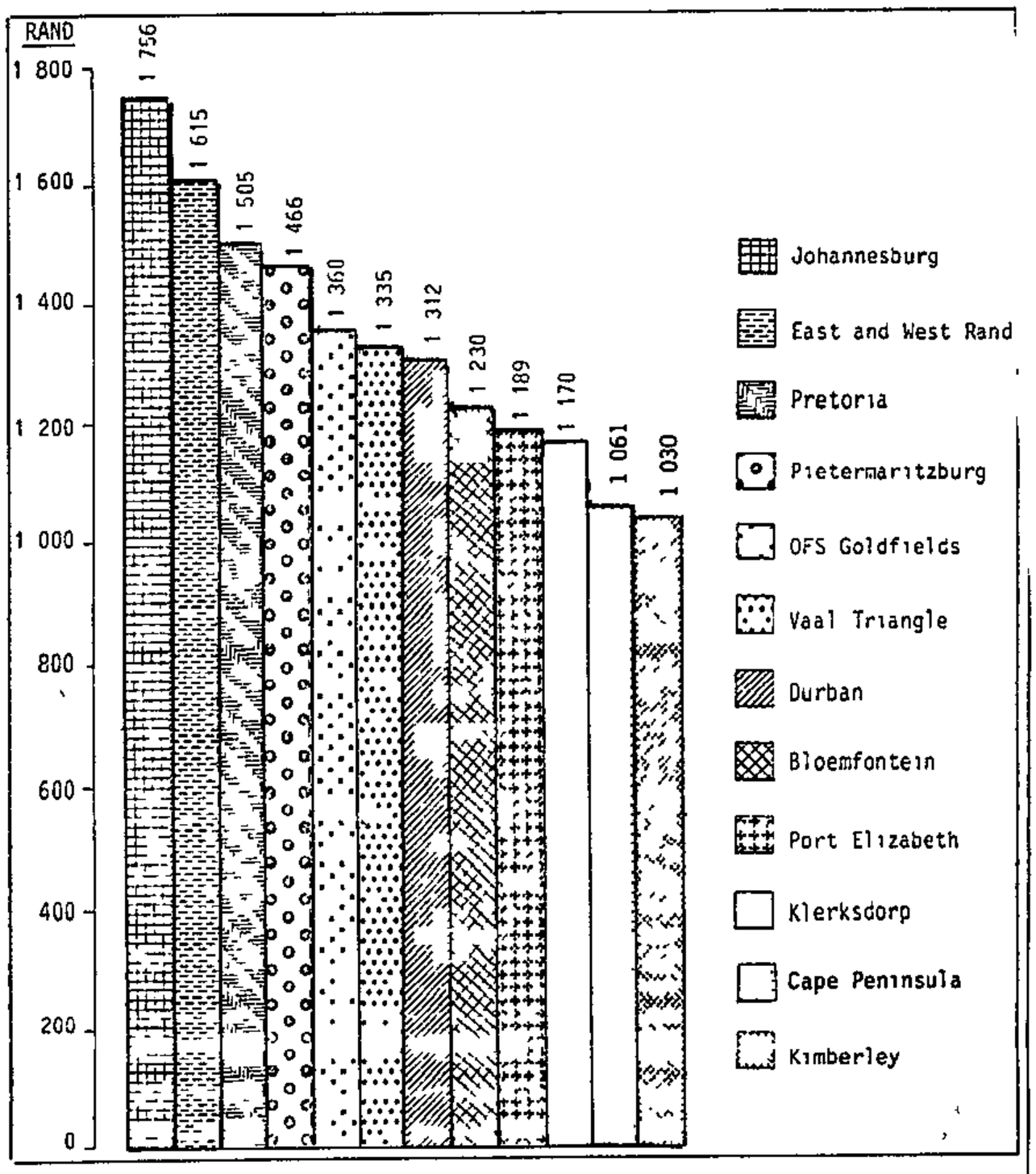
Coloured men and women in jobs earned less on average in Cape Town than in Johannesburg or Durban

Men earned on average R6 854 in Cape Town compared to R12 412 in Johannesburg and R7 488 in Port Elizabeth while women earned an average of R4 576 compared to Johannesburg (R6 804) and Port Elizabeth (R4 839)

Professor Martins said unemployment among coloureds in the 20 to 64 age group was higher in Johannesburg and Port Elizabeth than in Cape Town where 21,3 percent of the population was unemployed in 1985.

However, of grave concern was the fact that 38 percent of coloured people aged between 20 and 24 in the Peninsula were economically inactive

He said due to the recession and an oversupply of black labour in the Peninsula incomes had deteriorated in real terms since 1975 In 1975, the average income of a black household in the Peninsula was R7 291 in real terms while that of coloureds was R10 659



Average income per person in black multiple households, 1985.

Life below breadline — claims UWC study

w/e Argus 28/11/87

Weekend Argus Reporter

NEARLY 90 percent of farmworkers in the Grabouw area earn less than a subsistence wage, according to a study by the University of the Western Cape

The university's Institute for Social Development studied the municipal coloured township of Pineview in Grabouw and 33 farms in the surrounding districts of Elgin, Vyeboom and Grabouw

"Local agricultural economists found this farming area was probably the most profitable in the whole country during 1986 The average net yield a hectare in 1986 was R12 000," said the report

It showed 89 percent of household heads in the study area received less than R350 a month in cash Five percent earned between R40 and R100 a month

If the value of free housing, water, electricity and other *in natura* benefits was included, calculated at R100 a month, 84 percent of the households were earning below the minimum subsistence level

Average income was R219 a month, which "must still be seen as totally inadequate to support an average farmworker's family of seven," said the report.

However, only a few farm workers (eight percent) indicated that they received food rations on a regular basis most respondents (52 percent) did not receive *in natura* remuneration (apart from housing)

About 40 percent of farmworkers covered basic household expenses on their present pay, but almost three-quarters were either dissatisfied or very dissatisfied with their wages

About 55 percent could not make ends meet on their cash wages

Most workers were paid for overtime (81 percent) but "some of the respondents pointed out that their normal work day was so long that they worked overtime every day"

The average working day was about 11 hours in summer and 9½ in winter

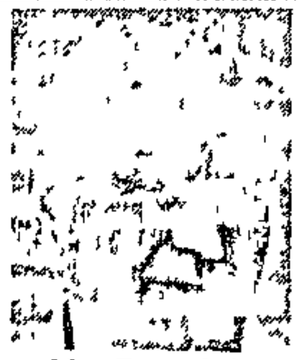
In the urban area of Pineview the monthly income of 44 percent of household heads was between R201 and R430. Nearly 35 percent earned between R431 and R649

Seven percent earned less than R200 and six percent more than R1 000

About 48 percent earned below the minimum subsistence level, but with the incomes of other household members this fell to 16 percent



Mr Chris Watermeyer



Mr Derrick Cunningham



Mr Daniel Joubert



Mr Danie Beukes

Farmers angered by cutting report

by ADA STUIJT
Weekend Argus Reporter

FARMERS in Elgin and Grabouw have reacted with anger and indignation at a university researcher's finding that 84 percent of farm labourers in the area were paid less than the minimum subsistence level

Mr Derrick Cunningham, chairman of the 240-member Groenland Farmers' Union in Grabouw, attacked the survey as "one-sided".

He said it had been carried out among a relatively small sampling

Many farmers were irate at the researcher's report that some labourers earned as little as R40 a month

"This must be a comment by a disgruntled labourer, as none of our farmers ever pay less than R30 a week in cash, even to the most unskilled, inexperienced labourer," said Mr Cunningham

Mr Danie Beukes, chairman of the Groenland 20 Study Group for young farmers, said "We don't deny that problems exist and that workers' housing needs upgrading. All of us are working hard towards this goal But it isn't right to break down all our other considerable efforts this way."

Mr Beukes said he paid a weekly R35 to R45 in cash for labourers — depending on whether they were seasonal workers or full-time employees.

"I also try to keep the women employed throughout the year A family could bring in about R70 cash weekly at any time If the wife was a fast packer she could earn extra weekly bonuses of up to another R70 in cash," he said "During packing season a family's weekly combined income could be as much as R140 in cash"

Farmers debated the report during a special meeting on Wednesday night at the local co-operative, where it aroused a great deal of anger

The report said monthly "in kind" payments to labourers amounted to about R100, but farmers Mr Daniel Joubert and Mr Christopher Watermeyer said this figure was far below what they contributed

"Extra costs to care for each family are on average R200 to R350 a month, including housing, medical costs, transport, pension funds, electricity and water," said Mr Joubert.

"And these costs are still going up, especially since everyone has launched a concerted campaign to upgrade labourers' housing Each new home, with all the mod cons, costs at least R35 000," he said

The statistics of deprivation

While 'enlightened' managements have taken a more explicitly political stance in recent years, executives are a long way from realising just how dangerous times have become. AURET VAN HEERDEN reports

THE picture painted of the South African economy, be it one of gloom or boom, is usually painted in management colours. The terms and the indicators used, as well as the conclusions, are oriented towards the owners, managers and shareholders of companies rather than the workers

This is partly because the readership is most likely white collar and white skinned, with a bank balance in the black. But it also reflects the education and outlook of the painters, which is white and black as well.

The results can be quite misleading and, in the current political and economic climate, dangerous

The government is of course world famous for its colour and class bias, and we all know how dangerous it has proved.

By deliberately limiting the supply of housing and the availability of land, and then spending too little on townships and education, it has got what it and its statistics, deserve

Anyone who believes that there are only 527 000 African people out of work, or that there are only six-million urban Africans, or that a family of six can live on R350 a month, must also believe that if it weren't for agitators this would be a land of milk and money.

More serious, though, are the errors of judgement that punctuate managements' views. Although organised commerce and industry has adopted a much more explicit political profile in recent years, and taken some important, if tentative, steps in opposing injustice and repression, their feel for the political economy is still slight.

Many refuse to acknowlege that when unemployment stands at 30 percent or more, and the population is growing at a rate of three percent, and prices are rising 20 percent a year while real incomes shrink some seven to ten percent, the business of business cannot just be business

Most workers find themselves in desperate straits They earn an average of R350-R400 a month. Out of this they have to pay rent and service charges of R50-R90 for a four room house that probably cost R2 000 to build originally Despite the fact that they have paid it off many times over, most still do not own their houses

Because they are forced to live far from work, black workers pay R50-R80 for transport every month For this they get an inferior, time-consuming and overcrowded service. These two, rent and transport, are unavoidable expenses

Out of the R200-R300 left, they have to feed, clothe, and educate themselves and their dependants, who probably number six or seven What it boils down to is something between R1,00 and R1,50 a day each.

When facing management across negotiating tables to bargain for higher wages, these very workers are being told that profits won't allow for increases of more than 12 percent, and that some jobs will have to go.

But if they read any of the financial magazines they will see representative samples of companies showing distinct profits, paying out dividends, and holding reserves in cash or investments.

Whatever the rationale, the contrast between the wealth of most companies and the deprivation of workers and their families is a bitter one.

Faced with a crisis in the economy, companies have embarked on the normal business school routine of cutting costs, increasing productivity, rationalising, and seeking more profitable investment returns. Too often these adjustments cost workers dearly in lost jobs, relatively lower wages, and more stringent working conditions.

Simultaneously, cost increases are passed on to the consumer", almost as if it's their fault and responsibility Not only are the (literally) poor consumers meant to bear up to these blows, they are expected to bounce right back and spend more to help lift the economy

Workers simply don't have the disposable incomes that economists and businesspeople believe will salvage the economy. This has prompted some commentators, on both sides of the class divide, to argue for higher real wages which can then be spent on consumer goods and houses The increased demand, they hope, will boost production, which will itself improve demand for raw materials and equipment.

This renewed activity could lead to workers being taken back into jobs that had been lost, and even to new jobs created by the "boom". Advocates of this strategy urge capital to see the virtuous circle that could flow from the initial increase in wages

Circle or no circle, workers and their unions will certainly be pushing for increases, and the militant mood of the moment means confrontation is more likely than compromise, even if jobs are at risk.

There are statistics to prove it, but the more decisive, concrete proof has already taken shape in workplaces and townships all over the country For those still paging through the latest Reserve Bank or CSS Bulletin, or consulting their social affairs advisor, it may already be too late. The concrete may have set.



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Soweto has highest average black household income

By Michael Chester

The highest average household income among blacks is found in Soweto, according to a nationwide survey carried out by Unisa's Bureau of Market Research late in 1985

The average Soweto income was R9 624 a year — R802 a month spread among an average of five or six persons to each house

In constrast, the average household income in Indian neighbourhoods in Johannesburg was nearly twice as high at R18 397

White families were not covered in the survey

Black people in Pretoria were second with an average household income of R9 359, ahead of the East and West Rand where the average was R8 628.

The average fell to R6 518 for Port Elizabeth and an even smaller R5 611 for Bloemfontein

Wage-earners in Soweto also topped the list of average incomes per person in black communities — R1 756 a year or R146,33 a month. In Klerksdorp the figure dropped to R1 170 a year.

Divided into the sexes, the average annual income of male workers in Soweto was R6 512, leaving them marginally behind their counterparts on the East and West Rand where earnings topped the national table

Soweto women were the highest paid black female workers in the country, bringing home an average R4 292 a year, nearly twice as much as black women in the Vaal Triangle

Disparity in black and white salaries

PRETORIA—There are still significant disparities in the salaries of blacks and whites, a Central Statistics report yesterday shows.

Whites earned an average of R2 374 a month, while blacks earned R1 559 against R3 684 for whites in the motor trade, R2 263 against R3 901 for hotel employees and R1 933 against R2 256 for blacks in the retail trade, whites earned R968 more than blacks.

The report also shows that the average salary of officials at the country's 735 motor boards and 1 064 motor trade, hotel and catering establishments was R1 432 a month.

Whites earned R1 738 more than blacks, coloureds R1 092 more than Asians and Asians R1 092 more than coloureds.

The average salary of whites in the motor trade was R2 921 a month, while blacks earned R1 829 a month.

Whites in the hotel trade earned R1 738 more than blacks, coloureds R1 092 more than Asians and Asians R1 092 more than coloureds.

The average salary of whites in the retail trade was R2 256 a month, while blacks earned R1 829 a month.

Whites in the motor

Repossession rate for furniture and appliances on decline

FURNITURE and appliance repossessions are winding down.

Financial director Mark Bower of Amalgamated Retail — holding company of Furniture City, Geen & Richards, Triangle, Crown, Lubners and McNamees — says there are fewer repossessions today than there were six months ago.

The group's arrears and collection rates have improved since reaching a low point last June.

But he says. "The improvement is not startling. We are still not out of the woods. There is a brighter light at the top end of the market, but the bottom end is a problem area due to black unemployment."

Most furnishers finance their own deals. The tiny proportion handled by Trust Bank, Wesbank and Stannic has remained stable. But spokesmen for

Business Day Reporters

the banks say furniture and appliance repossessions have probably declined in line with motor vehicle repossessions.

Stannic operations GM Duncan Reekie says. "Repossessing is usually a problem because the goods have little resale value. We prefer to arrange payments with clients, rather than pull the goods in."

Furniture Traders' Association president and Russells MD Ian Sturrock echoes this sentiment. "If a guy loses his job, we can live with him for a few months."

Repossessions are seldom carried out over the festive season. Even so, Morkels chain controller Dion Mouton says his December balance sheet carried its lowest-ever provision for bad debt: 2,8%.

Retailers generally attribute the fall in repossessions to improved customer discipline — buying according to affordability. They say that with better law and order, HP payments can be collected door-to-door, as is customary, in the townships.

Schwarz warns of medicine to come, but...

Mini-Budget 'will sweeten the voters'

(128) STAR 19/11/87

By David Braun, Political Correspondent

Cape Town

Consumers can look forward to a favourable mini-Budget next month.

Opposition politicians are expecting generous salary increases for public servants, railway workers and Post Office staff (but not for MPs), a reduction in general sales tax, the possible pay-out of the 1983 loan levy, a reduction in income tax and at least some announcements to please inflation-battered pensioners.

The bill for all this is not expected to be presented to the taxpayer until after the general election — when the main Budget is to be introduced — and at least one cynical MP said today parliamentarians would vote for their pay rises

Progressive Federal Party finance spokesman Mr Harry Schwarz said today: "The voters will get their sweets before the election and their medicine afterwards"

He predicted the Government would not address the fundamental problems of the economy until after the election, expected in early May

"Before then, by means of the mini-Budget, the Minister of Finance will try to pump money into the economy

"A salary increase for the public service is clearly on the cards About 30 percent of white voters are directly affected by the public service so any increase in income for these people has a tremendous impact in an election"

Mr Schwarz predicted that, despite its low level of collection, the Minister of Finance would probably decide to reduce GST to stimulate demand.

"He could also adjust tax brackets to give relief to salary earners who have been pushed into higher tax margins by inflation"

Better off

Mr Schwarz said the Government would have identified groups of voters to ensure that every major category got something from the mini-Budget

- Farmers were better off this year because of the rains and very big assistance packages, so they ought to be happy
- Public servants, including SA Transport Services and Post Office employees, would probably get at least rises of 12,5 percent, plus some promises
- Blue collar workers would benefit from reduced GST
- White collar workers would be helped by cut income tax
- Pensioners would be happy with an announcement of an increase in social pensions The Minister could further announce a raising in the tax-free amount of interest on investments.

Mr Schwarz said the bill which taxpayers would eventually have to foot for all this largesse would depend on external factors such as the gold price and the exchange rate of the rand

He appealed to the Government to table the main Budget before the election so that voters could know the full picture and know what they were being asked to vote for

SA's most pressing economic problem is continuing high inflation. As part of the debate on this crucial issue, *Business Day* has commissioned several prominent economists to explain the causes of inflation and give their suggested solutions. This is the second in the series

Government must lead to curb the price/wage spiral in SA



□ CLOETE ... "Product markets are to a considerable degree imperfectly competitive"

JOHAN CLOETE/Former chief economist at Barclays

THE South African economy has been experiencing cost push inflation in the form of a continuous price/wage spiral ever since production and living costs were sharply raised under the impact of the substantial fuel price increases in 1973/74.

It is true that at times — such as during the 1980/81 boom — conditions of excess demand engendered by the sharp rise in the gold price pushed the underlying price/wage spiral upward, while on other occasions (as during the 1981/83 recession), a contraction in demand exerted downward pressure on this spiral.

For the greater part of the past 12 years or so, however, the economy has operated with surplus production capacity — i.e., in conditions of insufficient demand where there could not have been upward pressure on the general price level because of too much demand

Thus, the continuous increase in prices since 1973/74 must be mainly attributed to a price/wage spiral which, once it had been firmly established, continued to feed on itself, with producers and firms constantly raising their prices in response to prior wage cost increases and on expectations that wage and other costs would continue to increase in the future and with employees also demanding constant wage increases in reaction to prior price increases and to compensate them for expected continued further inflation.

Conditions in the South African economy are, of course, very conducive to the generation of a price/wage spiral Product markets are to a considerable degree imperfectly competitive, which means that producers and suppliers react to wage and other cost increases by raising prices in the first instance and rather cut down on output and employment to support their higher prices and protect profit margins.

In the labour markets, too, conditions are conducive to wage demands that exceed labour productivity increases.

The structural shortage of skilled labour, together with strong upward pressure on black wages, accompanied by a low level of productivity, are important factors in this respect, making for wage increases that exceed productivity growth.

Furthermore, a large part of wage and price formation in the economy takes place in the public sector and is thus subject to discretionary decisions partly based on political considerations and not on the competitive forces of demand and supply.

This means, in effect, that prices and wages are to a considerable extent under the influence of government's price and wage policy at all times.

The excessive inflation rate prevalent since 1973/74 has, of course, had to be financed and a continuous excessive increase in the money supply (mainly in the form of bank credit extended to the private sector) has, in fact, been forthcoming during the period.

This has, however, been mainly a case of the price/wage spiral — i.e., of prior increases in prices and wages, causing the excessive increases in the money supply rather than the other way round.

There are only two ways (or a mixture of the two) in which a price/wage spiral can be reversed once it has taken firm root and expectations that it will continue in the future have been generated, thereby inducing both employers and employees to automatically "index" their budgets, forward planning and their wage contracts to the current rate of inflation plus something extra.

One way is to depress demand and thus sales by means of restrictive monetary and fiscal measures, thereby generating production cutbacks, unemployment and business insolvencies, which force both employers and employees to moderate their price increases and their wage demands.

Thus, to bring the strong price/wage spiral already underway under control by applying restrictive monetary or fiscal measures would mean the imposition of a recession on the economy which will probably have to be severe and prolonged in the face of the strength of this spiral

The medicine of deep and prolonged recession and the large-scale unemployment which would accompany such a recession, however, could not and still cannot be administered in the case of SA because of the likely disastrous social and political consequences of such a policy in the circumstances prevailing in this country.

For this reason, the monetary authorities were forced to abandon their recent attempt to bring inflation under control through the imposition of record high interest rates on the economy with the underlying price/wage spiral still largely intact.

In the absence of enforcing the necessary price and wage discipline through recession and unemployment, the only other way of reversing a firmly rooted price/wage spiral is for the fiscal and monetary authorities to persuade the country's main price and wage makers that it will be in their own best longer-term interests to practise such discipline themselves.

They must be persuaded and shown that, by moderating their annual price and wage increases of their own accord, the constant increases in wage costs (the main cost element) would be reduced at the same time.

This, in turn, would mean that price increases can be moderated and thus the inflation rate can be brought down without "real" sales and profits and "real" wage incomes and employment having to be depressed by recession

And since wage and price increases under government direction play such an important role in price and wage formation overall, it is crucial that such a process of self-discipline should be practised by government in the first place.

Disciplined wage and price-setting behaviour by government (which also implies discipline over government expenditure) would strongly encourage such behaviour in the private sector as well

Moreover, as wage incomes generated in the public sector constitute such a substantial part of total demand in the economy, moderation in public sector wage increases would force the private sector to moderate their price increases

To be successful, a policy to reverse the price/wage spiral will require that a definite target be set for the level to which the inflation rate — and thus also the rate of increase — in average nominal wages are to be reduced in the year ahead

In this respect, the Reserve Bank has recently taken a significant step forward in setting a definite target for monetary growth But this does not go far enough

The money supply target needs to be supported by definite targets, publicly announced, for the rate of increase in government-administered wages and prices, in government expenditure and in real GDP

In this way, monetary and fiscal measures and wage and price restraint will be reinforcing each other, thereby greatly increasing the chances of achieving the inflation and growth targets decided upon

With government publicly committed to such a set of targets, economic and anti-inflationary policy would not only gain in credibility (thereby influencing inflationary expectations in the right direction) but the fiscal and monetary authorities are also likely to apply the policy measures needed to achieve the targets set with greater resolution than they have shown in the application of policy over the past 12 years (no anti-inflationary policy — whether monetary, fiscal or prices and incomes policy — will work if it is not properly applied)

Moreover, decision-makers in the private sector would also be provided with a clearer picture of the macro-economic situation that is likely to prevail in the year ahead and of the price and wage behaviour which they will need to observe if growth is to be safeguarded

They can align their budgets and their wage and price decisions accordingly, which would reinforce the policy measures of the authorities and also improve the chances of the growth and inflation targets set being achieved

> "No anti-inflationary policy will work if it is not properly applied"

Metal workers bring home the bacon

DAVID FURLONGER

THE person pushing that overflowing shopping trolley over your foot as you do your month-end shopping may turn out to be a chemical or a metal worker

As you hop up and down in pain, the odds are that the half-empty hand-basket that catches you behind the knee belongs to someone in the clothing or wood industries

Official figures show that workers in basic metal industries take home more at the end of the month than any others in the manufacturing industry — and more than four times the average pay-packet of workers in the wood industry

Combining salaried staff and wage-earners, average monthly pay in basic metal industries is R1 490 Close behind are chemical workers (R1 421) and the machinery sector (R1 325)

The average pay-packet of workers in the wood industry is R358, little more than one-third of the overall manufacturing sector average of R967

Clothing and footwear workers, while better off at R472 and R586 respectively, still won't have too much left over

Other average pay levels are food industry workers (R725), beverages (R953), furniture (R890), plastics (R972) and transport equipment (R1 190)

BUSDAY 23/1/87

The race to get in front in the wage battle must stop

As part of the debate on continuing high inflation in SA, *Business Day* has commissioned the views of several prominent economists on the causes and their suggested solutions. This is the third article in the series



□ **GEERT L DE WET is Professor and head of the Department of Economics at the University of Pretoria**

GEERT L de WET

MY VIEW on inflation in South Africa is based on an extensive study which I conducted last year at the RAU, in co-operation with some colleagues and students of mine for the AHI

We covered the literature and empirical studies, abroad and locally, before preceding to analyse the situation in SA

Worldwide inflation escalated between the mid-Sixties and the beginning of the Eighties, since when it has been declining, but — in contrast to our main trading partners — SA is still faced with an inflation rate which pushes upwards

Those countries that succeeded in bringing down inflation had to go beyond monetary and fiscal discipline. The US and Britain have been remarkably successful in bringing down inflation by, *inter alia*, turning away from socialism and socialistic practices towards a free market.

They also applied some measure of monetary and fiscal discipline, but have not been completely successful in this respect. What about SA?

Excess demand factors, including undue monetary expansion in general and money creating financing of the Treasury deficit in particular, have played a role in causing inflation over many decades in SA.

However, empirical research showed that the inflationary influence of these factors is of a cyclical nature. No matter how strong and how persistent the inflationary impact of these forces may be in one period, it invariably subsides in a subsequent period and eventually becomes deflationary.

If it were only for these factors, which are traditionally counteracted by monetary and fiscal measures, inflation in SA could not have departed on a long-term upward trend ever since the middle-Sixties.

Yet other forces are present in causing such a trend Starting at well below 5% in the mid-Sixties, the rate touched 20% in 1986 Along the way the rate accelerated and decelerated in cyclical fashion, as the cyclical causes revived and faded alternatively, but the upward trend was unmistakably present.

Empirical research showed that there are factors which propel inflation upwards, even when demand factors are deflationary

First, there are cost-push factors Wage-per-unit-output, which is nothing else but the inverse of a crude productivity measure, moved horizontally between 1910 and 1965, but ever since 1965 it has shot steeply upwards, although cyclical accelerations and decelerations have still occurred. Import prices have also shown a similar pattern ever since 1965

Behind them lie foreign inflation and especially a chronic, weakening rand Although the rand has weakened considerably over the last two years, the downward trend has already been noticeable over the last two decades

Both these cost-factors are normally influenced by inflation, but both also contain exogenous elements which have driven them continuously upward In fact, it is important to note that once inflation is underway there is very little sense in talking about causes and symptoms

What is a symptom from one angle turns out to be a cause from another angle, and vice versa.

The distinction between underlying, initiating and propagating forces is much more useful, and in this context even endogenous variables become causal factors insofar as they propagate inflation

This holds, of course, also for excess demand factors, such as government expenditure and monetary expansion

A second set of upward-trend factors comprises market disturbances and intrusions when the normal decentralised price-forming and production process under competitive conditions is absent They form underlying, initiating and propagating forces

In this respect prices, controlled through special legislation — such as electricity tariffs, postal tariffs, transport tariffs, the steel price, the petrol price and the whole set of agricultural prices controlled by the marketing boards — have played a major role in the upward inflationary trend

Empirical research shows that over the past two decades these prices have caused a continuous set of shocks

In almost every year some of them increased by much more than the rate of inflation, ensuring that the upward trend in the general price level has been sustained without interruption since they are all important prices, each of which cause cost increases over a wide front.

Even the shocks caused by GST increases become inflationary when viewed as part of this set of price shocks Under normal market conditions, these prices would not have been able to cause inflation, but being controlled the way they are they form a set of factors which constitute initiating and propagating forces.

Also part of market disturbances is the wide range of mono and oligopolistic conditions There is no evidence that bigger concentrations cause more inflation than smaller ones, but empirical research shows that all of them keep prices from declining during recessions and cause prices to rise, especially towards the end of a recovery phase

Import tariffs and import control show no continuous rising pattern, but certainly distort the market and form part of the underlying inflation-friendly structure

The third upward trend cause ties up with the first When wage-per-unit-output is studied in different sectors, one finds a continuous race between all sectors, private and public, to get on top

This is certainly one of the major reasons why overall productivity is continuously declining

The dualistic nature of the South African economy may also cause structural inflation, but it is almost impossible to test this empirically due to a lack of data

Now — how should inflation be curtailed? First, monetary and fiscal discipline is necessary to prevent excess demand forces from causing cyclical increases in the general price level.

Excess demand — and especially government expenditure and monetary expansion — may very well become chronic inflationary elements if left unattended.

Yet one could not deal with the structural element — the upward trend — through monetary and fiscal discipline, simply because such discipline will not touch upon the structural causes unless you want to halt all action through killing the entire economy

Monetary and fiscal discipline means that the budget should be balanced and, to the extent that it is not, the deficit should not be financed by the Reserve Bank or the monetary banking sector, but by genuine long-term loans

If one wishes to go further, one is asking the monetary authority to start to tamper with interest rates and the money supply, which are normal market variables and should be left alone

No human being could know better than the market what interest rates and the rate of money growth should be

Furthermore, for political and technical reasons, the Reserve Bank will in any case not be able to keep continuous control over the money supply, while it can be shown that, even if it could, that will not stop inflation if the other causes are not addressed Space does not permit to dwell further on this point.

How should the upward trend forces be removed? Over the long-run the only solution is privatisation and deregulation, so that all prices, wages and rates are determined through decentralised bargaining in the market

Over the short-run those prices, wages and rates that are already controlled should be controlled by way of market simulation and not the way they have been controlled up to now

Agricultural prices and the other prices referred to above are important examples In some cases — such as the maize price, transport tariffs, the petrol price and electricity prices — important progress has been made recently

The race between the various sectors to get in front in the wage battle should also be halted

The wrong way to do it would be for government to freeze wages The right way would be for the various employee organisations and the employers to get around the table, face up to the consequences of this race and to find a way to halt it.

There are a few possible ways to to do it, but space once again does not permit to elaborate on it.

If we don't act, inflation may soften somewhat in 1987, but over the medium-term it will go up and in the long-term it will be heading for 30% and higher

BUSINESS DAY, Friday, January 23 1987

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Closer credit control, buyers' discipline set new trend

Vehicle repossessions drop 50%

GERALD REILLY

VEHICLE repossessions dropped sharply last year — by about 50% against 1985 — says a Stannic spokesman.

A major reason for the big decrease in repossessions is a closer scrutiny of the creditworthiness of buyers, he says.

He adds that many owners have also kept their old vehicles because of the high cost of replacing them.

National Association of Automobile Manufacturers of SA director Nico Vermeulen says the fact that repossessions are sharply down indicates greater discipline among buyers.

A contributing factor is that some HP agreements are linked to the price rate, and monthly payments in terms of these agreements will have fallen steadily with declining interest rates, which started towards the end of the first quarter of last year.

Econometrix's Azat Jammine says the general fall in interest rates throughout last year has left many consumers with smaller interest burdens on credit purchases and bigger disposable incomes.

They are therefore better able to pay monthly instalments on motor vehicles and fend off the threat of repossession.

Central Statistical Services report that the number of motor vehicles registered in Transvaal in December last year was 36 063 — an increase of 0,4% over November.

There was also a 44% decrease for new vehicles and an increase of 15,3% for used vehicles.

The number of vehicles registered during the whole of 1986 — 491 004 — decreased by 3,9% compared with 1985.

New vehicle registrations fell by 15,1%.

However, the number of used vehicles registered increased by 1%.

Sanlam pessimistic over prospects

Pay demands are fuelling SA inflation

BUSDAY 27/1/87 128

WAGE demands have become a core element contributing to structural inflation in SA, says Sanlam in its January economic report.

It warns that the public will have to realise anew that it is contributing to this cost spiral, especially if it demands more for the same levels of production.

"Wage discipline is of the utmost importance if we wish to rid our economic system of this (inflationary) cancer."

Although SA's inflation rate could ease over the next year, Sanlam remains pessimistic about longer term prospects, identifying wage inflation as a core problem.

Sanlam notes that labour remuneration represents close on 60% of the total production of goods and services in the economy.

Any changes in this remuneration would, therefore, have a significant effect on the underlying costs per unit of production.

Business Day Reporters

Former Wits Professor of Business Economics Roger Gidlow says in the Bank of Lisbon's latest *Economic Focus* that SA needs to broaden its export base if a meaningful upswing in the economy is to be sustained.

He says, however, that manufactured exports are unlikely to be the source of sustained growth. Rather, it is in the mining industry that SA has a comparative advantage.

"In the context of sanctions, the country can be expected to become more dependent on mining exports. Given these circumstances it would be unfortunate if any economic distortions in the economy prevent the underlying comparative advantages of the mining industry from being fully exploited, even if these advantages are concentrated in specific sectors of mining."

Pretoria's mayor to get allowance of R75 000

Pretoria Correspondent

Pretoria's mayor and deputy mayor will get increased allowances totalling R112 500 a year from the beginning of the next mayoral year.

The mayor will receive an allowance for general purposes of R75 000 and a personal allowance of R25 000.

The deputy mayor will receive a personal allowance of R12 500.

The council was told that this was 36 percent more than the allowances of R82 688 paid to the present mayor and deputy mayor during their term of office.

Although Herstigte Nasionale Party councillor Mr Joseph Chiole described the increases as "unjustifiable" in times when many were in great need, a former mayor, Dr Pieter Kruger, said mayors sometimes had to pay costs out of their own pockets.

The council was also told there were indications that the mayor's and deputy mayor's personal allowances, or a large part of them, were taxable from March 1 1986.

To Page 2

Price, income restraints urged

BOARD of Trade (BoT) chairman Lawrence McCrystal wants government to impose price andincome restraints to keep down inflation.

He says he has made known his views and is awaiting a response. A Treasury spokesman says Finance Minister Barend du Plessis is considering certain proposals contained in a letter from McCrystal.

Speaking at the BoT in Pretoria yesterday, McCrystal said inflation was the most serious unresolved issue facing SA. Failure to reduce inflation quickly and substantially would have devastating economic consequences.

DAVID FURLONGER
Industrial Editor

"Given the choice between doing nothing and taking direct action by way of a prices-and-incomes restraint policy, we (BoT) would favour the latter."

He said there were substantial differences of opinion in government on the need for a prices-and-incomes policy, but added: "I personally don't think we can go on much longer without one."

TWS is set to expand to Britain

TWS is set to acquire a London-based public relations consultancy to be headed by present chairman Richard Wagner.

Wagner is due to leave SA next month to finalise a deal with one or more of the six firms with which it has been negotiating. Options include the acquisition and amalgamation of two or three small companies or the buy-out of a medium-sized one.

One of SA's larger public relations firms, TWS netted R4,2m in fee income last year from its Johannesburg, Cape Town and Durban offices — a 24% increase over the previous year.

LINDA ENSOR

MD Keith Rhodes says this places it firmly among the British top 20.

An overseas foothold would, Wagner believes, enable TWS to assist in the export operations of existing clients as well as provide on-the-spot service to its multinational clients, especially in countering disinvestment pressures..

crepancy in recovery rates

stolen in the first 11 months of last year. Of these, only 2 250 were recovered, a recovery rate of 15,5%

"The discrepancy between all stolen vehicles compared with that of insured vehicles is unusually large," says an insurance source.

These figures imply that of all stolen vehicles, about one quarter are insured.

STUART SUTTON

CID chief Gen Schutte said yesterday: "You can make your own deductions regarding the recovery rate, as we cannot comment on on how the insurance companies arrive at their percentage rate."

If insurance industry figures were in line with those of the police, about 7 250 insured vehicles should have been recovered in the first 11 months of last year — 5 000 more than the actual amount recorded by the SAIA.

T A GLANCE

REUTERS

MOVEMENTS — JANUARY 23 to JANUARY 26

	Previous			Latest		Johannesburg Stock Exchange		
	$/R Comm	$/R Fin	DM/$	£/R	3 months BA	All Gold BD Index	BD Indust Index	JSE Ov'all Index
	0,4827	0,2238	1,8230	0,3168	9,25	1963,1	1609,7	2129,0
	0,4823	0,2225	1,8200	0,3158	9,20	1960,1	1604,1	2123,0
			FRANKFURT CLOSE	LONDON CLOSE				

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Estimated 1,5 m state employees wa

PSA and Govt negoti

By Michael Chester

The pay trends of no fewer than 1 556 000 government employees may be at stake as the Public Servants' Association (PSA) enters negotiations with the Government over wage demands for across-the-board increases of 15 percent for the civil service

The PSA team enters the talks as representatives of a mere 150 000 white workers engaged by central government But that shows only the tip of an iceberg

By tradition, any new pay scales that may emerge will automatically be passed on to another 230 000 central government employees drawn from other race groups in central government Increases normally also filter through to public servants at provincial administration level — with an influence that goes down to municipal level

The PSA estimates that no fewer than 830 000 government employees will be involved in the direct impact of the general pay adjustments that will be under discussion

In turn, the final decision will have an indirect influence on pay trends over the entire public sector — whose overall labour force numbers above 1,5 million, when the total is swollen by counting everyone in public service, from nurses in provincial hospitals to postal workers and meter maids to university professors

Whatever the outcome of the PSA talks, it will generate renewed controversy over the cost and efficiency of the civil service, a sour point with taxpayers, who end the day footing the bill

That, of course, is aside from inevitable cynical suspicions that any decision on pay increases may be intended as a political sweetener ahead of the approaching general election

The temptation to buy votes with salary increases, at the expense of rekindling inflation, has already been noted by the Bureau for Economic Research at Stellenbosch University

(The BER commented "Perhaps indirect stimulation of the economy, via tax relief, will accomplish more by winning the support of not only the public but also the private sector")

What has jolted the PSA, however, was the advice recently handed to the Government by Mr Lawrence McCrystal, chairman of the Board of Trade, to impose price and income restraints in a new bid to counter inflation — advice that is bound to be on the minds of negotiators at the pay talks

Civil service reaction to advice from the Afrikaanse Handelsinstituut to clamp a three-year freeze on salaries and wages of State employees, along with mining company employees, as an anti-inflationary mechanism, can be best described as horror

Dr Colin Cameron, president of the PSA, remains convinced he can deliver persuasive arguments that the pay scales of public servants have lagged far behind the wages spiral in the private sector and that increases are crucial

An independent source of support on that score alone is PE Corporate Services, the Johannesburg consultancy which monitors pay trends in the private sector

Where agreement comes to a sharp halt, however, is discussion about the justification for the mushroom expansion in the size of the public sector

"Public servants have a sound platform for arguments that they deserve reasonable increases," says Miss Naomi Brehm, manager of PE salary surveys "But it is vital that a simultaneous examination is made of the horrendous growth of the public sector labour force"

Miss Brehm has compiled statistics showing that the average basic salaries of white workers in the private sector increased by 232 percent over the 10-year span from mid 1976 to mid-1986 — but even then lagged behind an inflation spiral that bounded 255 percent higher

Black workers on average saw their pay packets swell by 357 percent, Asians by 294 percent and coloureds by 259 percent

Over the identical 10 years, according to the PSA, central government employees had general salary adjustments — applicable to workers of all race groups — that trailed behind with raises that amounted to only 117,5 percent

Moreover, Mr C H J van Rensburg, deputy manager of the PSA, believes the wage gap between the private and public sector threatens to grow even wider on information that 44 percent of employers in the private sector intend to hoist wages by between 10 and 12,5 percent in the current year and that 42 percent of them are braced to thicken pay packets by between 12,5 and 18 percent

PE Corporate Services has conducted its own salaries survey which agrees, in general terms, with the figures

"PSA demands for increases of around 15 percent look quite reasonable in view of the rate of inflation," says Miss Brehm "Even that will fail to match the inevitable rises in the consumer price index

"There's a lot of mythology about the value of widescale perks in the civil service T. several of the perks are — better than in the private — But unless they are near the of the tree, civil servants

out on such perks as — cars and entertainment — ances and many more that almost standard in middle senior management in the vate sphere

PAY GUIDES IN PRIVATE SECTOR AND PUBLIC SERVICE

JOB DESCRIPTION	Public Service Grade	ANNUAL RANGE Private Sector	ANNUAL RANGE Public Service
UNSKILLED — Operatives — Cleaners — Warehouse/Stores Clerk — Machine Operator	19-17	3 600-9 500	1 890-9 600
SEMI-SKILLED — Copy Typist — Typist/Secretary — Clerk/Clerical Supervisor — Bookkeeper — Technical Assistant	18-14	7 700-19 000	5 400-14 130
SKILLED — Programmer — Warehouse Supervisor — Artisan — Draughtsmen — Technician — Chemist — Geologist — Journalist	16-10 15-13	15 000-34 000	10 368-30 918
MIDDLE MANAGEMENT — Accountant — Internal Auditor — Systems Analyst — D P Manager — Economist — Admin Manager — Workshop Manager — Engineer	13-8	22 000-55 000	16 983-41 820
SENIOR EXECUTIVE Head of Function Medium size Co Turnover. R20-R50 million pa	7-6	45 000-77 000	42 000-55 200
TOP MANAGEMENT General Manager	5-2	50 000-130 000	56 000-62 205
TOP EXECUTIVE DIRECTOR Managing Director Medium size Co Turnover· R20-R50 million pa	Director General	130 000	62 205-105 000

How wage levels compare according to approximate job brackets, with private sector estimates compiled by P-E Corporate Services and public sector figures prepared by the PSA

WAGES V

PRIVATE SEC

Whites

Asians

Coloureds

Blacks

PUBLIC SERV

All Races

INFLATION

CPI

Percentage 0

A bar chart showing how sector over the past 10

BA

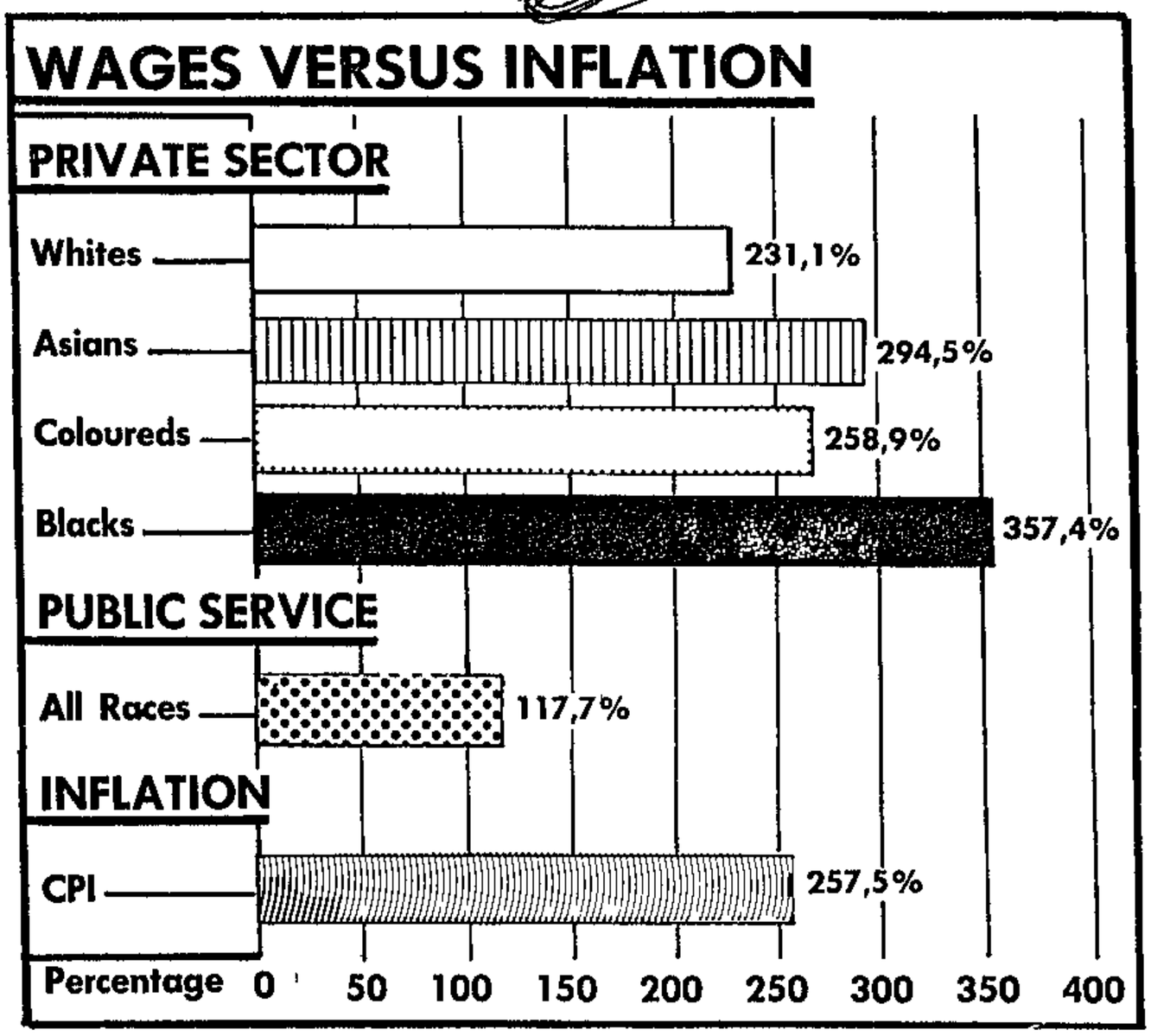
PERIOD	
'76 to '77	7
'77 to '78	8
'78 to '79	10
'79 to '80	16
'80 to '81	15
'81 to '82	14
'82 to '83	12
'83 to '84	10
'84 to '85	9
'85 to '86	11

The PSA and P-E set out public sectors



employees wait for outcome as ...

negotiate wage rises



A bar chart showing how P-E Corporate Services see the movement of wage increases in the private sector over the past 10 years and how the Public Servants' Association argues that increases for employees in the public sector have fallen behind

BASIC SALARY INCREASES

PERIOD	Whites	Asians	Blacks	Coloureds	Public Service all race groups	CPI
'76 to '77	7,3	17,1	16,7	13,2	10,0	10,6
'77 to '78	8,2	10,5	28,1	13,9	5,0	9,2
'78 to '79	10,9	12,4	13,2	14,5	7,6	13,5
'79 to '80	16,4	17,1	13,8	18,2	10,3	14,6
'80 to '81	15,6	22,1	24,6	14,3	12,0	14,5
'81 to '82	14,6	24,2	20,3	18,0	15,0	14,4
'82 to '83	12,3	12,1	13,6	12,3	—	12,8
'83 to '84	10,0	10,3	11,6	11,5	12,0	12,4
'84 to '85	9,9	10,7	12,3	10,3	—	16,4
'85 to '86	11,0	11,6	11,3	10,4	10,0	16,9

The PSA and P-E set out the year-by-year track record of general pay adjustments in the private and public sectors since 1976 and comparisons with rises in the consumer price index

ECTOR

RANGE

Public Service
1 890-9 600
5 400-14 130
10 368-30 918
16 983-41 820
42 000-55 200
56 000-62 205
62 205-105 000

sector estimates
the PSA.

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out on such perks as company cars and entertainment allowances and many more that are almost standard in middle and senior management in the private sphere

"And the perks tax has flattened out many of the old differentials Moreover, a 13th cheque, which used to be a sore point, is now almost as commonplace in the private sector as in the public sector

"Still, it is difficult to find a true assessment of pay trends inside the civil service because of the camouflage of pay increases that come about by promotions that can be shuffled around

"Also hard to calculate is the value that can be placed on job security in the public sector in all the economic ups and downs Look how the size of the public sector has increased in the last three or four years, while thousands of jobs have had to be axed in the private sector be cause of the recession

"If the pay demands go through, the PSA must in turn agree to a sweeping review aimed at cutting the size of the civil service South Africa simply cannot afford its growing army of bureaucrats"

Dr Cameron sounds more dismayed than angered by the storm about the growth of the public service labour force

"We need to rivet attention on the effectiveness of the administration of all our national services," he replies

"All too often, mention of the public sector raises the vision of hordes and hordes of bureaucrats In fact, they are in a distinct small minority There will be much more balance and less emotion if everyone remembers the invaluable roles performed by our technologists, social welfare officials, nurses, teachers

"The whole crux of the issue is that the pay of all of them has lagged behind the wage and salary increases seen in the private sector Quite simply, unless pay levels in the public sector are improved and keep pace, we'll fail to retain the talent we have and attract the new talent that is essential"

"Nor should the general public believe that the jobs of civil servants are inviolate sinecures True, not so very long ago, one had to rob a bank or commit murder to be fired from the civil service — but no more

"Nowadays, there is instant dismissal for poor performance or misconduct

"There is no longer room for dead wood Two years ago, all government departments were ordered to cut down their numbers by slashing the number of advertised vacancies by half — whatever the size of establishments in the past

"There have been efforts to close the wage gap between the private and public sector in recent years Even so, to make allowance for relative job security, the public services follow rules that insist that while the wages in particular occupations are now related to the going rates in the labour market, they are always fixed at 15 percent below the pay for the equivalent job in the private sector

"Nevertheless, we were closing the overall wage gap All we seek to do now in the next round of negotiations is to maintain some sort of equilibrium"

The Association of Chambers of Commerce remains unmoved by the PSA arguments A recent survey that it conducted found that the labour force of central government had soared from 295 462 in 1976 to 397 227 by last year

Moreover, the survey found as it delved deep into actual wages that the average monthly earnings of employees had rocketed from R265 to R1 138, an annual rate of 15,4 percent compared with an average inflation rate of 13,7 percent over the identical 10 years

Assocom is convinced it has found a solution to it all the introduction of "value for money" tests on the work of civil servants and all public sector operations

It believes all government departments should face regular special audits on both their efficiency and effectiveness

Mr Rocky Ridgway, former Assocom president, has worked out that while every R1 in fixed capital stock contributed about 83 c to the economy every year as a national average, in government service the level sank to only 14c

While the economic contribution of the average worker in South Africa as a whole worked out at R6 670 a year, in the public sector the average trailed behind at R5 460

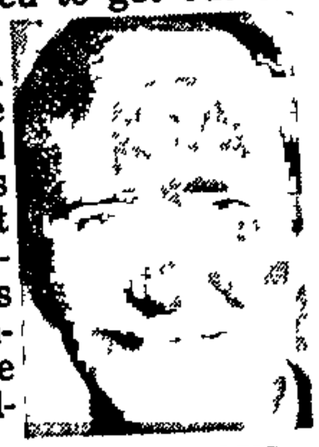
Call for 12% to 15% pay hike

State spending must be curbed, Barend tells PSA

GERALD REILLY

FINANCE MINISTER Barend du Plessis warned during pay talks with the Public Servants' Association this week that State spending could not be allowed to get out of hand.

Addressing a PSA deputation in Cape Town, he stressed that every effort was being made to limit government spending. Du Plessis was accompanied by Minister in the State President's Office Alwyn Schlebusch.



● DU PLESSIS

PSA president Colin Cameron said yesterday the PSA had asked for 12% to 15% increases, an increase in subsidised housing loans above R50 000; better pensions for widowers, and a uniform optional retirement age of 60.

Cameron told the Minister the gap between public sector and private sector salaries was widening, and would widen further with the expected economic upswing

He claimed government workers' pay was running 32,6% behind the consumer price index.

He claimed, in support of bigger housing loans, that it cost at least R73 000 to build a house.

In talks with Health Minister Willie van Niekerk, Cameron was assured officials need not fear being deprived of their work privileges

Calculations based on the latest Central Statistical Services figures show that to grant the 400 000 central government workers a 15% increase would cost about R750m, bringing the total annual payout to about R5,5bn.

For the 265 000 provincial workers the same increase would mean a hike in the salary bill of R450m and an annual total of nearly R3,5bn.

● See Page 13

US visa inquiries flood in

HAMISH McINDOE

THE US Consulate, Johannesburg, this month received several hundred inquiries from foreign nationals living in SA about the issue of special immigration visas to the US.

Washington is to issue 10 000 more immigrant visas to nationals of 36 countries over a two-year period. South Africans are not included, but nationals from "adversely affected" countries resident in SA are eligible.

Deadline for the applications, vetted on a first-come, first-serve basis in Washington, expired on Tuesday

A US Information Services (USIS) spokesman said yesterday 200-300 information sheets on the visa — dubbed NP-5 — had been distributed by USIS and the consulate.

"But we will never know how many applications came from SA because Washington is not doing a count. I understand that applications received before the January 21 processing start were simply thrown away," he said.

□ Sapa-Reuter reports that in the week that an election campaign started in Ireland the US State Department received 200 000 Irish applications for visas. Ireland has a population of only 3,5-million.

Political comment in this issue by Ken Owen. Newsbills by Michael Acott

INCOMES POLICIES

An unnecessary evil

(128) FM 30/1/87

Politicians and those exasperated by price increases find the idea of fixing prices by legislation extremely beguiling.

The fact is that this type of restriction — to the economist, a prices and incomes policy — has a sorry and repeated history of failure, other than in moderating hyper-inflation

After the protracted depreciation of the rand, which has forced up the cost of vital imports, with the money supply patently under control, and an election ahead, advocates of some form of rigid price control are again attempting to argue their case



Cloete

The Afrikaanse Handelsinstituut (AHI) is one; former Barclays economist Johan Cloete another, while the Board of Trade's chairman, Lawrence McCrystal, is the latest person to call on government to impose price and income restraints to keep down inflation.

Even Pretoria University's Geert de Wet has jumped on the bandwagon, claiming that voluntary prices and incomes restraints will do the trick without the need for regulation. Somehow he seems to believe that by calling a dog by another name, he can escape from being called a prices and incomes advocate

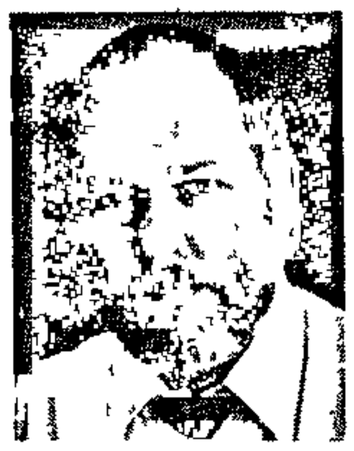
In case the futility of this sophistry be forgotten after the McCrystal disaster of the mid-Seventies, these advocates should remind themselves that prices and incomes policies have been tried in various guises overseas They have been noteworthy only for failure

Generally they involve linking increases in wage/salary costs and the prices of goods to a restraining formula. This can either be the ruling rate of inflation, or a figure several points below, to try to curb the prices and wage spiral.

This seems simple enough, but such interference can create a number of problems, not least a distortion of the workings of the price mechanism That in turn, means wasting resources.

With demands for a 10%-15% across-the-board salary increase by the Public Service Association (PSA) likely and several powerful unions also joining the fray, nominal incomes seem set to rise in many sectors in the next six months — especially when declines in real incomes in 1986 are considered in the context of a forthcoming election

As Reserve Bank Governor Gerhard de Kock has said "Public-sector wages and salaries have risen much more rapidly over the years than the productivity of labour Linking inflationary expectations and wage and salary increases to increases in the CPI does play an important role in the inflationary process in SA"



Mohr

He added that cost-push and demand-pull factors are interdependent elements of the same inflationary process Autonomous cost-push influences alone, however, cannot sustain inflation, if they are not accommodated by monetary expansion Thus, if the monetary authorities contain the pressure for monetary accommodation of price increases, cost-push factors should abate

"Wage and price guidelines must not become a substitute for appropriate fiscal and monetary policy," he explains, as artificial guidance acts only in suppressing price pressures, not eliminating them.

Fundamental to curing inflation is the adoption of a "responsible attitude" on the part of both employer and employee organisations towards wage and salary negotiation This includes government

"It is government's responsibility to guide the labour market toward harmony with the demand policies of the authorities. Just as important is its impact on relative prices, through wage and administered price determination"

Johan Cloete believes that monetarist medicine should not be the only cure considered for inflation

This is not necessarily because this will not work, rather because of the debilitating unemployment and growth implications

"In the mid-Seventies, when inflation was starting to take hold, it could have been curbed if the authorities had been as strict in implementing monetary and fiscal policy as they promised," he says Cloete now believes it is too late for such action to form the mainstay of anti-inflationary policy

He points out that elements of a prices and incomes policy are already in place through government's control of public-sector incomes and administered prices. Given that a discretionary policy exists, Cloete advocates that it could be a useful weapon

Cloete is another of those who claims not to be an interventionist per se He prefers "voluntary enforcement" of restraint of incomes, the economic consequences would be precisely the same as legally enforced curbs.

Govt's wage bill rises to R12,6bn

GERALD PROSALENDIS
and HELENA PATTEN

WHILE public servants are demanding hefty salary increases, government's share of SA's total wage bill has risen sharply during the last seven years.

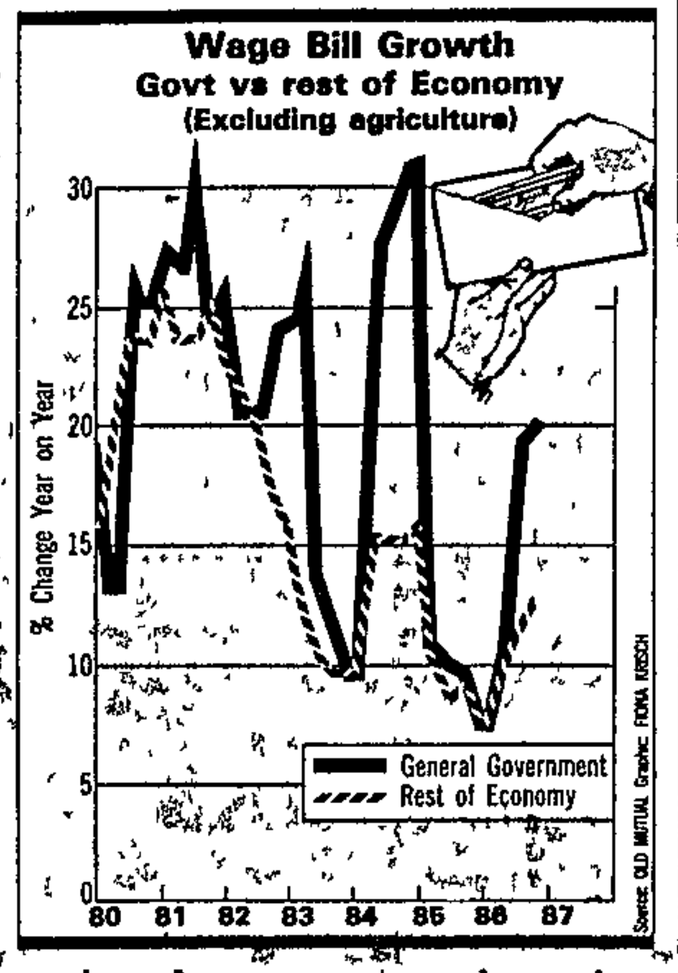
Official figures showed government's share of the country's total remuneration, which was 20,8% in 1980, had grown to 25,4% by the end of 1986

It had increased by 190,5% to R12,6bn last year from R4,3bn in 1980. On the other hand, the increase in private sector remuneration was 124,1% to R37bn from R16,54bn in 1980, Central Statistical Services figures showed. During this period the consumer price index (CPI) increased by 144,9%

While total private sector wages trailed behind inflation, the increase in total civil service wages outstripped the increase in the index.

Government's wage bill includes central government, provincial administrations, local authorities, state bodies, the homelands, universities, and technikons.

Part of the higher outlay on government employees results from a larger labour force. Official figures show the number of government employees has increased by 20% since 1980.



Public Servants' Association (PSA) president Colin Cameron says the higher number of government employees is largely owing to an increase in black teachers, a larger police force and army.

● To Page 2

Govt wage bill now R12,6bn

● From Page 1

He says "If these are removed from the total figure, the growth in government employees was not substantial"

Cameron says any comparison between public and private sector wages and salaries depends on the base year used

He says "It is true that in 1982 there were significant adjustments in public service wages and salaries that brought them up to a reasonable parity with the private sector However, during the last 18 months the situation has deteriorated Our projections show there is a variance between public and private sector remuneration of between 10% and 18%, depending on job category"

Economists have expressed concern over the PSA's demands of a 12%-15% increase in wages for central government employees

An increase of this magnitude could stimulate consumption spending and result in a rerun of the 1983/1984 mini-boom The inevitable higher level of imports would erode the current account surplus and could cause difficulties in SA meeting its foreign debt commitments

Also, the emergence of demand-led inflation, which is absent at present, could force the monetary authorities to tighten monetary policy by raising interest rates

Most economists agree the pay-hike would be an inappropriate way to stimulate the economy and point rather to a tax cut, the benefits of which would be felt by all

Assocom CE Raymond Parsons says "While we accept that public servants are entitled to seek a salary review, their claims must be evaluated within the existing government spending priorities and should not rule out some tax relief to the general taxpayer."

'Ill-advised' policy may lead to price controls

THE Minister of Finance, Barend du Plessis, said yesterday he was uneasy at the view that business profit margins had to be fully restored before meaningful price reductions could be offered

He said such "ill-advised" policies could lead to a "vicious price-cost spiral" that could force the government to impose direct price controls

Depress demand

At the moment, the government believed it would be folly to depress demand by unduly restrictive monetary or fiscal policies

"Neither do we envisage a resort to the direct control of prices or incomes, but I must express my unease at the view apparently taking root in some quarters, that profit margins need to be 'fully restored' before any meaningful relief can be looked for on the score of prices

"I would caution against the unqualified acceptance of a doctrine of this kind"

Wages and salaries had recently increased at a rate below that of inflation and this underlined the "ill-advisedness of any implied claim by other factors of production to an inherent right to the maintenance of real incomes"

Private enterprise

"To embark on such a course would naturally be to give yet another twist to one of the constituent elements in our inflation, namely a vicious price-cost spiral, with all that this would mean not only by way of its immediate and predictable repercussions, but also for the ultimate survival in our country of the private enterprise system itself, and one hardly needs to say that in those circumstances the government would be unable long to resist a populist cry for direct controls"

Mr Du Plessis said the government continued to believe in conventional financial disciplines and in a fiscal and monetary policy mix that would not stimulate excess demand

He said the inflation rate remained at a high level and the government would have to direct its strategy at causes that could be identified — Sapa

Public sector pay forecast to rise by about 25 percent

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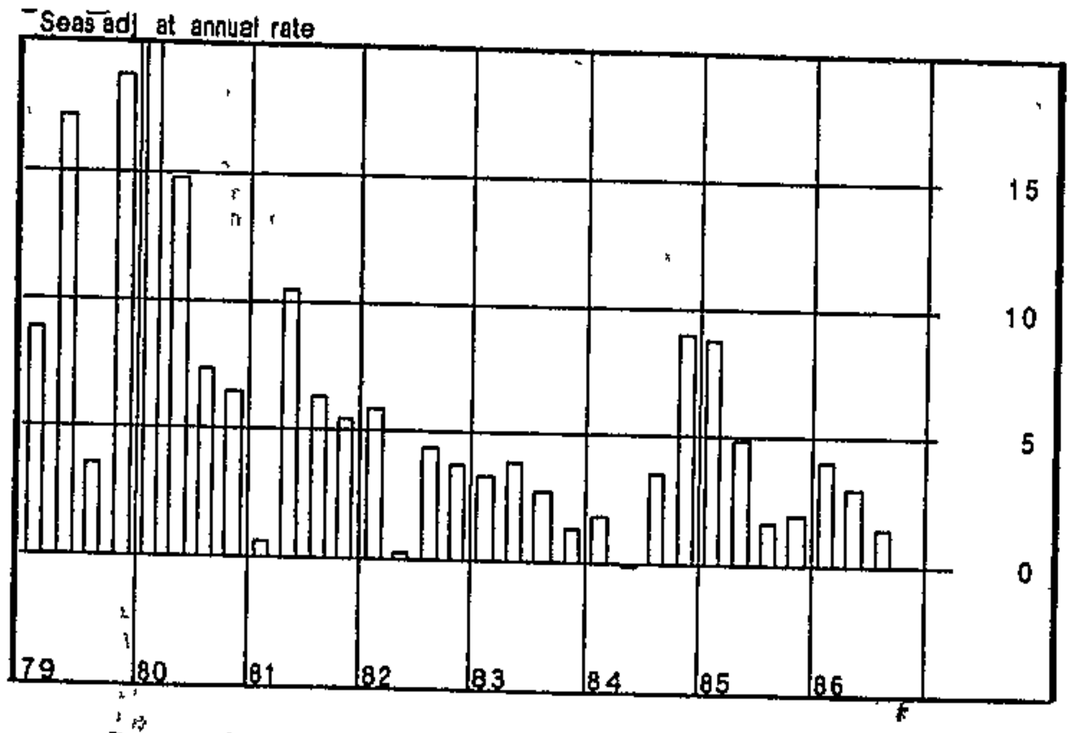
Magnus Heystek,
Finance Editor

Remuneration in the public sector is expected to rise by about 25 percent this year, forecasts Dr Hans Falkena, economist of the United Building Society In contrast, the increase in the total pay package of the private sector will be much lower at approximately 13 percent.

"Total remuneration of employees is expected to rise materially this year. Public sector staff will probably enjoy wage adjustments in the order of 15 percent (the election sweetener) and the total pay package of the public sector (including normal scale adjustments) could even increase by more than 25 percent given the anticipated rise in government staff", he says

As the private sector is still suffering from the consequences of the recent recession, their remuneration increases will be much lower than in the public sector.

An increase of some13 percent is predicted with total employment in the private sector stabilising after indications that retrenchments have started to taper off significantly



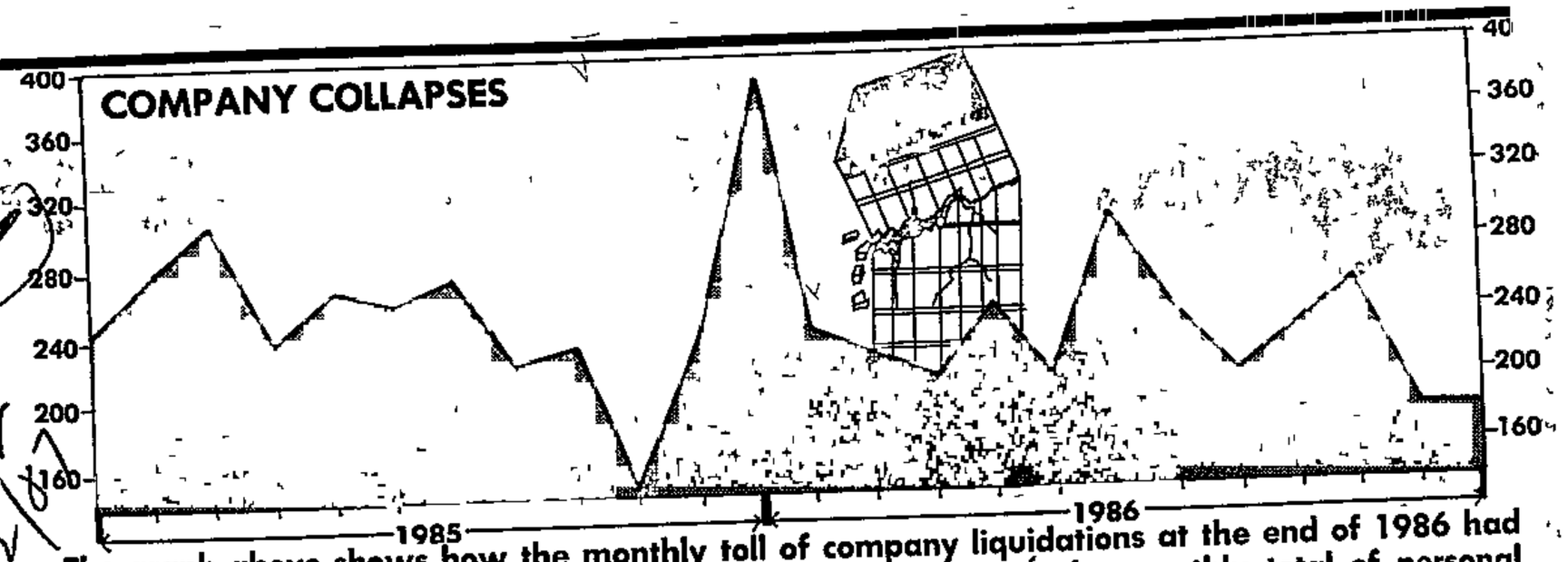
Personal savings ratio, seasonally adjusted at annual rates.
Graph — UBS

Farming

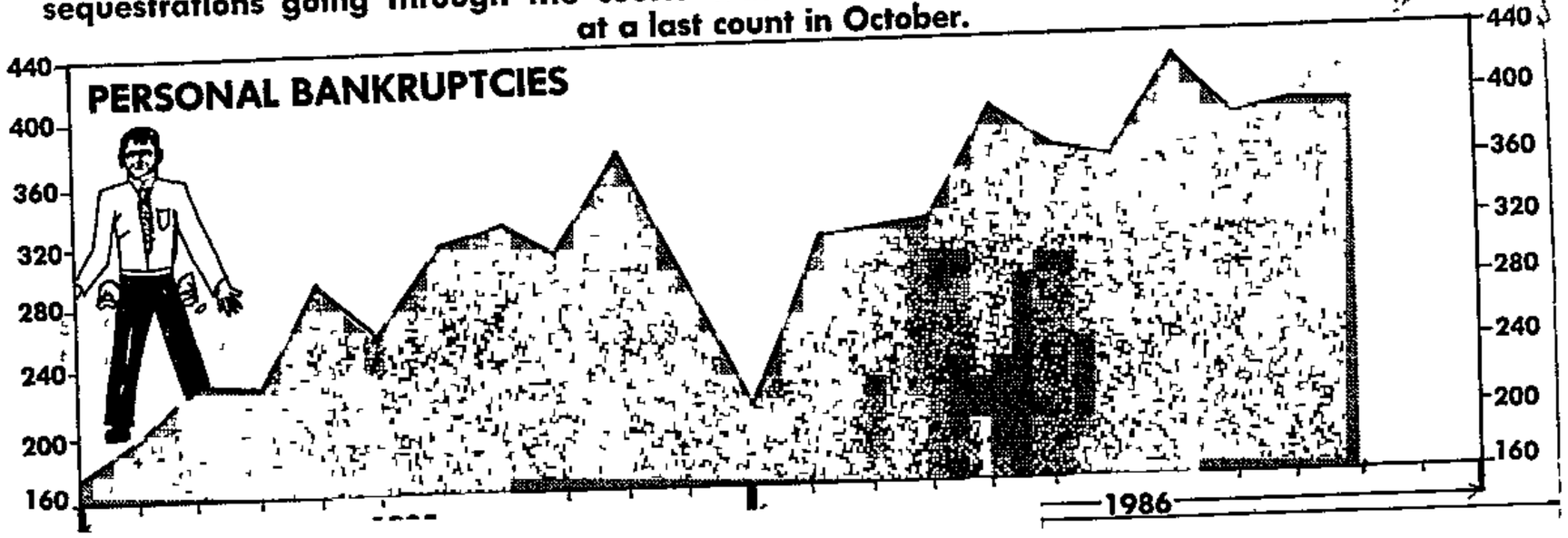
Income of the self-employed should also improve materially, mainly arising from an increase in farming income (owing to better agricultural conditions) and as always, supported by the inflation-linked income of professionals As a whole, Dr Falkena expects personal disposable income to increase by 20 percent, compared with an expected average inflation rate of 18 percent.

As real consumption expenditure is forecast to increase by more than 3 percent, it should lead to a further decline in personal savings by about 8 percent to R1,2 billion and an savings ratio of about 1,2 percent

Private debts show no sign of dropping



The graph above shows how the monthly toll of company liquidations at the end of 1986 had tumbled far below the peak touched a year ago. In contrast, the monthly total of personal sequestrations going through the courts was still stuck on the highest plateau on record at a last count in October.



By Michael Chester

The number of company collapses has slowed down from the peaks touched in the worst of the recession, but there is still grave concern about the persistent flow of private families slipping into debt

An analysis by Information Trust Corporation, the new credit bureau network created in the wake of the pull-out from South Africa by Dun and Bradstreet of the United States, shows that the number of company liquidations fell 11 percent from 3 061 in 1985 to 2 733 last year

Mr Paul Edwards, managing director, encouraged by a sharper downward curve in recent months, forecasts that the company failure total will go on shrinking in 1987 if the economic recovery gathers momentum

But latest statistics showed large numbers of private individuals are still embattled in court actions over personal debts

The rate of insolvencies, though showing a modest slowdown in the latest figures covering October, compared with a peak last July, is still running no less than 200 percent higher than in 1982/83.

BACKLASH OF CREDIT SPREE

"Families are still struggling with the backlash of the credit spree in consumer spending that was forced to an abrupt halt in 1984," said Mr Edwards "They were living in a fool's paradise as they snatched at easy credit that many assumed would tide them over a temporary bad patch Many have been taken by surprise by the duration of the recession and the big cash squeeze

"The problem has been compounded by the failure of average wages and salaries to keep pace with increases in the consumer price index for five years on the trot

"Thousands of families have raided their piggy-banks and savings nest-eggs to try to maintain living standards Now many of the cupboards are bare — and there are still debts to settle

"Debt summonses are still being issued at the alarming rate of an average 68 000 a month — the worst on record — so it seems many South Africans refuse to face the blunt reality that the old high-flying life styles may never return and that they simply must settle on more modest living standards

"They would be unwise to rely on the mini-budget concessions to solve all their problems, though they should prove useful to family budgets A really significant improvement in debt patterns can only be provided by virile economic growth"

Pay packets will rise 14 pc

By Michael Chester

Pay packets for the 8 200 000 workers in the private sector will show average 1987 increases of 14 percent, the biggest advance in five years, according to a nation-wide poll among employers.

Yet P-E Corporate Services, which conducted the survey, cautioned today that the increases for most workers may still fail to keep pace with an inflation rate, which threatens to stay in orbit at 17 percent or higher.

Miss Naomi Brehm, salary surveys manager, added that benefits of the climb in pay scales would also push breadwinners into higher income tax brackets, which, despite the concessions in the mini-budget, meant steeper tax payments

"Still, it promises to be the best round of increases since the tail-end of the 1980/81 boom and compares with an average that worked out at no better than 11,1 percent last year as living standards took a beating for the fifth year in succession," she said

The 1987 rises promise to lift average white wages and salaries by 13,8 percent, and most black pay packets by 14,2 percent

Year	Whites	Blacks
1981/82	14,6	20,3
1982/83	12,3	13,6
1983/84	10,0	11,6
1984/85	9,9	12,3
1985/86	11,0	11,3
1987	13,8	14,2

A table prepared by PE Corporate Services shows the nosedive in average percentage pay increases that followed the 1980/81 gold boom — and the new upward tilt.

Stopping poaching

It was predicted that the final range would span from 11,2 percent for artisans in the service industries — such as employees in hotels and transport companies — to 17,9 percent for black hourly-paid mineworkers

Miss Brehm also forecast far-better-than-average increases for highly-skilled specialists such as computer and financial boffins — "obviously intended as protection against inter-company poaching and to counter the brain drain by offering bigger inducements to stay in the job rather than join the exodus"

The pattern was underlined by the expectation among employers of increases running up to an average of 17,5 percent for specialists in the financial institutions, where shortages in various talents were already acute because of emigration of skilled personnel.

Taking all industrial and business sectors into account, the average pay of specialists looked likely to go up by 14,3 percent — even steeper than the climb for top executives (14,1 percent)

Overall, average increases for monthly-paid general staff will be around 13,1 percent, and pay-levels of hourly-paid non-whites look set to increase by about 14,2 percent

Sector by sector, taking all employee levels into account, these averages are forecast

- Agriculture and forestry — 13 percent
- Mining (gold to coal mines) — 14,2 percent
- Manufacturers of materials (bricks and cement to plastics and petroleum) — 14,1 percent
- Construction (house builders to civil engineering) — 14 percent
- Industrial equipment (steel mills and foundries to electronics) — 15,2 percent
- Manufacturers of consumer goods (domestic appliances to food and drink) — 13,9 percent.
- Sales and marketing (retailers to wholesalers) — 14,3 percent.
- Service industries (hotels to professional services) — 12,1 percent
- Financial institutions (banks and building societies to insurance companies) — 14,4 percent

Poorhouse syndrome rules OK?

D/C ARGUS 14/3/87 (128)

By DEREK TOMMEY
Finance Editor

A GOVERNMENT survey has confirmed what most white South Africans already know — that their living standards are significantly lower today than they were in the 1970s

The survey shows that white spending on a wide range of goods and services has dropped substantially from what it was a decade ago And the reason is that they no longer have the same amount of money to spend.

The survey is of white household expenditure and was conducted by Central Statistical Services to obtain information on consumer spending patterns

MORE REFLECTIVE

This will be used to revise the consumer price index to make it more reflective of today's conditions

The survey is based on the expenditure of 4 508 white households in the 12 major urban areas during 1985

Of the households covered by the survey 443 or just under 10 percent were in the Cape Peninsula.

The survey shows that inflation contributed little to the erosion in living standards.

It found that white incomes in real terms in 1985 were only slightly less than 10 years earlier (Though this is nothing to be complacent about. Most of the people living in countries that trade heavily with us have achieved anything between a 12 percent and 30 percent increase in real growth in incomes in this period)

The real culprit in depressing white living standards, it is evident from the survey, has been the mushrooming burden of income tax.

The amount of income paid in tax rose about 40 percent between 1975 and 1985, from 23,0 percent of average income to 32,3 percent. The survey partly conceals this by including insurance payments with income tax payments

But as the Treasury has indicated that income tax payments by individuals will have risen 3,6 fold in the five years ending this month from R3,1-billion to an expected R11,4-billion — it seems obvious that income tax and not insurance accounted for most of the 40 percent increase.

Having to pay this extra taxation left the consumer with much less to spend — 67,7 percent of his income in 1985 against 77,0 percent in 1975

Then as the cost of housing took 19,2 percent of the consumer's income, against 16,6 percent in 1975, the amount available for spending on other items was further reduced.

After providing for tax, insurance and housing the average white South African has only 48.5 percent of his income available for other items, the survey shows.

In 1975 he had 60,4 percent left — or almost a quarter more. This reduction in spending power led to considerable belt tightening

The amount of money spent on furniture in 1985 was almost halved from 1975 Spending on recreation was cut by 42,5 percent, on tobacco by 40 percent — though the anti-smoking campaign may also have played a part here.

Expenditure on reading also took a hammering, falling 37,5 percent from 1975 levels, while expenditure on clothing dropped 35,6 percent.

Other items where spending by white households in 1985 was down markedly on 1975 were restaurants and bars (−28,6 percent), drink (−20 percent), household operation (−18 8 percent), servants (−16,7 percent), transportation (−15 percent) and holidays (−14,3 percent)

MEDICAL SERVICES

Expenditure on medical services was a major exception, rising 13 percent, while spending on communications rose 10 percent. However, both of these can be regarded as essentials.

The decline in white spending has had a considerable impact of much of tthe retail trade, and accounts to a large extent to the much greater emphasis being placed by retailers on being in the black market.

White South African households have had to reduce their spending on many items in the past 10 years This table, based on a Central Statistical Services expenditure survey shows the major changes in spending patterns between 1975 and 1985

Item	Percentage change in spending
Food	−18
Drinks	−20
Tobacco	−40
Clothing	−36
Footwear	−28
Housing	+16
Fuel & power	+100
Furniture	−45
Housecare	−19
Servants	−17
Medical	+13
Transport	−15
Communications	+10
Recreation	−43
Reading	−38
Education	-
Personal care	−9
Restaurants & bars	−29
Holidays	−14
Income tax & insur	+40
Other	−13

BUSINESSMAN OF THE WEEK

Milly's is cooking

By DEREK TOMMEY

MICHAEL Bruchhausen, 26, is probably South Africa's youngest managing director of a quoted company

And in an interview with him this week it soon became clear that his father and two elder brothers had good reasons for appointing him to the top spot of Milly s, the Cape Town convenience store group when the family bought the company a year ago

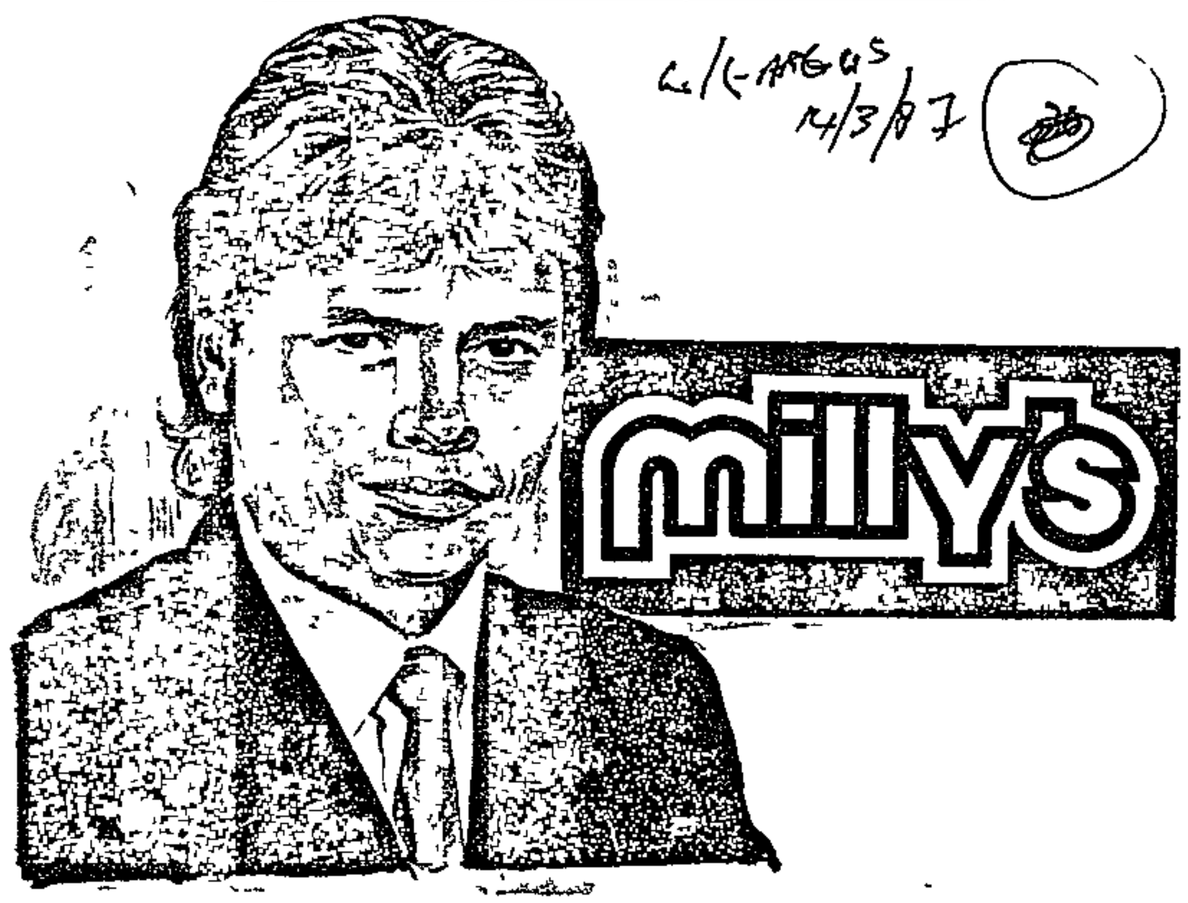
"I was probably appointed MD because I had more administrative experience than my brothers,' he said adding that both were in the business and were around to take charge when he was absent from Cape Town.

But in an impressive survey this week of Milly's operations and prospects it quickly became obvious that the company's affairs are in the hands of a highly capable young man.

His knowledge of business would do credit to someone twice his age. Clear headed and articulate, he knows what is at stake and where he and the company are going

Also helping his reputation is the good track record he has achieved in the short time he has been with Milly's

In September he took the company to the share market. And last week he reported a 64 percent increase in turnover, a 54 percent rise in pre-taxed profit and a 96 percent rise in earnings a share.



D/C ARGUS 14/3/87

Michael Bruchhausen the key word is convenience

The Bruchhausens became interested in Milly's when the rand plunged in 1985 and hit the family's food appliances importing and wholesaling business, he explained

"We decided to find another investment We were looking for a food business and through business associates we heard that Milly's was up for sale and we took it over in the second half of 1985

We started with two stores — in Mill Street and Sea Point. We subsequently bought back the Claremont store, opened a new store in Clifton and did the Carousel development at Sea Point.

It is a difficult business to be in We don't want to fall in the trap of calling ourselves a supermarket I think the correct word to use is a convenience store — the key word is convenience.

We specialise in things we make ourselves but we also offer a limited range of groceries The thrust of our business is come in and buy what we make

'We have a mixture of clients Milly's traditionally has had an upper class Jewish clientele, or supposedly so But we are finding an increasingly wide mix of people coming to our stores."

Looking ahead, Mr Bruchhausen said the company was planning to expand its retail outlets Within the next few months it would be opening stores in the Western Cape and either in Natal or the Transvaal

'We have to be extremely careful where we go You have to consider the site, what type of customer you will get and whether there is the foot traffic.

'An easier side of the business to expand, and one that we have been concentrating on lately is production. We have recently negotiated a contract with South African Transport Services to use their central kitchens at the Cape Town station We intend more and more to cut out the middle man from our supply line and become our own producer and to supply products to Sats and otehr retailers.

We have our own butchery and will be producing all our cold meats and that is where the strength of our business will be"

Mr Bruchhausen said the black market was of great importance to Milly's. We are at a crossroads in terms of where we are going We have had a number of offers to go into both Athlone and Mitchell's Plain They are both big and lucrative markets.

The name will be important, whether we franchise or go there ourselves You want to know the business you put in there is politically and economically sound. But we are definitely going into the black market.

The Carousel at Sea Point was trading well, he said.

'However, when we opened we had two big problems. We opened on December 6 smack in the middle of the season We had a tremendous volume of people and faced some serious problems coping The sheer number of people took us totally by surprise But today it is going well."

Apart from expanding the business Mr Bruchhausen has one other major aim This is to have its shares moved from the development capital market sector to the main board of the Johannesburg Stock Exchange.

	Orange Vaal	1 450
	OFS	1 331
	Natal	1 015
	Cape	1 003
(b)	Northern Transvaal	68
	Highveld	57
	Johannesburg	61
	Orange Vaal	32
	OFS	42
	Natal	30
	Cape	45

Figures as on 4 March 1986 Figures for 31 December 1986 are not available

Identity documents

229 Mr D J N MALCOMESS asked the Minister of Justice

Whether any *(a)* White, *(b)* Black, *(c)* Coloured and *(d)* Indian persons were (i) charged with, (ii) convicted of and (iii) acquitted on a charge of not being in possession of an official identity document during the latest specified year for which figures are available, if so, *(aa)* how many and *(bb)* in terms of what statutory provision in each case?

The MINISTER OF JUSTICE

The information is not readily available in the Department

TBVC citizens deported

239 Mr K M ANDREW asked the Minister of Home Affairs

(a) How many citizens of (i) Ciskei, (ii) Transkei, (iii) Venda and (iv) Bophuthatswana were deported from the Republic in 1986 and *(b)* in terms of what statutory provisions were they deported in each case?

The MINISTER OF HOME AFFAIRS

(a) (i) None

(ii) 11

(iii) None

(iv) None

(b) (i) Falls away

(ii) Nine were deported in terms of section 43 and two in terms of section 45 of the Admission of Persons to the Republic Regulation Act, 1972 (Act 59 of 1972) as amended

(iii) Falls away

(iv) Falls away

Salaries

240 Mr D J DALLING asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) In what categories has full parity been achieved in the salaries paid to officers of different race groups in the Department of Justice as at the latest specified date for which information is available,

(2) what is the total number of non-White officers in the said Department who enjoy full parity in salary,

(3) in what categories has full parity not been achieved in the salaries paid to officers of different race groups in that Department,

(4) what is the total number of non-White officers in that Department who do not enjoy full parity in salary,

(5) what progress has been made with the plan to eliminate disparity in salaries?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

Details as available on 1 February 1987 are as follows

(1) *Coloured and Indian*

Estate Controller and higher ranks,
State Prosecutor and higher ranks,
Magistrate and higher ranks,
Justice Administration Clerk and higher ranks,
Court Interpreter and higher ranks,
Security Assistant and higher ranks,
Storekeeper and higher ranks,
Provisioning Administration Clerk and higher ranks,
Personnel Clerk and higher ranks,
Accounting Clerk and higher ranks,
Legal Officer and higher ranks,
Legal Administration Officer and higher ranks,
State Advocate and higher ranks,
Assistant State Attorney and higher ranks,
Assistant State Law Adviser and higher ranks,
Regional Magistrate and higher ranks,
President Divorce Court,
Warder and higher ranks,
Registrar's Clerk and higher ranks

Black

Magistrate and higher ranks,
Court Interpreter and higher ranks,
Senior Storekeeper and higher ranks,
State Prosecutor and higher ranks,
Warrant Officer and higher ranks up to Lieutenant Colonel

(2) Coloured and Indian 2 827
Black 1 161

(3) *Coloured and Indian*

None (enjoy full salary parity)

Black

Assistant Justice Administration Clerk and higher ranks,
Sergeant,
Warder,
Storekeeper,
Provisioning Administration Clerk,
Assistant Provisioning Administration Clerk,
Accounting Clerk,
Artisan,
Musician,
Typist

(4) Coloured and Indian Nil
Black 6 752

(5) No fixed programme for the elimination of disparities in salaries simultaneously with general salary adjustments exists anymore Elimination of disparities receives attention on a continuous basis during occupational specific maintenance investigations or when funds are made available specifically for this purpose in respect of particular groups In the current financial year funds for this purpose were specifically made available in respect of the following groups

Social Worker and related groups,
Educators in categories a3-B,
Paramedical personnel,
Nursing personnel

Disparities in salaries were also eliminated simultaneously with occupational specific adjustments in respect of the following groups

Driver,
Driver/Operator,
Telephonist (Only parity for Coloureds and Indian),
Water Control Officer,
Water Care Plant Superintendent,
Fisheries Control Officer,
Foreman General,
Manager Camping Site,
Buildings Caretaker,
Headman Guano Islands,
Compound/Town Manager,
Military Terrain Officer,
Shooting Rangeman,
Superintendent Works,
Handyman,
School Caretaker,
Foreman Forestry,
Foreman Saw Mill,
Foreman Cleaning Services,
Foreman Grounds Maintenance,
Gardener

Out of a total of 512 occupational groups full parity in salaries has been reached in respect of 304

Forecast subject to govt reform

Inflation to dip as incomes rise

Cape Times 28/4/87

By AUDREY D'ANGELO
Financial Editor

THE Stellenbosch Bureau for Economic Research (BER) foresees a two-year period of steady improvement with real personal incomes rising and the inflation rate falling — provided there are moves towards reform after next month's election

In its latest survey of economic prospects it forecasts that spending will "accelerate" as the consumer price index falls from an average of 16% in the first half of this year to 13,6% in the second and 11,2% in the third

It foresees average wage increases of 15,8% this year, moderate tax relief in the June budget and continuing low interest rates

Joint taxation

"Married couples can expect further relief in terms of lower joint taxation, and savers should be rewarded by further reductions in the taxation of interest incomes," the report says

Pointing out that the real spending power of the average individual fell by 20% between 1980 and 1986 to the lowest level for 17 years, the bureau forecasts that it will rise by 2,9% in the first half of 1986 and more than 3% in the first half of 1988

"Although high personal debt ratios and the large-scale drawing down of savings in recent years will constrain consumer spending, low interest rates and the continued relatively free availability of credit will play a supportive role

"Real consumer spending is expected to rise at an accelerating pace"

It forecasts that sales of durable goods, in particular will benefit from the improved financial position of the individual and from higher levels of confidence

They will also be boosted by pent-up demand in recent years

Forecasting real Gross Domestic Product growth of 4,4% in 1987, rising to 5% in the first half of 1988, the bureau says "The recent healthy upsurge in car sales provides an effective illustration of the improved potential for higher durable consumption levels

"The anticipated livelier house-building activity in black residential areas will also boost the demand for basic household furniture and appliances

"Average growth of 6,4% is foresen for real private consumption of durables in 1987 and this growth rate should rise still further in the first half of 1988

Replacement demand

"Sales of semi-durable goods will also benefit from higher personal incomes and top some extent from pent-up and replacement demand

"Household textiles in particular should benefit from the projected residential activity in black areas"

It says that after five successive years of inventory depletion restocking will be necessary

"The turnaround in the inventory cycle, foreseen to begin in the first half of 1987, will make an important contribution to economic growth"

OPTIMISTIC forecasts made by the Stellenbosch Bureau for Economic Research depend on political factors, economists Ockie Stuart, N J Barnardt and G E Moore stress

In an introduction to their report they say it is made on assumptions which include "that the outcome of the May 6 election will not retard further political reform in SA and consequently it will not have any negative effect on domestic or foreign confidence regarding the country's future.

"It is also assumed that there will not be undue delay in the implementation of further reform after the election

"These assumptions are crucial to our forecast"

Their statement continues "The state of emergency is expected to remain in force but it is assumed that the SADF will not undertake any incursions into neighbouring states"

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Rising Sun no fun when it comes to costs

Cape Times 9/5/87

So you thought it cost an arm and a leg to stay in Cape Town? We have it good, compared to a list of the world's most expensive cities, released by UPI.

GENEVA — At least 33 major world cities are more expensive than New York because of the plunging value of the US dollar, a global cost-of-living survey said recently

Tokyo tops the list and is now twice as costly as New York, while some other cities are 50% more expensive, the Business International Company said

Business International is a business research, publishing and consulting company which conducts cost-of-living surveys at six-month intervals for multinational corporations

Officials said the latest survey covered 102 cities worldwide and New York was in 34th place against 20th position in the previous survey

Figures as of January 31, made Tokyo the world's most expensive city — at 191 points or 91% above New York's base 100 points

Geneva and Zurich were Europe's most expensive cities at 134 and 131 points respectively

"But the dollar continued to fall sharply after January, 31 so Tokyo is now definitely more than double New York while Geneva and Zurich are around 50% higher," a Business International spokesman said

"Most west European cities were above New York in the survey but now those that were slightly cheaper, like London and Madrid, are probably more expensive as well," he said

Surveys are based on a weighted index for costs of a food shopping basket, alcoholic beverages, household supplies, personal care items, tobacco, utilities, clothing, domestic help, recreation, entertainment, and transportation The findings are widely used by companies in paying cost-of-living compensation to expatriate personnel

Standings in the survey, based on January 31 costs and with points above or below New York's 100 base equivalent to percentages·

☐ Johannesburg slots in at No 83

1	Tokyo	191	43	Miami	95
2	Osaka/Kobe	187		Houston	95
3	Brazzaville	173		Abu Dhabi	95
4	Libreville	172	46	Tripoli	94
5	Dakar	158	47	Barcelona	93
6	Douala	156		Madrid	93
7	Tehran	147	49	Port Moresby	92
8	Abidjan	145		Singapore	92
9	Rome	136	51	San Juan	91
10	Geneva	134	52	Bahrein Manama	90
11	Zurich	131	53	Athens	88
12	Vienna	127		Moscow	88
13	Copenhagen	125	55	Dubai	87
14	Oslo	123		Jeddah	87
15	Helsinki	122		Al Khobar	87
16	Munich	117	58	Lisbon	85
	Hamburg	117	59	Montreal	84
18	Berlin	116		Riyadh	84
	Paris	116	61	Panama City	83
20	Dusseldorf	115		Toronto	83
	Frankfurt	115	63	Kuala Lumpur	82
22	Milan	114		Hong Kong	82
23	Lyon	113	65	Calgary	81
	Rome	113		Seoul	81
	Dublin	113	67	Vancouver	80
26	Algiers	109	68	Melbourne	77
27	Amsterdam	108		Nairobi	77
	Brussels	108	70	Wellington	76
29	Taipei	107	71	Sydney	74
30	Amman	105		Brisbane	74
	Stockholm	105		Bangkok	74
32	Luxembourg	102		Auckland	74
	Cairo	102	75	Adelaide	73
34	New York	100	76	Perth	72
	Tel Aviv	100	77	Jakarta	70
36	Los Angeles	98	78	Buenos Aires	69
	Chicago	98		Casablanca	69
38	Washington DC	97	80	Dhaka	68
39	San Francisco	96		San Jose	68
	Boston	96		Manila	68
	London	96	83	Tunis	66
	Lima	96		**Johannesburg**	66

South Africans still getting poorer

w/e ARGUS 30/5/87 (128)

By DEREK TOMMEY,
Finance Editor

GOVERNMENT hopes that 1987 will mark a major turning point in the economy, leading to a general and a substantial improvement in everyone's living standards, have received a serious setback following the publication of the preliminary first quarter GDP figures

These eagerly awaited figures, which Central Statistical Services has rushed out, show that in the three months ended March the economy grew by only about half-a-percent — or 2 percent an at annual rate

This was the smallest rate of growth since the first quarter of last year and less than half that achieved in the December quarter It is also well below the population growth rate of 2,8 percent a year — signifying that living standards overall in this country are still falling

Even Central Statistical Services, which normally confines itself to explanations, was drawn to comment that the increase was less than expected "It is clear that the upward surge in real production of the non-agricultural sector slackened in the first quarter," it said

The figures will be a major disappointment to the Government It has been hoping that the economy will start picking up and create more jobs, leading to improved living standards and possibly to less dissatisfaction in the black townships

Some improvement in the country's economic performance is urgently needed During the past five years all South Africans have become significantly poorer According to Reserve Bank figures, overall the economy has grown by only 1,6 percent since 1981, while the population has increased by more than 14 percent This indicates an average decline in income and therefore in living standards of around 10 percent in this period

A breakdown of the GDP figures (all at annual rates) shows that the commercial sector had a good first quarter with a 12,1 percent increase in production The finance sector also did well with a 7,6 percent rise

But mining sector ouput dropped and construction and manufacturing were both able to show only a 2 percent increase

These figures suggest that increased earnings from exports, together with Government's attempts to prime the economy with increased spending and tax cuts, are starting to stimulate the retail and wholesale trade But businessmen are still concerned about the economic outlook and are therefore unwilling to make major new investments

LAGGING BADLY

The result is that expansion in the manufacturing and construction sectors, which is vital for economic growth, is still lagging badly

Mr Bob Wood, head of the First National Bank in Cape Town, said today that he had not noted any significant improvement in new investment in these sectors

However, the development of shortages as demand grew meant that sooner or later the businessmen in these sectors would have to invest, he said

A Cape Town manufacturer said the problem was that businessmen were not getting down and taking advantage of the new conditions in this country and starting local manufacture

"All they are doing is increasing imports and shuffling paper around"

At a trade show in Johannesburg last week only one of the 50 or more electronic items on display had been made in this country That was the one he was exhibiting, he said

Asked about their reluctance to invest, industrialists admit that they are taking their time deciding on new investment But they justify this on the grounds that many manufacturers still have surplus capacity, that they are not certain whether the economic upswing will continue, and that it is extremely expensive to invest in new plant and equipment

New machinery, depending on which country it is be imported from, now costs two to three times what it did four years ago when the economy was last experiencing reasonable industry activity

Not only will this impose a heavy financial burden on them, they point out, but they also have doubts whether they would continue to find a market for products made on such expensive machines

Many are waiting to see whether Wednesday's Budget will provide them with a new incentive to invest An indication that some assistance could be on the way, at least for export industries, came this week from the Deputy Minister of Finance, Mr Kent Durr, in an address to the Exporters' Club in Cape Town

He said that due to the increased use of substitutes materials, commodity prices were likely to decline which meant that South Africa would have to find alternative exports

This meant that it would have to "implement an accelerated programme of high-technology industrialisation in order to remain competitive with countries such as Taiwan, South Korea and Brazil in the markets for manufactured goods such as cars and car components, chemicals, production machines and alloys"

He believed in minimum government, Mr Durr said But governments of developing countries seeking to build up secondary-sector exports had little choice but to become involved, for a season at any rate, he continued

In the light of these remarks it seems that increased pushing of the economy by the Government is definitely on the cards

BUSINESSMAN OF THE WEEK

New AHI head hopes to open channels

By DEREK TOMMEY

PIERRE Steyn, managing director of Sanlam and newly-elected president of the Afrikaanse Handelsinstituut, will not be making any political statements during his year's term of office

"The political views of the AHI members cover the full spectrum from the from the far-right to the far-left," he said

"Therefore the AHI never expresses views on political matters The same applies to Sanlam Our policy owners also have different political views

"So a lot of people would disagree with whatever I said Anyway, the Government would not listen to us if we tried to put pressure on them

"But we try to make a contribution to those areas where we think we can, such as economics," he said

Mr Steyn recently made a speech pointing out that the number of people entering the job market was growing by 1 000 a day, and this figure would nearly double by the end of the century

"If these people are to find work it means seven million new jobs will have to be created in this period It means the number of jobs in South Africa will have to be doubled — and we have only 13 years' left."

"It is a major problem, but also a major opportunity," he said

Mr Steyn is tall and a youthful-looking 49 He has had a most successful career at Sanlam, becoming a senior general manager and then managing director at a comparatively young age

An actuary, he went to the Afrikaans Hoërseunsskool and the University of Pretoria

He joined Sanlam in 1958 and was made general manager of the Bank of Johannesburg in 1971 at the age of 33. He returned to Sanlam in 1974 as an assistant general manager, became a general manager in 1977, senior general manager in 1983 and managing director in 1985

Colleagues praise his powers of leadership and his qualities as a strategist

In spite of shunning politics he has gone on record as saying he supports political reform to the hilt and believes that everyone in this country should have the right to reach the highest levels

Mr Steyn said being president of the AHI would impose additional burdens on him "But I would be extremely unhappy if I did not lead a busy life," he said

"I enjoy being busy I find it stimulating"

Being president of the AHI was also an extremely interesting job It gives you exposure not only to your own members, big firms and small firms throughout the country, but it also brings you into contact with Government, senior civil servants, sister organisations such as the FCI and Asscom

"The one thing I really want to do is to open communications externally, with all these bodies and organisations and to make sure we meet on regular basis and discuss areas of co-operation Internally, I want to open channels with all the members of the AHI

"I think the only reason the AHI exists is to give a service to our members We can't do this unless we talk to them and find out what they want us to do So I intend meeting as many of them as possible," he said



Pierre Steyn . . "only 13 years left"

Business Report

Heavier tax burdens, rising prices

'Steady decline in living standards'

Cape Times 12/5/87

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By AUDREY D'ANGELO
Financial Editor

CONSUMERS have "taken a hammering" by a steady decline in their living standards since 1980 — and the pace of economic development now will depend on "the speed with which political obstacles are removed", according to Ockie Stuart, director of the Stellenbosch Bureau for Economic Research

He points out in the current issue of Intermark Data that consumers' real spending power has been eroded steadily by rising prices and heavier tax burdens

"In the period from 1980 to 1985 real disposable income per capita decreased by 1,1% per annum"

Stuart says that bracket-creeping — as inflation pushes people up into higher tax brackets — is the main reason for sharp rises in direct taxation

"It should also be kept in mind that inflation is driven upwards by indirect taxes, thus having a double impact on the real income of consumers in so far that it increases direct taxes through bracket-creeping and pushes up prices at the consumer level"

Stuart also blames political uncertainty for lack of consumer confidence, which has curtailed spending "The political reform process by itself created confusion simply because neither the pace thereof nor the content was ever spelled out clearly

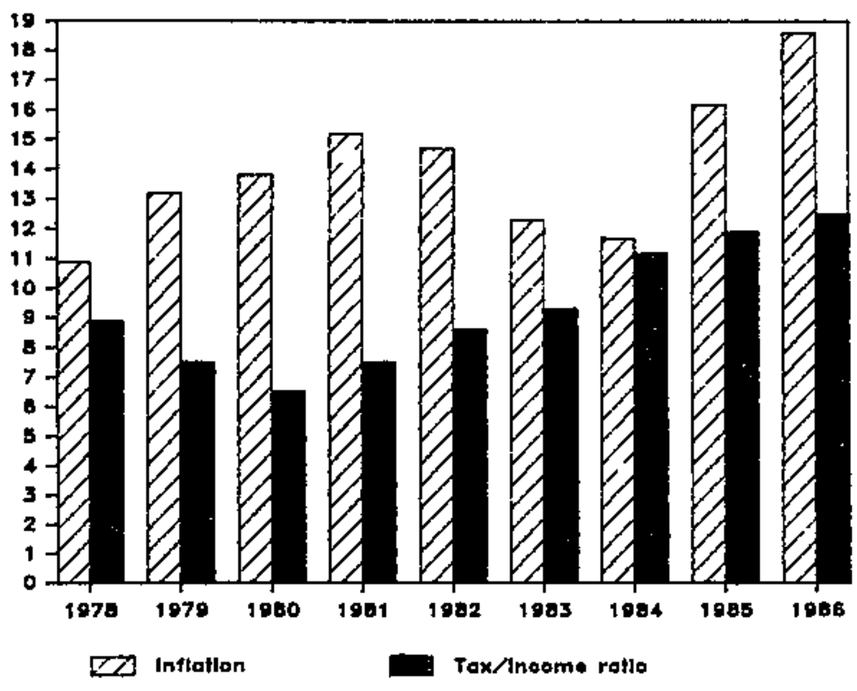
"Commentators differed in their comment, depending on whether they were to the left or right of the government.

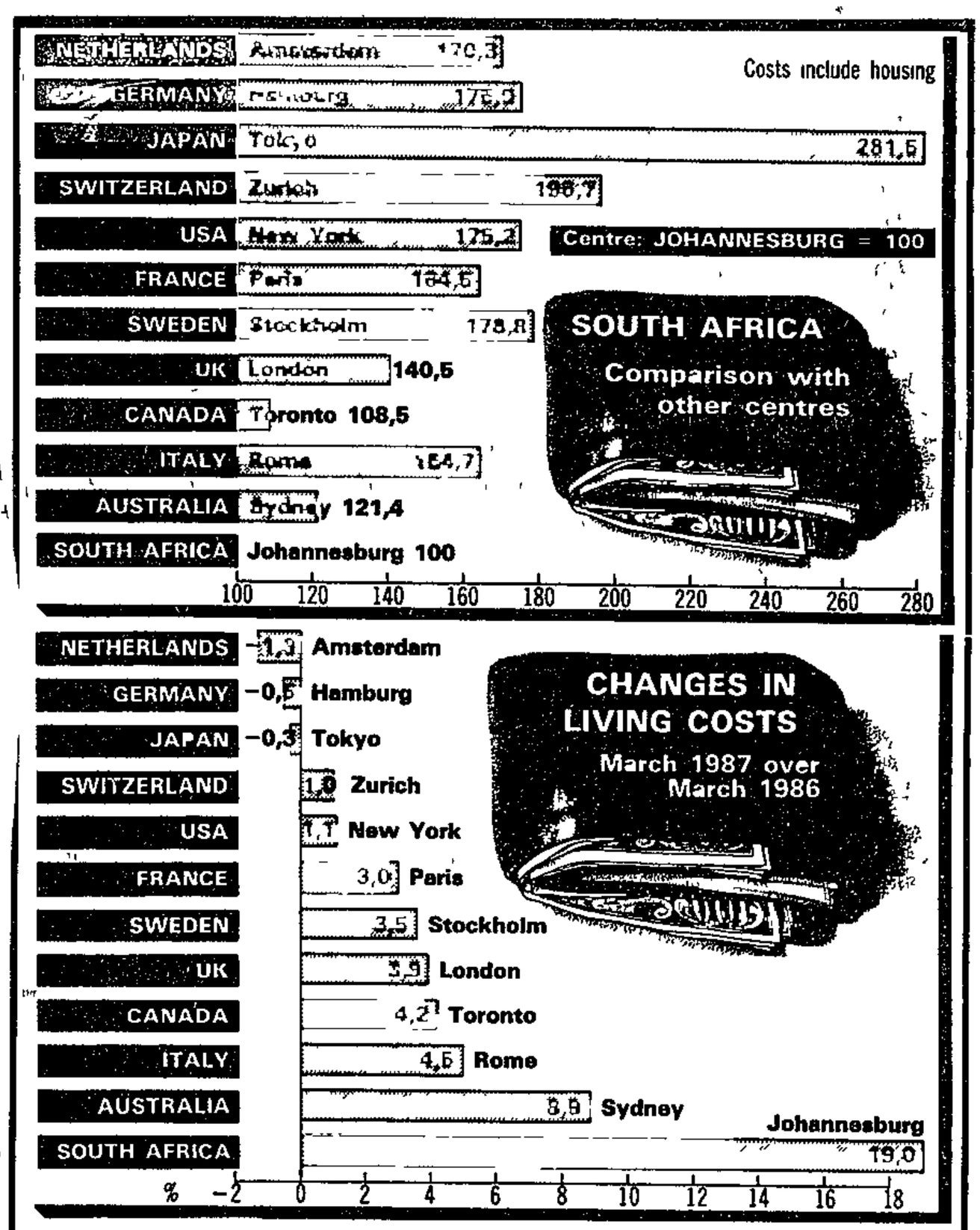
"Thus, the consumers were told by some that the pace of reform was too slow, by others that it was too fast and by another group that it was unwanted"

The result of this was to leave consumers bewildered "The increased uncertainty by itself eventually spilled over into a lack of confidence — due to political factors"

Stuart says that, judging by the rate at which political obstacles to prosperity have been removed during the past 18 months "I have reason to be pessimistic about short-term economic developments But perhaps the after-election period will differ substantially from the pre-election period Let us hope so"

INCOME ERODING MAGNITUDES





SA magnificent bargain by world standards

Cape Times 30/5/87 128

AN INTERNATIONAL cost-of-living survey just published depicts Johannesburg as one of the cheapest cities in the world and a potentially attractive place for foreigners working on short-term contracts

Indeed, a local consultant believes the combination of a depressed rand, high pay and a stimulating job could lead to overseas computer experts being attracted to SA, resulting in a reversal of the brain drain

The survey, published by Inbucon Management Consultants of London, is based on expenditure patterns of international executives and families worldwide The changes in living costs during the 12 months ended March 1987 are examined for 25 major cities

Inflation has taken its toll in SA, but not in Europe and North America Amsterdam leads the way, with a decrease in living costs of 1,3%, New York shows a minimal increase of 1,1% while Paris, with 3%, London (3,9%) and Rome (4,5%) all show domestic economic policies working well.

In 15th — and bottom — place is Johannesburg, with a hefty 19% increase

Superb value

The survey is sold to multinational corporations employing expatriate staff worldwide A sophisticated computer model enables employers to ascertain the cost of living, which is based on a family's buying pattern

Expenditure covers everything from the price of a haircut, a litre of petrol, a loaf of bread, a month's electricity and a new pair of trousers, to a bottle of whisky The items are then weighted and converted to an average weekly cost

The weakness of the rand against major currencies is emphasized by the prices around the world converted into United States dollars for comparative purposes

A Scotsman at home pays around $15 for a bottle of whisky, an Australian $20 and a Scandinavian between $30 and $40 The price of a bottle of scotch in SA is about $6,75 — superb value for a tourist or an overseas computer expert working here on contract

According to Ash Emery, MD of Emery and Associates, the consultancy representing Inbucon in SA, the current low level of the rand represents a real opportunity for SA to attract overseas professionals

"The cost of living cannot be looked at in isolation," he says "Worldwide there is a trend for countries with high incomes to have high prices, which apply especially to items which cannot be traded internationally, such as housing

Attraction

"Exchange rates and even income tax rates do not reflect the relative prices of goods Purchasing power is the key, and high incomes can more than compensate for high costs"

Emery believes computer contract staff are likely soldiers of fortune, in that they go where they can earn a lot of money in a relatively short time

To such people, SA has low relative costs, some sophisticated computer installations and an unbeatable climate — all big attractions for British and other foreign contractors being rewarded by large pay cheques

"Saudi Arabia was once an attraction for computer staff looking to make a lot of money in a short time," he says "Given a choice today between Saudi and SA, two countries desperate for computer people, most computer specialists would opt for SA

"True, there is no tax payable in Saudi — but no Scotch either"

Wage bills look likely to rise by 17%

More spending power predicted for consumers

DESPITE the rising tax burden on individuals, disposable incomes are expected to increase during 1987 and consumers are likely to take the lead in raising domestic expenditure, says Southern Life Association economist Mike Daly

Private and public sector wage bills are likely to increase by an estimated 17% to 18%

Improved company profits, shortages in many categories of skilled labour and trade union pressure are given as reasons for pay hikes in the private sector

The May 12,5% increase for public sector workers, is responsible for raising public servants' scales of remuneration

Daly says the remuneration growth is just ahead of the inflation rate, reflecting a 1983-type situation

"The upshot was seen the following year when real gross domestic expenditure, aided by intensive use of credit, was a huge 7,5%"

On the negative side, food prices

HELEN WISHART

in May were 25,8% higher than a year ago, the highest increase in six years

Other factors pointing to increased consumer spending include improved real disposable income growth, improved confidence levels (as reflected by the high JSE share prices), rising residential property prices and the cheap cost of credit

Low short term interest rates are the result of a supply of liquidity to the money market

Sharp improvement

This in turn is influenced by a sharp improvement of R3,1bn in the net gold and foreign exchange reserves of the banking sector, due to a current account surplus and positive inflow on the short and long term capital accounts

Daly says we can continue to expect a private consumption expenditure growth rate of 3,5% and, despite setbacks in the first quarter, the economy is still capable of growing by 3% in 1987

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BUSINESS

ECONOMY

Employees benefit from salary increases for the first time in 10 years

By TOM HOOD, Business Editor

SHARPLY higher pay rises in the second half of this year are expected to leave employees with more spending money in their pockets for the first time in 10 years

Inflation and direct taxes previously left people worse off after their salary increases

A rise of 20,2 percent in remuneration for the first half of 1987 is estimated by the Stellenbosch Bureau for Economic Research in its latest forecast of economic prospects published today

These higher earnings were reduced in purchasing power terms to about 2,6 percent by inflation and direct taxes

SPENDING MONEY

Spending money ("real disposable income") will rise again in the second half to average out at a growth of 3 percent for the full year

Expected lower inflation (down to about 13 percent from the current 17,3 percent) will help to keep the growth in real disposable income "fairly high" in 1988, says the bureau

However, as inflation rises again from the middle of next year onwards, spending money will shrink

Real disposable income is projected to increase by about 3 percent this year and a further 5 percent in the first nine months of 1988

"For the first time since the start of the decade, the change in real per capital disposable income will thus be above zero for 12 months or more"

BARGAINING POSITION

Already, disposable income for the first quarter of this year is 3,4 percent up on last year's first quarter level, according to Reserve Bank figures

The expected sharp rise in earnings is based on the view that profits rose substantially last year which, with last year's high inflation, put trade unions in a strong bargaining position, the bureau says

Apart from this, the 12,5 percent pay rise for civil servants is likely to turn out to be at least 15,5 percent as a result of notch increases and fringe benefits

"This will put further pressure on the private sector to increase wages and salaries In addition, employment is increasing as the economy expands while personal incomes will also gain from expansions in small business enterprises"

The bureau forecasts consumers will buy more durable goods over the next 12 months but clothing, footwear and other semi-durables could lose out through a "substitution process" as people change their buying patterns

"We anticipate a steady increase in consumer spending in real terms Consumers were forced to cut back on durable goods for a few years and pent-up demand should now be strong

"Replacing of old appliances, cars etc was postponed from 1984 onwards and the car market in parcicular should benefit from this"

Television sets, bought around 1976 have reached the stage where replacement should gather momentum

However many consumers will prefer to switch to renting, thus pushing up the growth in the services sector, in spite of substantial price reductions which are on the cards for TV sets and VCRs

HOME-BUILDING

"Manufacturers of these goods are thus bound to reap more benefits than retailers"

Home-building is likely to increase while the Government is expected to continue supplying the Third World sector with "cheap houses"

All of this should impact positively on durable goods such as furniture and household appliancs Household textiles and furnishings should also benefit

Spending on durable goods will grow by 5,8 pecent in real terms this year followed by a further 9,6 percent in the first nine months of next year

This is a huge turnaround from the negative 5,6 percent for the 1981-86 period and, says the bureau, it should impact favourably on employment in the manufacturing industry

SA slides in world wealth

stakes

BUSINES

South Africa drops in world wealth stakes

By DEREK TOMMEY
Finance Editor

THE World Bank had distressing news for all South Africans this week

Its World Development Report published on Wednesday shows that South Africa, already a poor country by Western standards, is becoming even poorer

The bank, the biggest international organisation concerned with economic development and progress, estimates that South Africa's wealth generation in 1985 was a mere $2 010 a head of the population

The most shocking aspect of this figure is that it is 25 percent less than the $2 670 a head generated three years earlier.

While this sharp drop in South Africa's income reflects to some extent the change in the rand-dollar exchange rate, it none-the-less reflects a real and substantial reduction in living standards in this country, as many people are beginning to realise

LARGE QUANTITIES

South Africa has to buy large quantities of manufactured goods and raw materials from overseas which have to be paid for in dollars.

The drop in the dollar income a head has meant that this country has had to cut its imports.

One dramatic effect of the drop in the country's income a head has been to reduce South Africans from 29th (in 1982) to 36th in the personal wealth stakes.

There are now 36 countries which, on average, have higher living standards — some substantially so — than South Africa

This is intensifying the brain drain and making it difficult for South African companies to recruit essential staff from abroad

The World Bank's figures also show that individual living standards in South Africa are being depressed by a strong increase in the amount of the country's resources being diverted to the Government.

It estimates that the Government's share of gross domestic product has risen from 9 percent in 1960 and 11 percent in 1965 and to 17 percent in 1985

In contrast, the individual's share of the cake fell from 64 percent in 1960, and 62 percent in 1965 to 52 percent in 1985

In Britain and Australia 60 percent of those two countries' GDP goes in private consumption, and in France and United States the figure is 65 percent.

This switch in resources in South Africa from the private sector to the Government reflects the increasing need to provide housing, health care and education for the country's rapidly growing black population

It also seems that the problem is not too high a level of public spending, but too small a cake

The World Bank's figures show there was one area where South Africa did well in 1985.

This was its generation of a current account surplus on the balance of payments of $2 615-million

Only eight other countries — Venezuela, Spain, Britain, the Netherlands, West Germany, Japan, Norway and Switzerland — did as well or better.

In contrast, the United States ran up trade deficit of $117 750-million

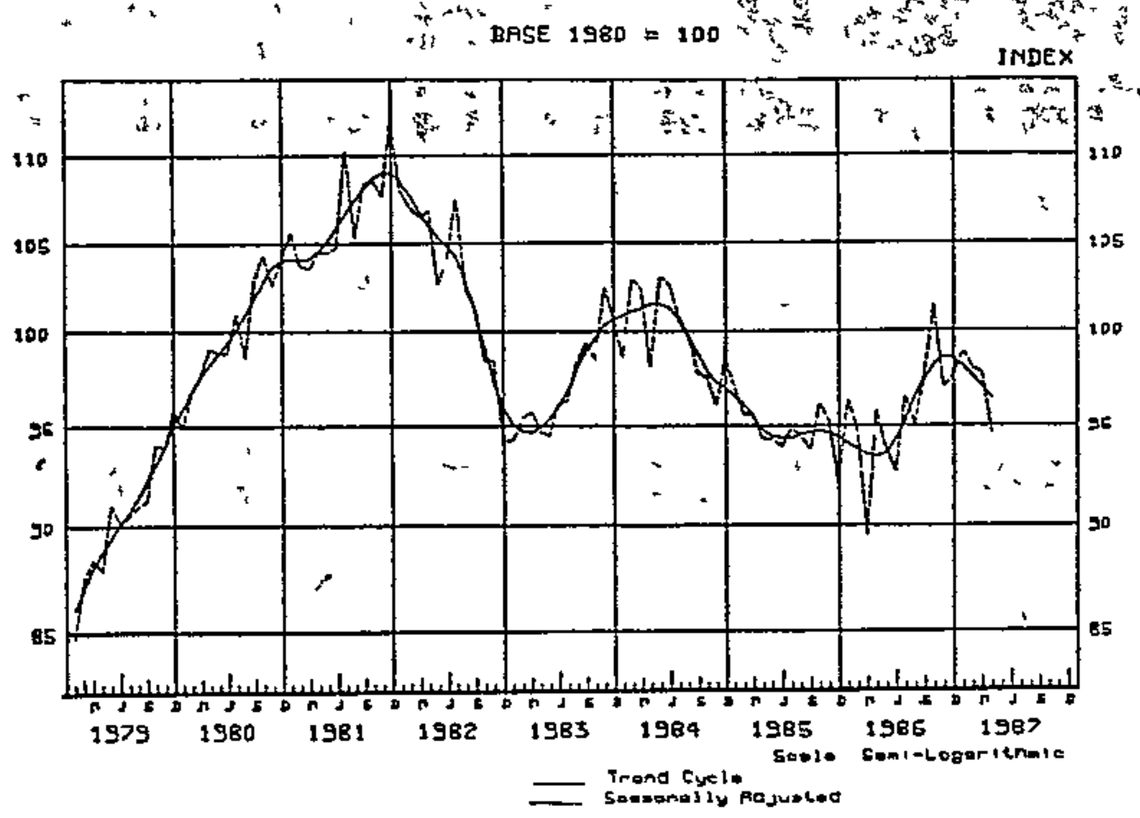
Overall, the figures show that South Africa has been far-

To Page 2.

World Wealth League

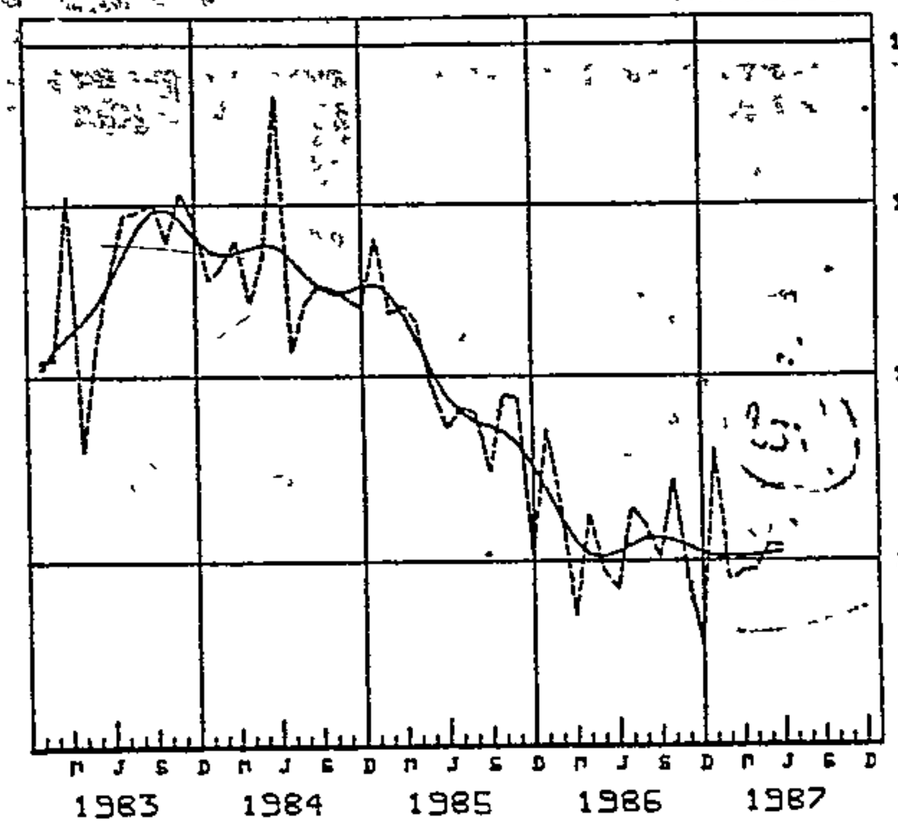
	Income a head 1985 US dollars
South Africa	2 010
Poland	2 050
Yugoslavia	2 070
Mexico	2 080
Panama	2 100
Argentina	2 130
South Korea	2 150
Algeria	2 130
Venezuela	3 080
Greece	3 550
Israel	4 990
Trinidad	6 020
Hong Kong	6 320
Oman	6 730
Singapore	7 420
Spain	4 290
Ireland	4 850
Italy	6 520
New Zealand	7 010
Belgium	8 280
Britain	8 460
Austria	9 120
Netherlands	9 290
France	9 540
Australia	10 830
Finland	10 890
West Germany	10 940
Denmark	11 200
Japan	11 300
Sweden	11 890
Canada	13 680
Norway	14 370
Switzerland	16 370
United States	16 690
OIL PRODUCERS	
Libya	7 170
Saudi Arabia	8 850
Kuwait	14 480
UAE states	19 270

MANUFACTURING OUTPUT



RETAIL SALES

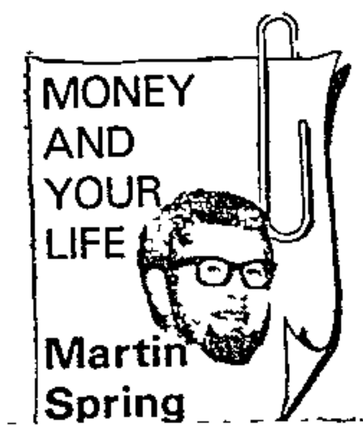
AT 1980 PRICES
R MILLION



SMALL RISE The official statistics show few indications of an economic take off These two graphs, for manufacturing production (left) and for retail sales (right), cannot give the Government's economists much cause for satisfaction Manufacturing output, after rising strongly in the second half of last year, appears to have steadily contracted this year However, the drop in production in April is probably not as alarming as it might seem, as that month contained a succession of four-day working weeks The figures issued by the Central Statistical Services show that manufacturing output in January-April was 3,4 percent higher than a year ago

While acceptable, this is a small rise for an economy that is supposed to be pulling up from a low base

The retail sales figures are downright disappointing Seasonally adjusted, they show that sales in real terms this year have risen by less than 2 percent Here again, given the rise in the population and the expected increase in consumer incomes, the rise should have been much stronger However, the increase in public servants' salaries and wages from the beginning of this month might now make a difference



Now is the time to put your money in gold assets

is through governments' new enthusiasm for minting gold coins and medallions and encouraging investors a new range of coins called Nuggets

In its role as the ultimate se-

An example if Swiss banks alone increased from 5 to 10 percent the gold content of the portfolios they manage their

From Page 1.

ing poorly economically, and is desperately in need of a policy which will give the economy a strong boost — not only for the next few years but for the next few decades

For this reason this week's World Development Report should be read by those administering this country and defining policy, for in it they will find the answer to many of this country's problems

The World Bank is intensely interested in how to stimulate economic growth and has spent considerable time and effort trying to determine what causes rapid economic growth

Its latest findings are published in the report and could be a most useful guide line for South Africa

The Bank found that a country's economic policies usually fell in one of four categories "strongly outward oriented," "mildly outward oriented", "mildly inward oriented" and "strongly inward oriented"

It also found that the countries which have achieved the best performance in the past quarter century were those with strongly outward oriented economic policies, such as Hong Kong, South Korea and Singapore

STEADILY DECLINED

Economic performance steadily declined as countries become more inward oriented with those most "strongly inward oriented" such as Bangladesh, India, Zambia and Argentina, showing a significnat drop in real income in recent years

A feature of the strongly outward oriented countries is that trade controls are either non-existent or low with any disincentives to export resulting from import barriers being more or less counter-balanced by export incentives

This results in the more efficient uses of resources, the more rapid adoption of new technology, greatly increased domestic savings, increased foreign investment, rapid productivity growth and strong employment growth, especially in labour intensive industries

This suggests that the "Fortress South Africa" idea of building up the country's wealth has no hope whatever of succeeding

HARD LOOK

Instead it indicates that this country's import tariffs deserve a hard look to determine whether they are stifling the development of export products

The high tariff barriers protecting the motor industry in particular would seem to deserve attention

If Brazil can sell a variant of the Golf in the United States for around $4 000 (R8 000) and Korea its Hyundai completely equipped for just over $6 000 (R12 000), it is not easy to understand why South Africa, with its cheap power, cheap steel and cheap labour is not doing the same

SA private debt eases off

Cape Times 6/6/87

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South Africans, for so long way over their heads in debt, are adjusting to reality, as ROGER WILLIAMS found out . . .

THE disastrous overall South African civil debt situation of the past few years is showing signs of improving, according to a leading credit-monitoring expert

Private individuals as well as companies are beginning to recover in many cases through changed lifestyles, from the situation in 1986 when SA had an astronomical overall debt figure of R879,5 million

This represented a staggering seven-fold increase on the 1981 figure, of R124m

Recovery is reflected in official figures for the number of civil judgments for debt, against private individuals and firms, in the first quarter of 1987

These show that the number of judgments against businesses has dropped by 25% and the value involved, in ordinary rand terms, by 26% compared with the 1986 figures

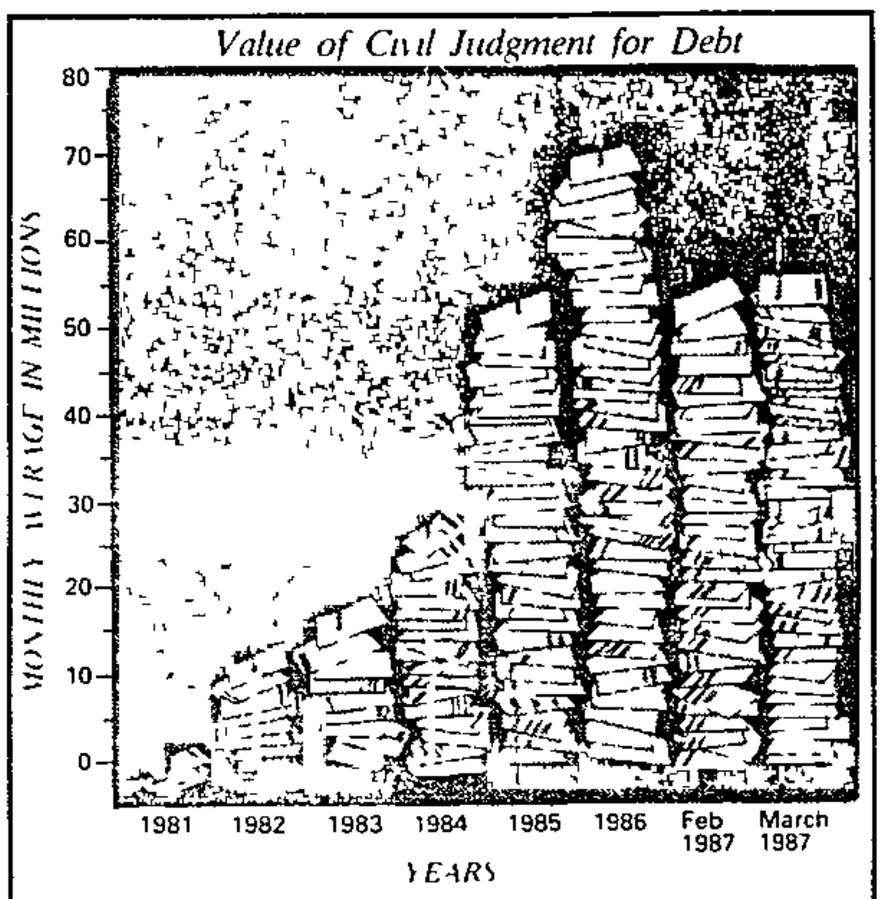
Where individuals are concerned the figures are not quite as impressive — 6% down in the number of civil debt cases, and 15% down on value

Paul Edwards, MD of Information Trust Corporation (previously Dun and Bradstreet), the country's leading credit-monitoring and debt-collecting agency, told Top of the Times from Johannesburg yesterday

"The dramatic increase in the overall debt situation in SA can be ascribed to a number of factors, one of the main ones being a substantial shrinkage of disposable income, which has not matched inflation A consequence has been inability among many individuals and companies to service their debts

"We have had an artificially high standard of living in this country with a heavy dependence on gold, when there has been a pressing need to redistribute our wealth

"Individuals have been trying, in too many cases unsuccessfully, to maintain their living-standards of the early 80s And what we are seeing now, in the debt figures for the first quarter of this year, is a realization among South Africans that the days of plenty are no more



The extent to which South Africans — individuals as well as firms — have run themselves into debt over the past six years. But latest official figures show some improvement in the overall debt situation.

"What we are really experiencing is a sort of one-off adjustment of living standards, to what will eventually be something more in line with the lifestyles of Europe and elsewhere"

Edwards said many of those who had run up debts had clearly learned the lessons of the recession, and signs were that people were now taking their credit-responsbilities more seriously

"We believe that if the economy continues to strengthen, salary levels are bound to improve, and the general position of the individual will improve as well

"But there will be no going back to the heady days of high-living"

The extent to which civil debt has soared is shown in the monthly averages for the six-year period 1981/86, which have risen from R1m to R73,2m, outstripping the inflation rate by far

And in only five years, the overall number of debt cases shot up by nearly 125 000, from 320 000 in 1982 to 444 872 last year, reflecting a depressed national economy, with sharply rising living costs and large-scale unemployment

Where the monthly average for overall civil debt for 1986 was R73,2m, the average figure for the first three months of this year was down to R60,4m

And the overall number of civil summonses issued for debt in the first quarter of 1987 (71 224), was 4 469 fewer than the monthly average for 1986

In March this year SA firms and private individuals were involved in civil debt cases amounting to R66,3m, but this is well below the record overall figure of R84,4m set in July last year

The value as well as the number of private-individual debt cases exceeds by far the number of cases involving businesses

While there have in the first quarter of 1987 been nearly 94 000 private-individual cases dealt with, involving R154,7m, there have been just over 9 000 civil judgments involving companies, with a total debt value of R26,5m

Wealth resources 'changing hands'

By BARRY STREEK
Political Staff

A REDISTRIBUTION of wealth and resources is taking place in South Africa, says the executive chairman of the Urban Foundation, Mr Jan Steyn.

He also says the abolition of the Group Areas Act is an indispensable prerequisite for the building of a new and more just South Africa

"As long as we cling to the protection and the privilege which we believe the Group Areas Act affords, we will make it impossible for black people to participate fully in building a common future," Mr Steyn says in a special edition of Leadership magazine marking the first 10 years of the Urban Foundation

Mr Steyn says in 1967, when the foundation was established, the government was "determined to make urban areas as unattractive as possible for blacks, using influx control"

The foundation soon realised that "there simply could not be mere amelioration"

Looking back on the last ten years, many things seemed implausible today, particularly in the field of housing

"The fact is that a redistribution of wealth — or at least a redistribution of resources and the development of capital formation — is taking place"

The pace changed in the early eighties when the then Prime Minister, Mr P W Botha, made his "adapt or die" speech which "created a strong impetus for reform"

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Massive leap in income forecast

The black giant begins to emerge

GERALD REILLY

PRETORIA — The growing strength of black buying power will have a major impact on economic growth from now to the end of the century, economists say.

Their view is supported by figures provided by the Bureau for Market Research at Unisa. These show total disposable income will rise 120% and black buying power 216% in the 15 years from 1985, if the 1970-75 tempo of growth is maintained

An amount of about R50bn will be added to black purchasing power — 25% more than total white buying power in 1985.

However, based on the slower tempo of growth for the five years to 1985, disposable incomes will rise by only 25% over the next 15 years. There will be a 50% increase in black's disposable income, but a drop of 1,5% for whites

If it is accepted the growth rate of the 15 years to 1985 will be maintained, an increase of 50% in total personal disposable income can be expected The purchasing power of blacks will double and that of whites will rise 20%.

About R40bn will be added to total purchasing power, with black purchasing power accounting for 55% and white purchasing power only 20% of this. White purchasing power will amount to R48bn against the R46bn commanded by blacks

In 1985, black consumers commanded an average 435% more purchasing power than in 1970 Whites, however, had an average of 54,1% less

The gap between the disposable incomes per person of whites and blacks narrowed from R7 962 to R7 353 in 1985

In 1970, whites had 12 times as much, and in 1985 8,5 times as much, purchasing power as Blacks.

The steadily increasing share of blacks and the decreasing share of whites in the country's total disposable income is clear, according to Bureau for Market Research director M Loubser

Drinkers loosen grip on bottle

Cape Times 1/8/97

128

By RENEE MOODIE

THE unthinkable has happened — Cape Town's tipplers are ordering fewer drinks at their favourite watering holes and, say local hoteliers, it's because "people just don't have money anymore".

According to a University of Pretoria financial analysis of South African hotels during May this year, income from bar sales in Cape Town has dropped by 18,4%.

But the Mother City is not the only victim of this remarkable drop; Johannesburg registered a whopping 18,7% drop and Pretoria 17,4%.

"Fourteen of the 20 regions (in the study) showed drops, with the three big centres faring the worst," says the study, carried out on behalf of the S A Tourism Board.

A Cape Times survey last night of city hotels found that very few hoteliers were prepared to admit their bar sales had dropped.

'Quiet month'

"People just haven't the money to spend They buy a bottle and drink it at home," said Ms Ruth Ancely, part-owner of a popular city watering hole. "We can't complain, things have been pretty steady here. But we have found that people who used to order four or five drinks now only order one or two. They have a certain amount of money in their pockets and when its finished they go home."

The food and beverage manager of a Woodstock hotel said May was a traditionally quiet month. "But there has been an increase in the cost of living which has not been matched by increases in salaries. It definitely hits the customer," he said.

The assistant general manager of a city hotel said May figures at the hotel were lower compared to last year — "but not by much".

"People don't have the buying power they used to — they can't afford to stay in the pub for hours and hours. And things will not get better with all the recent liquor price increases," he said.

Salaries likely to rise by 20%; in real terms 2,8%

DAVID FURLONGER
Industrial Editor

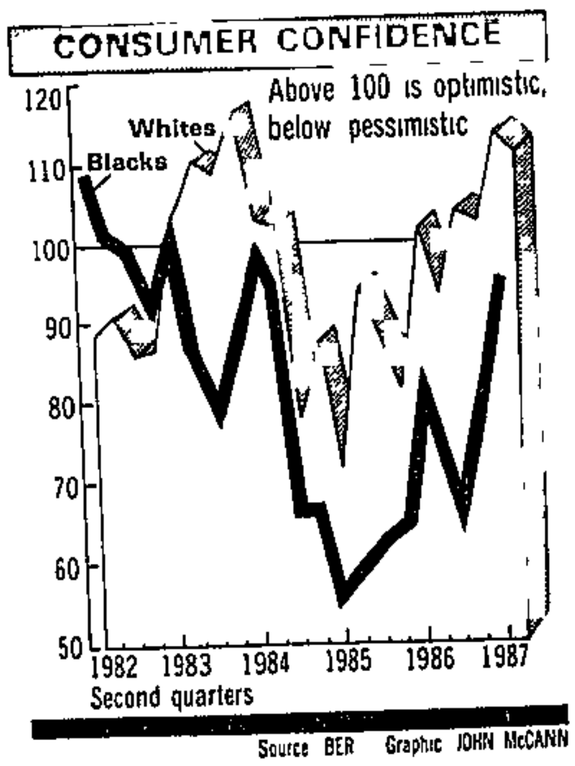
WAGES and salaries are likely to grow by nearly 20% this year before inflation and taxes reduce the improvement to a real 2,8%, says Stellenbosch University's Bureau for Economic Research (BER).

Its latest trade and commerce review predicts real disposable incomes will increase faster in the second half of the year

Trade unions will seek their share of higher company profits and busier economic activity, while the private sector will come under pressure to match public service pay increases — estimated by the BER to be at least 15,5% once notch increases and fringe benefits are added to the basic 12,5%.

Inflation and direct taxes will take a big bite out of the increases.

"Nevertheless, we forecast a growth of around 3% in real disposable incomes during 1987. This figure can easily reach 5% in 1988," says BER. "This means that real per capita income could, for the first time in this decade, remain above zero for a period of 12 months. This impact of this should



be positive on confidence and ultimately also on consumer spending."

Greater use of credit for retail purchases suggests consumer confidence is already rising. As with wholesale, retail credit sales increased faster than cash sales during the second quarter of this year.

The review says the wholesale and retail sectors both enjoyed better business in the second quarter Among wholesalers, demand was particularly keen for consumer goods.

Fewer retailers are reporting stock levels too high for expected demand, suggesting depleted stocks "It would appear as if an inventory cycle has not yet been initiated at the retail level," says BER

It predicts private consumption expenditure will rise 3,2% this year and 4,3% in 1988.

"Prerequisites for these growth rates to be realised are a lower inflation rate and an absence of political developments which impact negatively on confidence. It needs to be re-stated that any upswing in consumer spending has now become a function of confidence rather than of cash on hand"

The review notes a decline in white consumer expectations of a general economic recovery A survey earlier this year showed 71% of respondents anticipating general improvement in the next 12 months. Consumers have since scaled down expectations.

"Fewer respondents now anticipate a sharp recovery, most of them (60,9%) look at a slight recovery This could dampen the outlook for consumer spending somewhat."

Big squeeze on as credit checks tighten

THE great credit squeeze is on and South Africans — long accustomed to limitless, easy credit — are finally having to face tighter control

As hard-pressed business demands greater scrutiny of resources, liquidations, summonses, judgments and bankruptcies are plummeting from the highs of a year ago

Credit checking has become a way of life as companies grow increasingly cautious One major credit information company, Kreditinform, reports a record number of credit inquiries (checks) in June

MICK GOLLINS

MD Ivor Jones says for the first time the rand value of credit applications investigated on behalf of customers in a month exceeded R129m

"While the number of inquiries showed a 35% increase over June 1986, it does not mean the anticipated boom in the economy has arrived

"The value increased by at least 20% due to inflation But, at the same time, companies are now more cautious when extending credit and ensure that potential customers are in a position to pay for goods purchased"

The decline in the value of judgments against businesses will continue, Jones says

In January 1987, this figure was nearly 66% less that the peak of R16m in June the previous year.

15% pay rise 28% tax increase

PARLIAMENT. — For every 15% increase in private personal income, direct tax increased by 28%, the Central Economic Advisory Service said in its report tabled yesterday.

This increase in individual tax burdens came about through inflation and not as a result of real income growth.

"The adjustments that were made in the period 1972 to 1985 to tax scales, rebates and deductions, were therefore not sufficient to eliminate taxation through inflation."

These were the results of a study on the effects of fiscal drag on direct personal tax which the CEAS carried out for the Margo Commission.

"The average ratio between the growth in direct personal income tax and that in personal income, the fiscal drag, came to 1,87 for the period under review". — Sapa

Perks become more popular

Executive pay loses to inflation

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CAPE TIMES 23/10/87

Financial Staff

EXECUTIVE salary increases still lag behind the annual inflation rate of 15,5% — although the gap is less than last year — according to the bi-annual survey by PE Corporate Services remuneration division

This shows that the average basic salary increase for all executives has been 14,5%. But the gap has been partly off-set by fringe benefits, which have become more popular in spite of legislation meant to phase them out.

Benefits

The survey points out that this reflects "the current concern with improving the after-tax effectiveness of top executive packages through the introduction of non-cash benefits"

"This trend — which took off in 1984 — underlines the fact that better perks are still preferable to cash increases

"The fringe benefits legislation has further strengthened this trend, instead of phasing it out, because the defined values on benefits are still lower than their true value To be taxed on perks is still preferable to being taxed at cash source"

Executives with scarce skills have done better than others And the increasing importance of industrial relations is shown by the fact that personnel officers are among those who have received the largest increases while marketing executives, who, in the past, were among the best rewarded, have done less well

The average increases for data processors were 15,6%, and those for personnel executives, financial executives and chief executives 15,3%

Naomi Brehm, who heads the salary survey team, says these figures underline the fact that the economy has not yet fully recovered from the recession

Recognized

"It is interesting to note that for the first time personnel executives are coming into their own They are finally being recognized in the job market as performing a valuable service

"Such positions are now being taken by tough-talking, highly qualified people with specialist skills in industrial relations, wage negotiations and manpower planning — their brief being the optimization of the organization's people to meet its strategic objectives.

"Decreased productivity or wildcat strike action can make or break an industry, especially in a sanctions-ridden and racially torn SA"

Executive general managers and manufacturing executives have received average increases of 14,9%

Those lagging behind were administrative executives with 9%, marketing executives with 9,4% and assistant chief executives with 9,6%

CITY/NATIONAL

Redistribution of resources key to housing crisis, city congress told

Municipal Reporter

THE key to South Africa's housing crisis was in the redistribution of resources, but political decisions ensured that most resources went on white housing, researcher Mr Taffy Adler told the Institute of Housing of Southern Africa today

He warned that the housing issue was becoming increasingly politicised — "spurred on by the pressure of the homeless".

Mr Adler, who was a trade union official for 10 years before joining the Labour and Economic Research Centre, was delivering a paper, The South African Housing Scenario — A View From Below, to the institute's congress

South Africa had the capital and technical knowledge to reduce its housing problem significantly, if not eliminate it entirely, Mr Adler said

"It is no accident that even in today's climate, when there is a high awareness of the dimensions and consequences of a housing crisis, the majority of housing resources are still allocated to the white sector.

"Nor is it an accident that those resources which are allocated to the black community go to service the wealthier section of that community"

"Skewed distribution"

This "skewed distribution" was a result of deliberate decisions by those in a position of power, including the State, building societies, housing developers and local authorities

A more equitable distribution of power was necessary for a better distribution of housing, Mr Adler said Although this was obvious it was not taken seriously.

"The very absence of any recognised leader of those sections of the community most in need of shelter — and here I am talking of trade union, community and/or squatter representatives — at a major conference on the theme of housing people is proof of this"

Housing had come to the fore as political and industrial relations issues and there was "widespread rejection" of the housing options currently available for workers, Mr Adler said

"Interesting trends" about financing housing were emerging and unions which had negotiated with employers about housing schemes would co-operate

SA businessmen 'not earning enough'

Own Correspondent

JOHANNESBURG — South Africa executives aren't earning enough to keep up their standard of living

But those thinking of Australia as an alternative may find the 10% inflation rate and, particularly, higher tax burdens, could put them in a worse position

That is the finding of a report released by P-E Corporate Services which annually compares international executive pay, taxation and living costs

It said local executives' living costs were exceeding their after-tax income, and businessmen seemed to be forced to make sacrifices in essential living costs

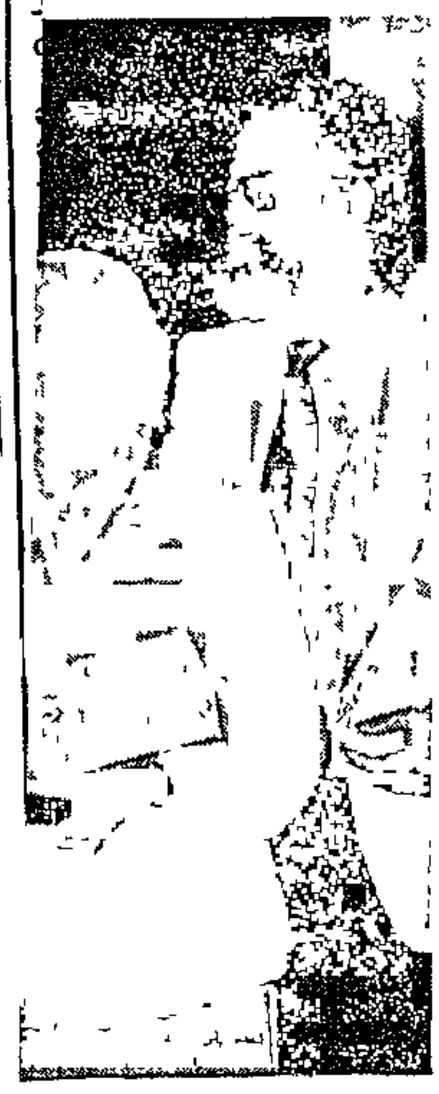
Meanwhile, their European counterparts are faring much better in terms of their purchasing power

Research showed that net disposable income bought less in SA than in all other countries surveyed, except the US

The after-tax purchasing power of all European executives showed substantial improvements because of a combination of low inflation, lower taxation and high salary increases

French and West German executives were best off in purchasing power, while American senior executives — who were in the pound seats from 1978 to 1985 — were now competing with the more junior Benelux executives in what their money could buy

Traders



SA businessmen 'not earning enough'

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Cape Times 12/11/87 125

Rise in personal incomes seen

By AUDREY D'ANGELO
Financial Editor

IMPROVEMENTS in real wages and salaries are expected to continue over the next 18 months, with personal disposable incomes rising by 23% in 1988, compared with an inflation rate of 17%, says the United Building Society's chief economist, Hans Falkema.

"Higher income levels will mainly result from successful trade union demands, the improved bargaining power of skilled staff owing to the massive emigration of highly qualified persons, and politically-induced wage increases," he writes in the UBS Economic Monitor.

As a result, he thinks that by the end of this year consumers will have spent 13% more on durable goods than they did in 1986. And he expects spending on such goods to rise by a further 10% in 1988.

But he expects high unemployment to continue throughout the year.

"Although the government will continue its special training and job creation programmes during the foreseeable future, we do not foresee this will have any material impact on South Africa's job situation over the next 18 months."

He thinks the country will "remain burdened by several structural employment problems".

These include high population growth, large numbers of illegal job seekers from neighbouring states, accelerating black urbanization, disruptions in the black educational system and emigration of skilled staff, which will make it harder for firms to expand.

"As long as the money supply (M3) is growing well below the top range of the money supply target of 18%, no increase in short-term interest rates must be expected , which to us seems unlikely until the second quarter of 1988.

"At that point in time credit demand may start to rise more meaningfully, supported by factors such as reduced grey market activity — and thus a lower income velocity of money — and a declining surplus on the current account.

"Real economic growth will remain the primary determinant of monetary policy over the forecast period.

"Working on an average economic growth rate of some 2,5% for the next 12 months, we foresee the bank rate rising by only some 2% to 3% to about 12% during 1988, leaving it at roughly minus 6% in real terms."

"Underlying our forecast is the expected acceleration in inflation, the possibility of higher funding requirements by the government sector in the 1988-89 fiscal year" and the pick-up in short term rates expected later in the year.

Globe Times 2/12/87

Progress for blacks in SA wage market

Own Correspondent

JOHANNESBURG — Black workers have achieved real salary increases of between 20% and 22% since the 1983 recession, because of a strong union structure and less exposure to the taxman, says a major business report.

The result has been a real increase in disposable income for employed blacks, a situation aided by rent boycotts, according to Mr Mike Perry, MD of Perry and Associates, in his annual publication, "Early Warning".

By comparison, white salary increases in the period have undoubtedly been ravaged by inflation and the Receiver of Revenue, he says.

The ongoing skills shortage is only one of the factors ensuring black progress in the work place and the wages front, he says. The most recent report by the SA Institute of Race Relations estimates that SA will need 116 000 new managers by the year 2000, of which only 40 000 are expected to be white.

Pressures from the unions and overseas will further ensure their progress.

SA needs to create 3,8 million jobs — survey

Cape Times 20/10/87 (128)

By BARRY STREEK
Political Staff

ENDEMIC unemployment in South Africa meant that 3,8 million jobs needed to be created, two University of Cape Town academics, Mr Iraj Abedian and Mr Steffen Schneier, have concluded

They have also found that the real monthly income per capita from formal sector employment was more than ten times higher for whites than for Africans — and that the gap of real income between whites and Africans, per head of population, had increased between 1970 and 1985

There had been "a definite tendency for real wages to rise for all racial groups" but unskilled labourers had been marginalized, and African and coloured workers had been affected "most deleteriously"

The distribution of income within the African and coloured groups had become "more skewed, causing impoverishment"

This had been illustrated by the increase in dependency on each African worker in the formal sector from 4,32 dependents on a breadwinner in the formal sector in 1970 to 5,32 people in 1985

They also found that while the formal sector of the economy had been unable to provide sufficient employment opportunities, "the informal sector has also shown little capacity to absorb the unskilled unemployed labourers"

Their study of formal sector employment in South Africa and its implications for poverty and future economic strategies has just been published by UCT's Southern Africa Labour and Development Research Unit (Saldru)

Mr Abedian and Mr Schneier said unemployment was most prevalent in new entrants to the labour market — people between the ages of 15 and 19 — and the elderly

Statistics for wages and employment in the agricultural sector, domestic service and the homelands were poor and were known to be very low They were excluded from their estimates of real monthly income per head of black population and this meant their calculations over-estimated these figures

In 1970, the real monthly per capita income for black people from the formal sector was R9,12 a month This increased to R13,71 per head in 1980 but dropped to R13,01 in 1985 and had in all probability had continued till the present.

"According to the Manpower surveys nearly 500 000 unskilled workers lost their jobs between 1983 and 1985 and bearing in mind that this is only a sample survey, the figure is particularly alarming."

However, it was clear there was a steady and marked expansion of black employment in "middle class" occupations and doubled from 8,66% of the black work force in 1969 to 17,78% in 1985

Real monthly incomes per head of population among coloured people also dropped between 1980 and 1985 — from R34,67 to R34,40 — while those for Asians and whites increased

The most notable expansion of employment among coloured people had been in "middle class" occupations, particularly clerical, sales, representatives and non-manual categories of employment

There had also been a substantial amount of upward mobility in the Asian work force, Mr Abedian and Mr Schneier said

Real monthly per capita income for whites rose from R119,26 in 1970 to R138,50 in 1985, showing that the gap in the average income from the formal sector for whites and Africans rose, in real terms, from R110,14 per head in 1970 to R125,49 in 1985

Sowetans have R1,5bn to spend after essentials

SOWETANS have disposable income of between R1,5-billion and R1,7-billion a year — but only 10% of it is spent in the townships.

By Amrit Manga

African Bank managing director Moses Maubane says 20% of black disposable income is spent in townships nationwide

Mr Maubane says "We need to overhaul the entire black business infrastructure if the direction of purchasing power is to be reversed"

The estimate of Sowetan earnings is based on a population of nearly 1,5-million people and 106 000 households, each with an average earning a worker of R500 a month

Market share

"Black business's future share of the market will be determined by the extent to which it diversifies If it does not change, it will lose the market."

The increase in market share from 1% in 1977 to the current 10% is largely attributed to limited diversification. Until 1976 black businesses were limited to about 66 classes of retailing.

Soweto is served by about 20 cafes, 46 dry-cleaners, seven drapers, 19 hardware dealers, 26 filling stations, 274 grocers, 152 general dealers and 163 greengrocers More than 2 500 business licences have been issued in Soweto

Mr Maubane says franchises, services, manufacturing and export-related businesses are untapped by blacks

"South Africa has many products with a ready market abroad Handicrafts produced by black people are an example

Handicrafts

"But black people are not the ones making profits from these products

"Existing retailers can capture a significant share of the billion-rand market by adopting modern marketing techniques"

Metro purchasing director Mark Abranowitz says township retailers tend to price themselves out of the market

Mr Abranowitz says "Although all discounts are passed on to them, their goods are still overpriced

"Before any change in buying patterns can be achieved, black retailers must adopt competitive methods"

Reason

Mr Maubane says the inadequacy of black retailers to serve their communities is only part of the problem

"The fact that their prices are higher than those of competitors in town is a matter of economics

"The black businessman will have to diversify into new areas if he is to claim a bigger share of the market"

An undeveloped business infrastructure poses problems for boycotters who depend on black shops to supply their needs

Mr Maubane says "It is doubtful that black businesses can compete with white retailers for the consumer's purse under present conditions"

Some sectors have made significant gains — mainly because of consumer boycotts of white enterprises

The informal sector has mushroomed in some areas of the Eastern Cape Street vendors have increased in numbers and cash-and-carry outlets on the boundaries of townships have made considerable gains

Cash-and-carry businesses have profited because white wholesalers are reluctant to enter townships

National Union of Mineworkers conference in Welkom enthusiastically expressed support for a resolution condemning the dismissals and affirming the 110 000-member union's intention to take action in support of the Sasol workers if they are not rehired

CWIU held two meetings with Sasol management during December where the two parties failed to reach agreement on the criteria to be used when considering the reemployment of the dismissed workers Sasol has said it will not take back people who had intimidated others during the work stoppage Neither party is prepared to confirm reports that Sasol has refused to reinstate those shop stewards whose applications have been considered

It is not clear whether a full-scale strike or merely a brief demonstration stoppage is being contemplated if the dispute is not settled But should any such event materialise, it will spell an abrupt end to this year's thus far relatively peaceful industrial relations scene

LOCAL AUTHORITIES

Township armies

Sixteen black local authorities — 11 in the Transvaal and five in the Cape — are to establish private police forces Duties will consist of helping the SA Police to maintain law and order They will also "prevent crime," guard council property and trace people who fail to pay rent

However, many blacks fear that these "township armies" will resort to thuggery and strongarm tactics in urban areas, as did the Makgotla kangaroo courts and well-organised gangs like the Msomi in Alexandra in the Fifties

Among the 16 black local authorities which plan to establish special township forces are the councils within Greater Soweto (Diepmeadow, Dobsonville and Soweto), Alexandra, Jouberton in Klerksdorp and Lekoa in the Vaal Triangle The Lekoa Council serves the trouble-torn townships of Sharpeville, Sebokeng, Boipatong and



Riot police ... fear of thuggery

TONY MARAIS

Education needs a boost



Tony Marais is a lecturer in economics at the University of the Witwatersrand

This article serves to examine some aspects of income distribution in SA and its possible relationship to education

The graph — based on nominal earnings — shows how the nominal average monthly earnings of employees in the various population groups grew between 1971 and 1981 The rate of growth of earnings for the non-white groups was greater than that for whites The absolute earnings gap, however, clearly increased

In table one, the average real earnings in various occupational categories for the two extreme groups, whites and blacks, are shown What is again interesting is that even though the rate of increase in earnings for blacks exceeded considerably the rate of increase in earnings for whites between 1975 and 1983, the absolute gap in real terms increased marginally

It should be borne in mind that not only were real earnings considerably lower for the black population, but also that the probability of being unemployed was far higher for blacks than for whites

It cannot be overemphasised that the figures in the first table are averages and tend to conceal the wide differences between individuals and occupational categories In gold mining, for example, the ratio of earning of skilled to unskilled labour declined from 20 1 to about 5,5 1 in 1980, and most of those in the unskilled category were black

In the second table the interesting relationship between the economically active members of each racial group and average annual earnings is shown Whereas 87,4% of economically active blacks earned less that R2 400 per annum, only 10,4% of whites were in this position in 1980 Similarly, while 2,2% of economically active blacks earned over R8 400 per annum, 37,7% of whites received incomes in this category and over half of this group earned at least R12 000 per annum

It is also noteworthy that 23% of the economically active black population earned less than R1 200 a year, while only 4,5% of economically active whites were in this position

Individual earnings are a function of many variables including, *inter alia*, natural ability, socio-economic background, geographical place of employment, market luck, and education Although education is only one variable, the "human capital" school regard it as highly important It is interesting to consider levels of education obtained by the different population groups in SA, as shown in table three

Just over 30% of the white population had received education no further than up to Standard 5 in 1980 compared to almost 85,7% of blacks in the same position

At the other end of the scale, 11% of whites had some post-matric education, as against only 0,15% of blacks

Of course, both "quantity" and quality of education need considering The high pupil-teacher ratios in black education, the low qualifications of teachers, the low spending per pupil, and so on, all make for inferior black education It is therefore not surprising to learn that blacks with specific qualifications generally earn less than their white counterparts with identical qualifications

It would be naïve to think that increased and improved education for blacks would eliminate most of the earnings differentials between blacks and whites for there are many institutional labour market distortions in this country which serve to perpetuate earnings differentials

Some recent studies in the US, however, have shown that there is a tendency towards parity in earnings for blacks and whites as the educational level rises For example, U L Christian and R H Stroup (*Economics of Education Review*, 1981) conducted a survey of earnings in the metropolitan south and found that the ratio of black earnings to

white earnings for females over 25 years of age improved from 66,5% for high school graduates to 92,4% for college graduates

Quality of education also seemed to have some effect on productivity and earnings, for there has been a genuine effort in more recent times to improve the quality of education for blacks in the US In fact, for women under 25 years of age (who have benefited most from the improved quality of education), the corresponding ratios of earnings for black to white females, were 73,4% and 101,9% for high school and college graduates

Increased and improved education could possibly improve income distribution within each racial group as well In 1977, Professor George Trotter considered income distribution and education for whites, coloureds and Asians in SA (*SA Journal of Economics*) Although he felt his evidence was scanty, there was some indication that income distribution improved as educational level rose For example, the incomes of white graduates were more narrowly clustered around the mean earnings for that group than was the comparative cases for those with seven years of education or less

AVERAGE MONTHLY REAL EARNINGS

(1975 R)

Year	Whites	Blacks	Gap
1975	449	91	358
1976	442	96	346
1977	433	98	335
1978	426	100	326
1979	422	100	322
1980	434	107	327
1981	437	106	331
1982	468	116	352
1983	499	129	370

INCOME BY ECONOMICALLY ACTIVE POPULATION

Income group . . .	R0 - 1 199	R1 200 - 2 399	R2 400 - 3 599	R3 600 - 5 999	R6 000 - 8 399	R8 400 - 11 999	R12 000 - 17 999	R18 000 - 29 999	R30 000 - 41 999	R42 000+	?	Total
Whites	4,5%	5,9%	10,2%	20,7%	18,7%	16,8%	13,2%	5,6%	1,3%	0,8%	2,3%	100

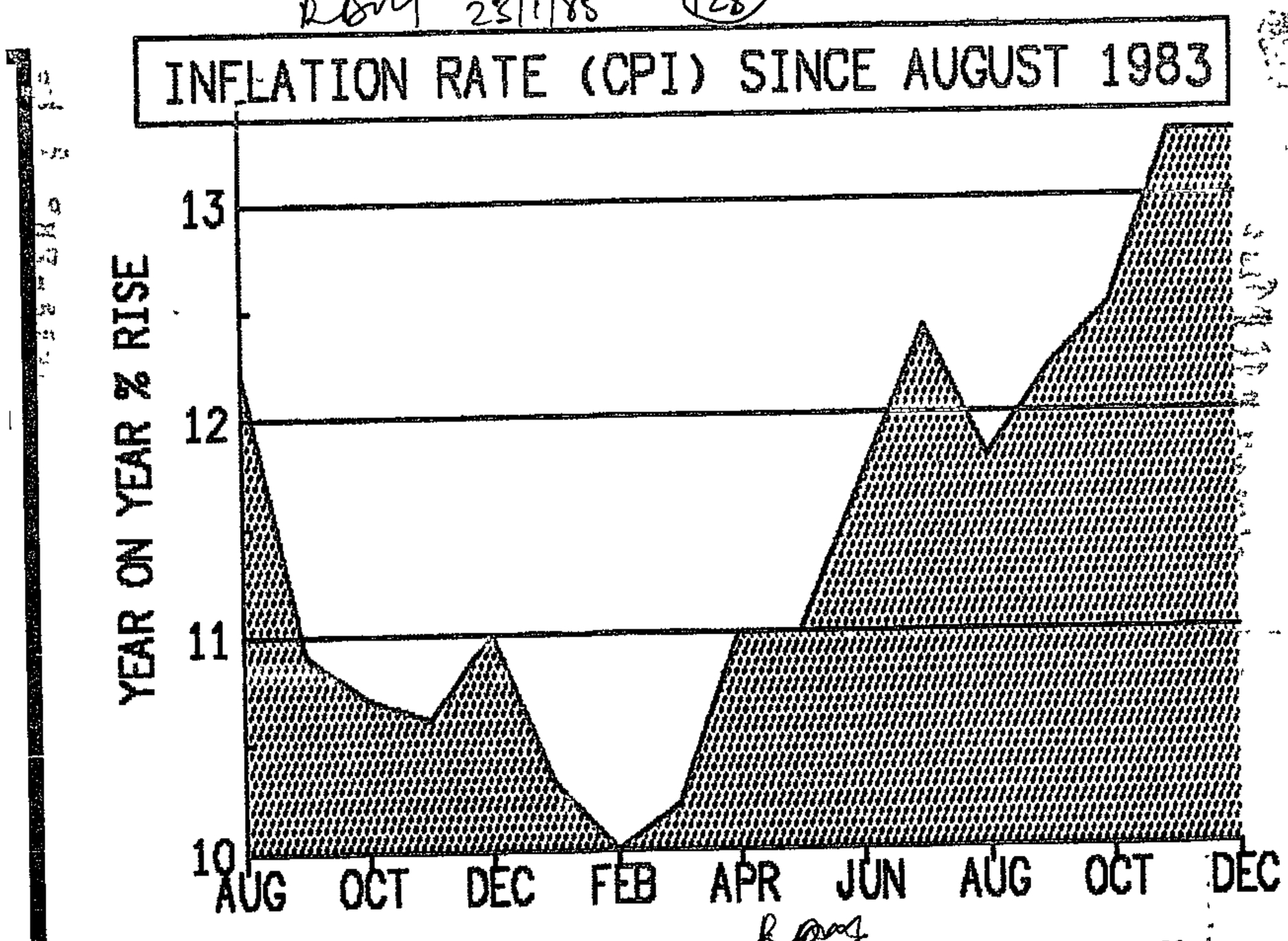
Income group	R0 - 299 %	R300 - 599 %	R600 - 1 199 %	R1 200 - 2 399 %	R2 400 - 3 599 %	R3 600 - 5 999 %	R6 000 - 8 399 %	R8 400 - 11 999 %	R12 000 - 17 999 %	R18 000 + %	? %	Total %
Coloured	14,5	9,8	19,2	29,5	11,5	9,0	2,7	1,0	0,3	0,1	2,4	100
Indian	5,3	1,7	8,7	29,1	20,3	19,7	8,0	2,7	1,6	0,8	2,1	100
Blacks	23,1	14,4	20,4	29,5	6,1	1,8	0,3	0,1	0	0	4,3	100

LEVELS OF EDUCATION BY POPULATION

Population	Education level (1980)											
	None	-Std 6	Std 6	Std 7	Std 8	Std 9	Std 10	Diploma + Std 9 or less	Diploma + Std 10	B degree	M degree	PhD	Total
Whites	15,7	15,1	9,0	6,1	16,9	5,1	19 5	1,6	6,8	3 8	0,3	0,1	100
Blacks	48,2	37,5	6 2	3,0	3,0	0,9	0,8	0,25	0,1		0 05		100

Source Central Statistical Services

ROM 23/1/85 (128)



Petrol hike likely to add fuel to fire

Inflation boosted to 13,25% in 1984

By HOWARD PREECE

SOUTH Africa had an inflation rate of 13,25% for 1984 as measured by the official Consumer Price Index.

This was well up on the 1983 level of 11%.

It is also bound to increase further soon when the large hike in petrol prices is finally imposed

The extent of the poor performance last year can be judged from the fact that Mr Owen Horwood, the former Minister of Finance, forecast at the beginning of the year that the rate would be between 7,5% and 8%.

It means this country has suffered double-digit inflation for 11 consecutive years from 1974

South Africa has the unhappy distinction of having a much worse inflation record over the past decade than most Western industrial countries

In December, the CPI rose by a comparatively modest 0,65%

There was, however, a similarly low increase in December 1983

The net result was that the overall annual rise in the CPI of 13,25% for 1983 was virtually identical to the 13,26% for the 12 months to the end of last November

The index in December was 309,4, against 307,4 in November and 273,2 in December 1983

Food prices have sometimes been seen as a major cause of inflation last year.

In fact, however, they rose by "only" 11,5% in 1984, less than the general jump in the cost of living.

The sub-division of the CPI shows that the inflation increase for upper income groups in 1984 was 13,3%, for middle incomes 13,6% and for lower incomes (predominantly blacks) 12,1%.

The reason inflation soared so far above original expectations last year is that the economy was in a buoyant phase in the first six months, instead of the widely expected recession

This was mainly because State spending was allowed to keep rising way above estimates, and because consumers continued to dig into their savings and to incur more and more debts to prop up and even extend standards of living

A generally lax monetary policy throughout the 1980s has prevented lasting success in reducing inflationary pressures.

This means that even though the economy will definitely be moving deeper and deeper into recession this year, there will be no dramatic decline in the rate of inflation

Most economists expect the level to be around the 10%/11% range.

There are some fears that it could be higher than that.

But provided the Government pursues tough monetary and fiscal policies and sticks to its proposed tough line on public sector pay and prices sticks, this need not happen.

There will, of course, though, be an inflationary boost from the steep rise in the cost of imports caused by the slump in the foreign exchange value of the rand.

There are different views among economists about exactly how the inflation problem should be tackled.

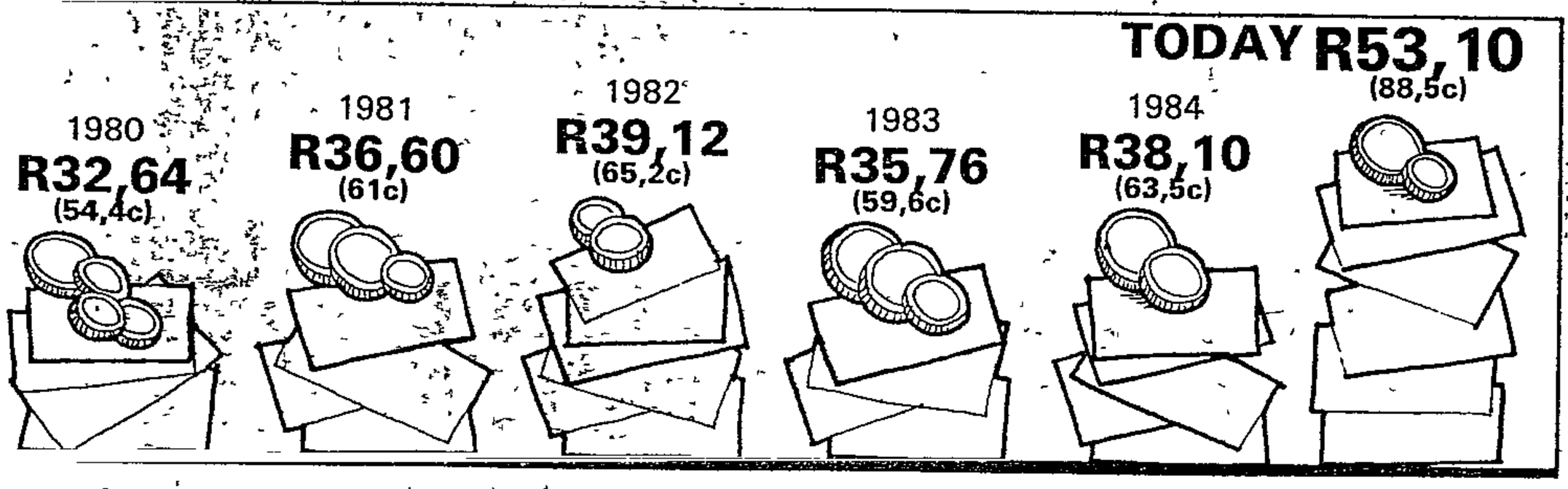
In general, though, there is agreement that any successful policy must include sharply reining back rises in money supply.

But while some economists would say that is a sufficient condition in itself for success, others would say that is only a necessary condition that needs to be reinforced by actions on a number of different fronts

MAIL WITH Business Day

PRICE 27c + 3c tax
PRICES ELSEWHERE ON BACK PAGE

UP, UP, UP goes the fuel price



AOS HITS REEF



'Cost to the user R3 500m'

Mail Correspondent

DURBAN — The effect of the radical fuel price increase was equivalent to the motor industry deciding on January 1 this year to increase prices by between 25 and 30%, the president of the National Association of Automobile Manufacturers of South Africa, Mr Colin Adcock, said yesterday

"This would be to recover their total potential losses caused by the rand devaluation It would obviously have been a very irresponsible act on their part," Mr Adcock said

"The increase will take R3 500-million out of the consumer's pocket over the next 12 months," he claimed.

"A one-time-out price increase of this magnitude comes as a great shock to the industry which is already in a beleagured state," said Mr Adcock who suggested a more "prudent" step would have been a series of small petrol price increases

Inflation rate 'is set for a 3% jump'

By CHRIS FREIMOND
Political Correspondent

CAPE TOWN — The massive increase in petrol prices could push up the inflation rate by about 3% and have serious implications for socio-political stability in South Africa, Opposition spokesmen warned last night

The ripple effect of the increases would hit all sectors of the economy, the Progressive Federal Party's finance spokesman, Mr Harry Schwarz, said

The increases could cause further unemployment and contribute to the consequent instability in the country, he said

The PFP's spokesman on Mineral and Energy Affairs, Mr Brian Goodall, said the increases were the price that the average South African consumer had to pay for the Government's mismanagement of the economy

He accused the Government of excessive expenditure and an inability to control the money supply

The Conservative Party leader, Dr Andries Treurnicht, said the increase was disastrous for the economy, consumers and farmers

He demanded that the Government resign immediately

Air fares to take off next?

Mail Reporter

AIR fares may now have to be up

Last night the South African Transport Services were examining the overall effect of the fuel price increases a spokesman said

Jet fuel has increased by 17 [illegible] a litre and accounts for a large portion of airline expenditure Between April and December last year the falling rand had accounted for an extra R50-million being spent on domestic flights by SAA

Any increases in air fares would be announced by the Minister of Transport, Mr Hendrik Schoeman, "probably within a few days," the Sats spokesman said

PETROL CHAOS

Mail Reporters

THERE was chaos at petrol stations across Johannesburg late yesterday as motorists dashed to fill up before the big 25c/l increase came into effect at midnight — but many filling stations closed shop early so they could start selling stocks today at the new prices.

As dusk settled, thousands of motorists made a mad scramble for fuel at the "old" price and many enraged drivers — their cars blocking through roads at stations across the city — argued heatedly with garage owners as pumps shut down

South Africans were staggered by the announcment that.

- Prices on the Reef will go up by nearly 40% from 63,5c to 88,5c/l for 93 octane,
- At the coast, 98 octane is to rise by 27,1c to 84,9c/l;

More reports — See Page 2

- 87 octane is up by 23,4c;
- The pump price of diesel fuel is up by 25,3c,
- Agricultural diesel is up by 12c;
- Diesel for wholesale road users is up by about 20c;
- Illuminating paraffin goes up 5c/l, power paraffin 19,3c and jet fuel 17,8c

And the shock was worsened with the warning by Mr Steyn that the petrol price could rise again by 4c/l in June

This massive increase comes on top of the severe fringe benefits tax which is due to take effect from March 1

The petrol increase and the new fringe benefits tax represent a double blow to the motor industry, already hard hit by 10% general sales tax and punitive 32% interest on hire purchase agreements

In Johannesburg, it was like the Last Great Gold Rush last night as hundreds of motorists tried to beat the petrol price deadline — only to be told by some garage owners that "power failures" had closed down the pumps

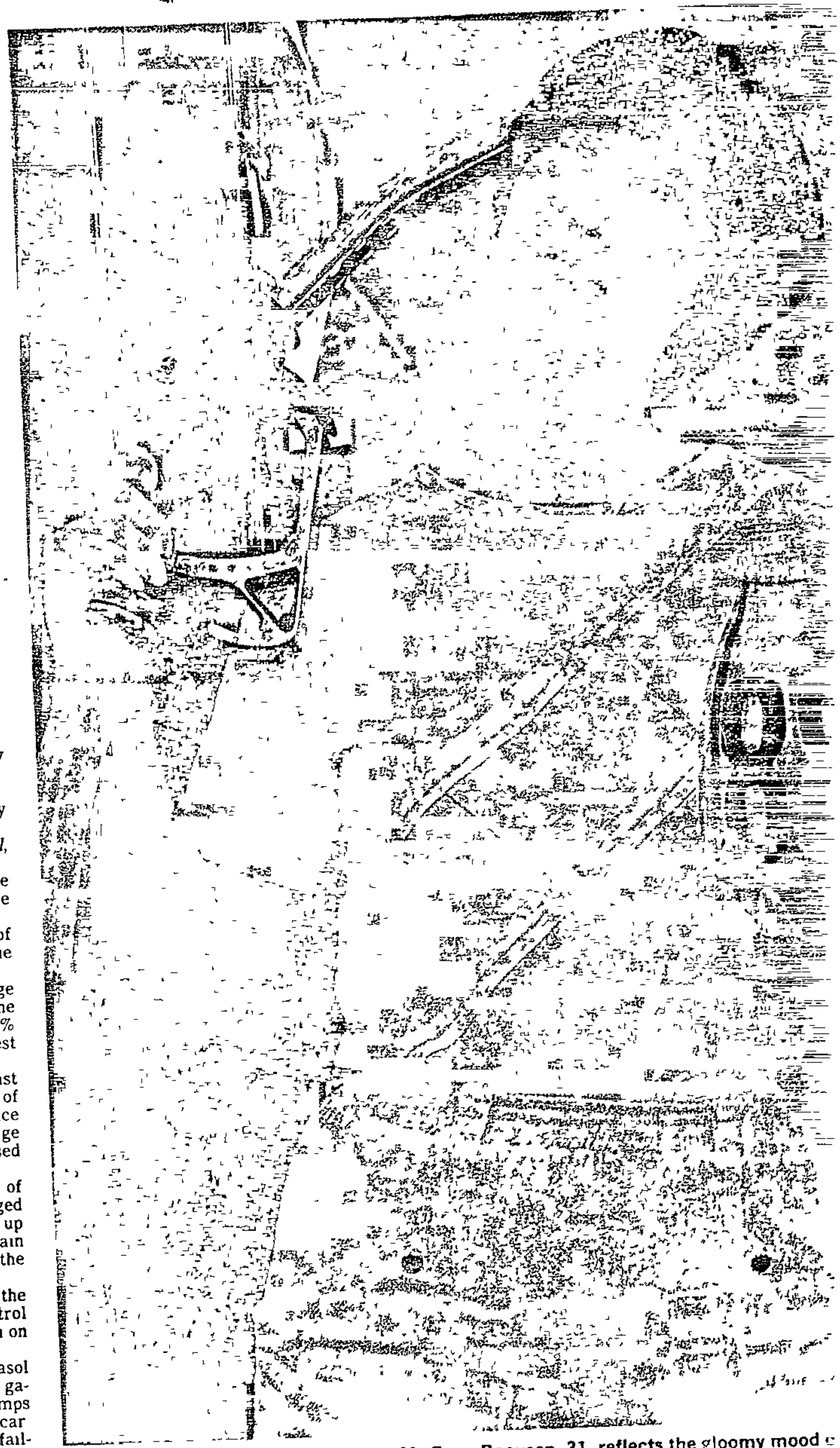
In Hillbrow, a garage at the corner of Caroline and Twist Streets was besieged by anxious motorists. Traffic was held up in Twist Street — one of the city's main arteries — as cars stretched across the road

Reports were received from all over the Reef of garages claiming to have no petrol available for drivers anxious to cash in on the last few hours of cheaper petrol

Some motorists reported that Sasol pumps were the only ones working at garages, and that supplies from th se pumps had been cut to a maximum of R10 a car

Irate motorists described the power fail-

To Page 2



The last straw ... medical aid worker Ms Rene Booysen, 31, reflects the gloomy mood ... as the iron ... of the giant lead in the petrol price sink in.

motorists tried to beat the petrol price
to inflate - only to be told by ... me ...

A BRITISH parliamentary com-

Rony 24/1/85 ~~24/1~~ ~~55~~ 128

Business warns of inflation rise hits Reef

By GERALD REILLY
Pretoria Bureau

ORGANISED commerce and industry last night stressed the devastating impact of the huge fuel price increase on the country's already high inflation rate

Both the Association of Chambers of Commerce (Assocom) and the Afrikaanse Handels Instituut (AHI) said the immediate impact would be a 1½% boost to inflation

Assocom also claimed the indirect impact over the next nine to 12 months could be another 5%

Assocom said in a statement last night the business sector was shocked by the 40% rise in the petrol price

It stressed the strong ripple effect on all sections of the economy

There was an urgent need for the authorities to act firmly in the management of the economy if South Africa was to withstand any further attack on the already strained rand and control inflation

"It is critical that any consequential adjustments to Government-administered prices and tariffs of para-statal bodies be kept to a minimum."

Assocom welcomed the additional contribution to the National Road Fund as long overdue

The infrastructure had been adversely affected in the past by insufficient funds

The president of the Transvaal Chamber of Industries, Mr Joe Annegarn, said the fuel price increase would have a spiral effect on all prices

"Of major concern to the TCI is the effect of the higher fuel prices on our already depressed industries

"In the present economic climate the effects in these increases could do uncountable harm to the industrial sector which is struggling to survive"

The increase could also slow an export-led recovery

The Automobile Association said in a statement last night the National Road Fund's income should improve by R115-million to about R290-million a year because of the increased contribution from the fuel price increase

"While the timing is unfortunate, an increase in the resources of the fund is overdue and we urge the Government to implement much-needed roadbuilding and maintenance programmes as soon as possible"

From Page 1

ure as "advantageous" and that it had taken place minutes after a 4pm television news bulletin which announced the new petrol prices

Business sources yesterday warned that the massive increase could send inflation soaring, with some predicting it could go as high as 20% by the end of the year

This is how motorists can expect to be hit by the new petrol price

● The owner of a 1,5*l* to 1,8*l* car travelling 18 000km a year will spend about R1 458 on petrol — an increase of R486

● The owner of a 2,5*l* or 3*l* car will pay about R1 807 for 18 000km — an increase of R565

● It will cost R53,10 to fill up a 60*l* petrol tank — an increase of R15

In a statement, the Automobile Association slammed the increase as "an extremely severe blow" to motoring in South Africa

"It is not only regrettable but indeed cause for concern that the increase is far in excess of that mentioned by the Minister in private

RAND DAILY MAIL, Thursday, February 7, 1985

Stage is set for inflation rate of at least 20%

By DIANNA GAMES and GERALD REILLY

THE stage for spiralling inflation — especially in foodstuffs — was set even if the rand strengthened, a major supermarket chain predicted yesterday.

And consumer bodies have warned of the impact on the living standards of the lower income groups if the Government slashes food subsidies in the new financial year.

It is feared that a financially embattled Government will adopt crisis measures in the coming Budget, including possible sharp cuts in State subsidies.

A series of meetings between consumer bodies and the Maize Board is also expected, preceding an announcement of a huge increase in the maize price from May 1.

Food retailers were this week given price increase figures on supermarket goods — expected to be effective by March — which indicate that consumers face a probable inflation rate of at least 20%.

On basic foods, rice will increase by 25%, poultry by 13%, milk blends, creamers and soups by up to 15%, snack foods 11%; spices 8%; tinned fish up to 12%, toothpaste and sweets 10%, and soap 16%.

Tea and coffee will rise by between 10% and 15% with a massive 45% increase for Rooibos tea.

Checkers spokeswoman, Ms Peta Lomberg, said the sale of tax-free items had increased noticeably and that a 30% "yellow brand" sales increase had been noted in the past six months.

A spokesman for Dun and Bradstreet, business information collectors, said 2 800 firms were forced into liquidation in 1984 and indications were that this would increase to 3 300 this year.

He said there had been a massive 20% increase in default judgments, with their value rising from R1 800 000 in September 1983 to R5 100 000 in September last year.

Several estate agents said the past four months had brought a noticeable drop in house sales with many people, hit hard by the bond rates increase preferring to rent.

One agent said houses were staying on agents' books a little longer, but more and more sellers were lowering their prices.

But major clothing shops reported that annual sales — with prices dropped by half and often more — were going well.

Mr V B Hammond, managing director of Edgars, said price cutting in this year's annual sales was "far fiercer" than previously, partly due to the fact that many stores were more overstocked this season.

And Mr Jimmy McKenzie, senior general manager of Barclays Bank, said while the size of the bank's network made it difficult to have exact figures, it seemed the number of overdraft applications had levelled off.

He said the impact of the high interest rate would be felt in the next few months.

● See Page 4

P&M & B 41398.F01317

 RDM 13/2/85 128

Some office salaries start to drop

Own Correspondent

CAPE TOWN. — Salaries for some office workers are starting to drop, according to Kelly Personnel, in its survey of 1984 salary trends.

The survey also said the gap between Johannesburg and coastal salaries was still increasing

"The average starting salary for an executive secretary/personal assistant in Johannesburg, while up by 7,5% for the past year, decreased by 5,8% over the previous quarter."

The biggest increase in starting salaries was in the accounts clerk category "where, on a national basis, they increased by 18,86%".

Salaries for general office staff beat the average inflation rate for the first 11 months of 1984 — 11,49%.

Starting salaries in Johannesburg increased by an average of 16,05%, while those in Durban and Cape Town rose by 12,5%.

This was probably a result of the shortage of skilled office staff during the mini-boom in 1984

Executive Secretary/PA.
Johannesburg range R1 100 to R1 500 Average R1 208
Cape Town range R1 000 to R1 200 Average R1 050

Secretary
Johannesburg range R850 to R1 200 Average R1 038
Cape Town range R650 to R900 Average R803

Copy typist
Johannesburg range R700 to R1 000 Average R821
Cape Town range R600 to R750 Average R610

Girl Friday.
Johannesburg range. R600 to R1 000 Average R796
Cape Town range R600 to R900 Average R700

Receptionist/Switchboard.
Johannesburg range R600 to R1 000 Average R760
Cape Town R500 to R850 Average R629

Bookkeeper to trial balance.
Johannesburg range R1 000 to R1 500 Average R1 290
Cape Town range R800 to R1 000 Average R908

Accounts clerk:
Johannesburg range. R700 to R1 100 Average R868
Cape Town range R550 to R850 Average R701

RDM 13/2/85 (128)

SA inflation may hit 17%

Financial Reporter

SOUTH AFRICA'S inflation rate is likely to reach 16% to 17% in the coming months before starting to come down again later in the year.

This is the view of Dr Johan Cloete, chief economist of Barclays National Bank

He said this high level of inflation could put renewed downward pressures on the rand — or at least restrain any upward movement

Dr Cloete repeated his long-held belief that some form of wage/price policy in South Africa offered the best hope of reducing inflation substantially while minimising the damage to the real economy in terms of output and jobs

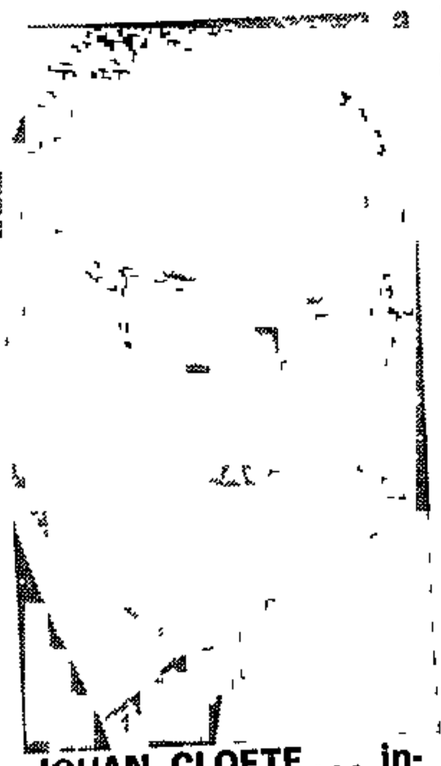
However, strict monetary and fiscal policies would also have to be pursued

In Barclays' Business Brief for February, he said the annual salary and wage increases agreed upon between employers and employees were an important determinant of economic activity.

They mainly determined the extent to which private and Government consumption expenditure, which between them comprised the larger part of total demand, hence of the total product produced, were increased each year.

"Thus, average salaries and wages were increased by about 15% during 1984, which, after deduction of the inflation rate of 11,7% for the year, represented a real increase of 3,3%.

"It was this substantial real increase in salaries and wages . . that was mainly instrumental last year in lifting private and Government expenditure by some 5% and real gross domestic product by some 3,6%"



JOHAN CLOETE . . . inflation at 17%?

But the annual salary and wage increases had not only contributed to an important extent to the level of aggregate economic activity.

They had also constituted the basic source of the annual increases of the money supply

"Indeed, money basically comes into being in the process of the annual salary and wage negotiations"

It was, of course, true that the banks had a say in the setting up of these annual salary and wage contracts because they were normally the ones to finance the money claims allotted to employees until such time as the joint product could be sold.

"In a situation where they compete with each other, however, the say of the banks is not as great or as final as is generally believed."

He said the central bank could take the view that the banks were busy financing money claims not arising from increases in the volume of goods and services produced

"(They) are merely resulting because the value or prices placed on the goods and services have been increased, thereby generating inflation

"If the central bank should, however, refuse to provide the additional cash to the banking system, except at exorbitant penalty rates which the private banks and their customers cannot afford to pay, then employers have no option than to lay off workers and cut back on production, as their wage contracts are normally concluded for a year ahead

"In other words, refusal by the central bank to validitate the wage contracts immediately leads to unemployment, which, in the South African situation, in particular, is not acceptable by society and its representatives in Government

"The central bank, accordingly, normally has little option but to validate the pre-determined wage increases and accompanying price increases established in the economy each year, at least to a greater or lesser extent."

Dr Cloete argued that, in the final analysis, both excessive increases in the money supply and in inflation originated in the annual salary and wage contracts negotiated between employers and employees in the conomy.

"Either our employers and employees, both in the public and private sectors of the economy, will have to exercise the necessary self-discipline when allocating money claims to themselves, or the central bank will have to impose the necessary discipline."

This would be by "refusing to finance such additional money claims created and in due course force the necessary cutbacks in wage and price increases through unemployment and business insolvencies"

Dr Cloete said: "Adoption of the second option will be very costly for the economy and could even end in disaster if the unemployment created should give rise to serious unrest"

Scrap minimum wages, Zac de Beer urges Govt

By PATRICK LAURENCE
Political Editor

DR ZAC DE BEER, chairman of LTA and an executive director of Anglo American, yesterday called for the abolition of statutory minimum wages

Speaking at a conference in Johannesburg on problems facing South African cities, Dr De Beer, a former Progessive Federal Party MP, presented his call as a necessary measure to avoid South Africa's deterioration into a "banana republic"

South Africa's inflation rate was three times that of its major trading partners and the creation of new employment opportunities was only possible if costs could be held down, he said

"I believe that in today's circumstances we must discard entirely the concept of enforced minimum wages," he said.

Dr De Beer, who acknowledged that he had campaigned in the past for higher minimum wages, added "Today I am pleading for people to be allowed to work for any wage, no matter how low, that they are prepared to accept"

He had changed his views because circumstances had changed radically since he first campaigned for higher minimum wages 15 years ago

South Africa in those days was "tolerably prosperous and stable" and its inflation rate was either lower or only fractionally higher than that of its major trading partners

"Black wages in absolute terms were pathetically low and the wage gap was disgracefully wide," Dr De Beer said

"There were no trade unions for blacks and job reservation was in full flower Black political expression was minimal

"The economy was tightly controlled by Government on many levels In that set of circumstances, the country could afford substantial increases in wages, but such increases were only likely to come about if they came from above"

Today, however, the labour force was largely and increasingly unionised and more and more wages were set by collective bargaining, while "job reservation is almost extinct and industrial bars are on the way out"

Dr De Beer also called for the abolition of all apartheid measures impeding the free enterprise system — influx control, race classifation and the Group Areas Act — and for the relaxation of health, building and safety regulations to cater for the "desperate need to allow everyone who can work to do so"

Business Day RDM 28/2/85 (128)

Living standards set to fall

By HAROLD FRIDJHON

INFLATION will grow faster than wages this year with a consequent decline in standards of living.

Dr Hans Falkena, writing in the UBS Economic Monitor, forecasts the average inflation rate as measured by the consumer price index (CPI) will reach an all-time high of 16% but he estimates the total wage bill will go up by only 12%

In the last quarter of 1984 the CPI rose to 13% from 12,2% in the third quarter The main reason for the increase was the drop in the value of the rand and the rise in the money suypply.

The total impact of the higher petrol price will be to increase the CPI by 3% points, lifting the inflation rate to 17% in the next few months The full effect of the rand's depreciation is not yet reflected in the CPI but the production price index of imported goods has accelerated from 6,4% to 17% in the six months ended December

"Fortunately, a few anti-inflationary factors are also at work. The stringent monetary policy has virtually eliminated demand inflation, while producers are forced to absorb at least part of the cost-push price increases (at least in the short run)"

Dr Falkena says unemployment is expected to rise higher than the rate recorded in the second half of 1984 "when Asian, coloured and white unemployment rose by 5 000 to 34 000 and black unemployment was estimated to be 500 000, about 8,5% of the black labour force"

Employees' bargaining position has declined, says Dr Falkena The public sector has announced a wage freeze — other than annual promotions — while many industries are unable to grant a real pay rise The end result is that the total wage bill will rise by only some 12%

Assuming a 6-million-ton maize crop this season farmers' incomes could rise by as much as 30% but incomes of other householders are expected to decline Direct tax could rise by as much as 20% and personal disposable incomes could rise by about 13%

"This is hardly enough to finance the expected increase in nominal consumption expenditure and consequently personal saving will remain at a very low level of some 1%."

Money market rates are not expected to decline too rapidly At the end of the year the prime overdraft rate could be about 22% Capital market rates are expected to follow money market rates but not to the same degree A fall of 1,5% to 16% does not seem unlikely.

Assuming an average gold price of $330 for this year, an average rand exchange rate of 55 US cents, an increase of 4% in total export earnings and a decline in the volume of imports, the trade surplus this year could be R7bn but interest charges on foreign loans, estimated at R20bn, would whittle this down to a current account surplus of about R2bn

Prospects for the domestic economy are bleak and the authorities have no leeway to stimulate it

The corporate sector, facing a sharp decline in consumer demand, is battling to pay its interest rate charges while importers have taken a knock because of the weak rand The after-tax profits of companies will probably be slashed by 15% with an expected corresponding cut in dividends.

Government finances are even in worse shape with current expenditure running at a high rate The salary bill will rise by 12% and the heavy borrowing at high rates on the capital market are now taking their toll

Since 1980 the interest charge on public debt has increased from R1,1bn (or 9,5% of the Exchequer spending) to about R4bn (or 15%)

A worrying aspect is the Government's use of loan capital to finance current expenditure

No, the worker is not to blame!

By BILL ROBB, an independent management consultant

WOULD a reputable medical practitioner, confronted by a patient who is coughing blood, hand him a swab to wipe his mouth and send him on his way with a prescription for aspirin?

No In the back of the doctor's mind are all sorts of possible causes for the blood — not the least of which might be cancer.

Yet everyday I see ample evidence of our governmental and business leaders doing exactly this in relation to that over-used and misunderstood word — productivity

They blame the rand/dollar price, the price of gold, the racial situation, and most of all, they blame the worker.

No pay rises, they say; tighten your belts, grit your teeth, weather the storm, in time we will emerge triumphant from this current economic downswing.

In the meantime we will train you ignoramuses in the art of how to do your meagre jobs better. The Government hasn't stopped their tax relief to you, the ignorant, of our society

We, the knowledgeable managers, abused our tax relief and we are being "punished" — there is no more tax relief for those being trained who earn more than R15 000 a year — but then, we, the highly educated, can forego further training for the meantime

What utter tripe and nonsense! I sometimes wonder whether the majority of our illustrious managers even read trade and business journals to bring themselves up to date with current affairs world-wide

No doubt it will come as a great surprise to them that extensive research over the last 40 years, much more intensive in the last 10 years, has shown those who will see that productivity problems are but a symptom of a deep-rooted cancer

Extensive research

For those who do not, or will not, read what is available Let me try to explain

In the Forties, the Harwood Manufacturing Corporation, in Marion, Virginia, in the United States, underwent change — the result of some scientific intervention by several eminent behavioural scientists

The late Al Marrow was president of the business and he was assisted by, among others, Dr Kurt Lewin and Dr John French, jnr

For anyone versed in the great names who have led the change in business in the last few decades, those names will, at least, ring a bell

John A Shtogren, management development specialist and author, has this to say about the experiment at Harwood "Given the complexity of the problem and the industrial context within which it occured, the use of such a simple and uncontrolling method as participation seems, in retrospect, as somewhat of a managerial miracle"

Harwood pioneered the concept of participative management. Much work was done as a result of those studies and Harwood's "miraculous" upturn in productivity — most of the work needing to be learned came over the decades — participative management is not enough

Still managers were looking on productivity as the source of evil and they continued to attack it head on

It was only in the 1970s that the next major breakthrough came Dr Jay Hall of Houston, Texas, started to dig into the dirty washing called productivity and came up with some astonishing results

Astonishing because, after hearing them, we start to wonder why they have remained hidden for so long

In extensive research, his sample totalled 9 600 people from more than 30 different organisations, he found that the root of productivity failures was the lack of competence in the work place.

Matter of expectations

Hall found that certain things were happening in high performance organisations that were not happening in low performance organisations, and the differences portrayed are so great as to be expected by chance alone fewer than one out of 10 000 times.

High performing organisation managers expected competence from their employees and managed accordingly Low performing organisation managers expected incompetence from their employees and managed accordingly

They had low opinions of their workforce — training their stupidity was an ongoing problem They had instituted extensive top level planning, top management organised everything, leading was, by and large, directive, control measures abounded with punitive and/or rewarding consequences

Robert Katz, an eminent behavioural scientist, has this to say "The organisation receives only minimal effort and minimal creativity from its members Much of the managerial activity which occurs is only an expression of the attempts of managers to sustain their feelings of competence (which they are supposed to have) by shifting their anxieties about their own inadequacies — blaming others, doing 'busy-work', playing it safe, 'covering up' — rather than dealing directly with the problems at hand"

Chris Argyris has said "We have designed organisations which have ignored individual potential for competence, responsibility, constructive intent, and productivity We have created structures and jobs that at the lower levels alienate and frustrate the workers, lead them to reject responsible behaviour, not only with impunity, but with a sense of justice, and tempt them to fight the organisation by lowering the quality of what they produce Products and services thus become the tangible expression of the low quality of life within organisations"

We talk blithely and at length about how short the time is for reaching racial harmony You had better realise, businessmen of South Africa, time is even shorter for organisational efficiency

The message is loud and clear You had better get yourself up to date with what is happening in the world around us The answers are there

...smine of the Magaliesberg near Krugersdorp. See Page 3.

RDM 25/3/85

CPI rate to February of 16% bodes ill

Inflation may hit record levels

128

By HOWARD PREECE

SOUTH AFRICA's annual inflation rate in April could prove the highest in the country's history since the freak 24% in the abnormal post-war economic circumstances of 1920.

The worst rate since then was 16,5% during for both April and May in 1982.

In the 12 months to the end of February this year the rate was fractionally over 16%, according to the official consumer price index (CPI).

That was just under the most recent peak of 16,1% which was recorded in June 1982.

The Department of Statistics said at the time the 16,5% level in April and May of 1982 was the highest in the country's history since 1920.

It is possible the rate for the 12 months to the end of March this year will show a slight dip below 16%.

In March 1984 the increase was 1,26% and the rise this month could prove less — thus reducing the annual rate.

Now it is also true the rate in April 1984 rose by 1,5%, mainly because of big surge in food prices because of the drought.

With agricultural prospects looking better this year it might have been hoped the rise in April would be less than 1,5% — again reducing the annual increase in the CPI.

However, the impact of last week's Budget — above all the direct and ripple effects of the further jump in General Sales Tax (from 10% to 12%) — will be felt particularly in April.

Hence the very real prospect that the annual rise in the CPI could go above 16,5% next month and thus to a 65-year record for South Africa.

Continued lagging effects of the slump in the foreign exchange value of the rand are also bound to take a toll on the cost of living in the coming months

But I do not think there is much risk that some of the most pessimistic inflation forecasts for the near future — an annual rate of close to 20%, or even more — are likely to be borne out.

The tough measures of the Reserve Bank and the Treasury are being felt right across most of the economy now.

It is clear, though, just how hard a road ahead faces South Africa in bringing inflation down.

In his Budget the Minister of Finance, Mr Barend du Plessis, implicitly assumed an inflation rate for the 1985-86 fiscal year of around 11% — 12%.

This is evident in his provision for a rise in state spending of 11,4%, with an additional overrun of R400m allowed for on his more than R30bn total expenditure plan.

Before the Budget Mr Du Plessis repeatedly stressed his intention would be keep the rise in State spending close to zero in real terms — that is, roughly equivalent to the rate of inflation

Of course, the consumer price index does not equate precisely with the Reserve Bank's ultimate definition of inflation, the deflator of gross domestic product which measures the weighted impact of all price changes

For practical purposes, however, the CPI can be taken as the basic guide to inflation

Mr Du Plessis is going to need all the breaks just to get inflation down to 11% — 12% in 1985-86.

But he will still have a long way to go after that.

South Africa's main trading partners — the US, Britain, Japan and West Germany — have average annual inflation rates of around 4%

This country cannot easily rest, therefore, until the rate is at least back around 7% — 8%

The rate has not been that low, however, since — and then only briefly — the middle months of 1978

In the 12 months to the end of February last year the CPI was down to annual rate of "only" 10% — but look what has happened since

It would be potentially disastrous, according to most economists, for South Africa to allow another major upturn in the economy until inflation has been reduced well into single figures.

This reduction could happen — but it is unlikely before late 1986/early 1987 at best

That would rule out the prospects of any new boom phase until 1988 even if there were a large and sustained increase in the price of gold

ARGUS 13/4/85 (128)



All these budgets are breaking

LINDA PETERSEN of Weekend Argus reports

Once they saved R155 a month

THE middle-class family of four relax in their comfortable suburban home They used to have money to spare but their economic situation has deteriorated and costs continue to spiral Now money is limited and months go by with expenses often totalling more than their income

"We used to save R155 every month — but with prices continually increasing we often have to use our savings to cover the extra costs," said Mr Peter Jones of Pinelands

The family's monthly income is R1 900 but budgeted monthly expenses presently total R2 041 04 — and unexpected expenses often cause the Jones's to dip even further into their savings

Groceries

Grocery prices increase continually and cost the family R360 a month Tax digs deep as Mr Jones hands over R281,98 every month and the high cost of being well-insured totals R159 58 The mortgage bond is R206

The running of a car means budgeting R150 a month on petrol and paying R111 a month on the motor and buying second hand school uniforms

Holidays are a luxury of the past for the Jones family and they realise that if they want to spend time away from home with the whole family it could take up to five years of saving before they can afford it

Combined pension is R340, rent R188

THE charming pensioner couple sit in their modest Parow flat. Together Mr and Mrs John Russel draw a pension of R340 a month.

"Our basic costs are R500 a month — it would be impossible to live if we did not have savings to draw from," said Mrs Esme Russel.

Budgeted costs include the "continually rising rent" — R188. The Russels spend R150 on grocery bills — including meat.

Most groceries are bought during bargain time and the place which receives continual praise from them is the Tygerberg Service Centre where they eat twice weekly for R1 each.

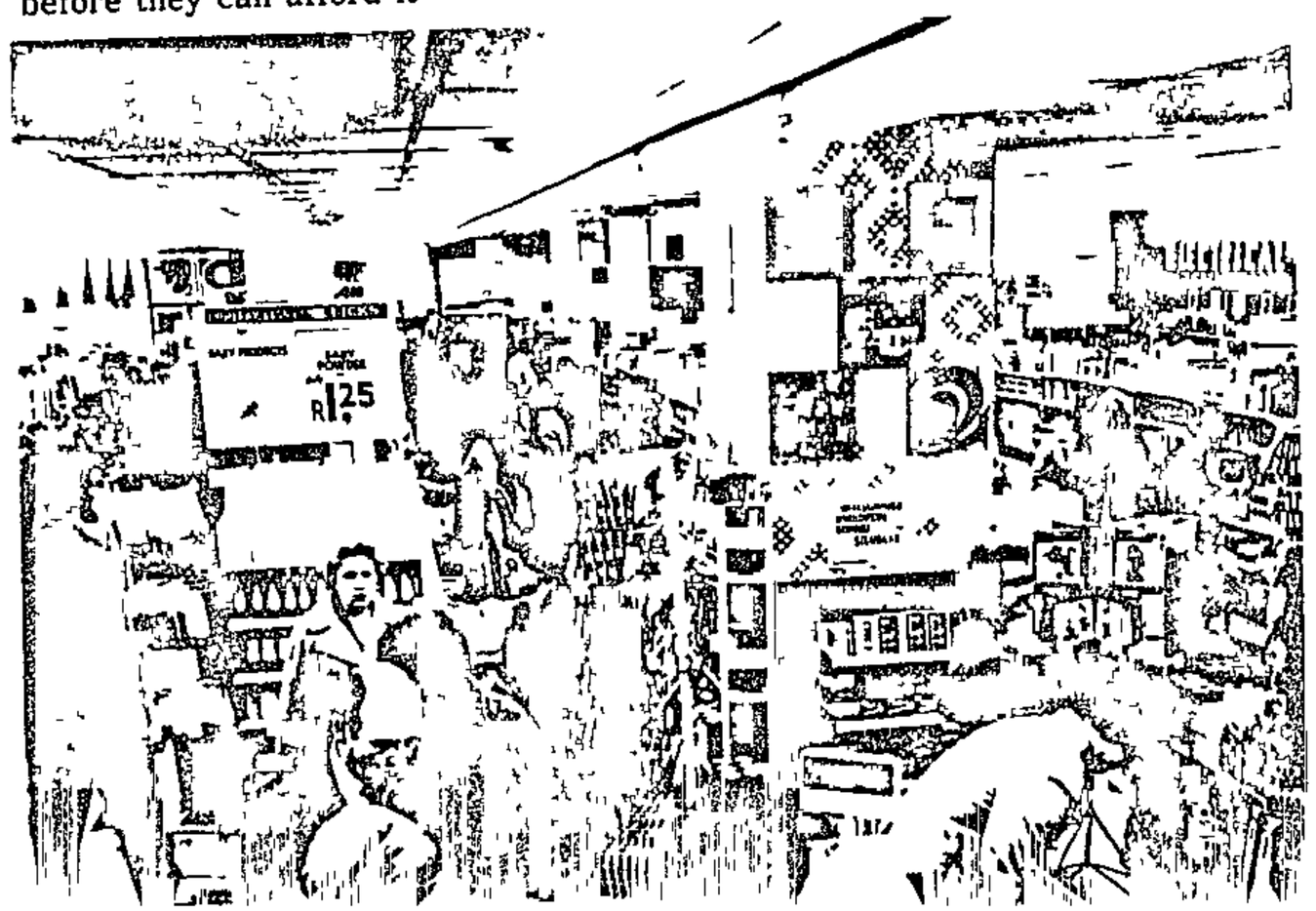
Telephone

The centre provides inexpensive meals and entertainment for the aged in the Tygerberg area.

"We used to have R5 or R6 left over after our monthly expenses, but now we have nothing," said Mr Russel

The bi-monthly domestic servant costs R20 a month and the telephone — which they use "very sparingly" costs R11.

Other expenses include medical bills and "pocket money" for Mr Russel.



Making ends meet — after four years

THE Brackenfell family of four have only just started getting onto their feet After four years of marriage, Mr and Mrs Michael Jacobson are finally making ends meet with as little as R21 left over from their combined monthly income of R1 462 — if anything at all

"We used to save R155 every month — but with prices continually increasing we often have to use our savings to cover the extra costs," said Mr Peter Jones of Pinelands

The family's monthly income is R1 900 but budgeted monthly expenses presently total R2 041 04 — and unexpected expenses often cause the Jones's to dip even further into their savings

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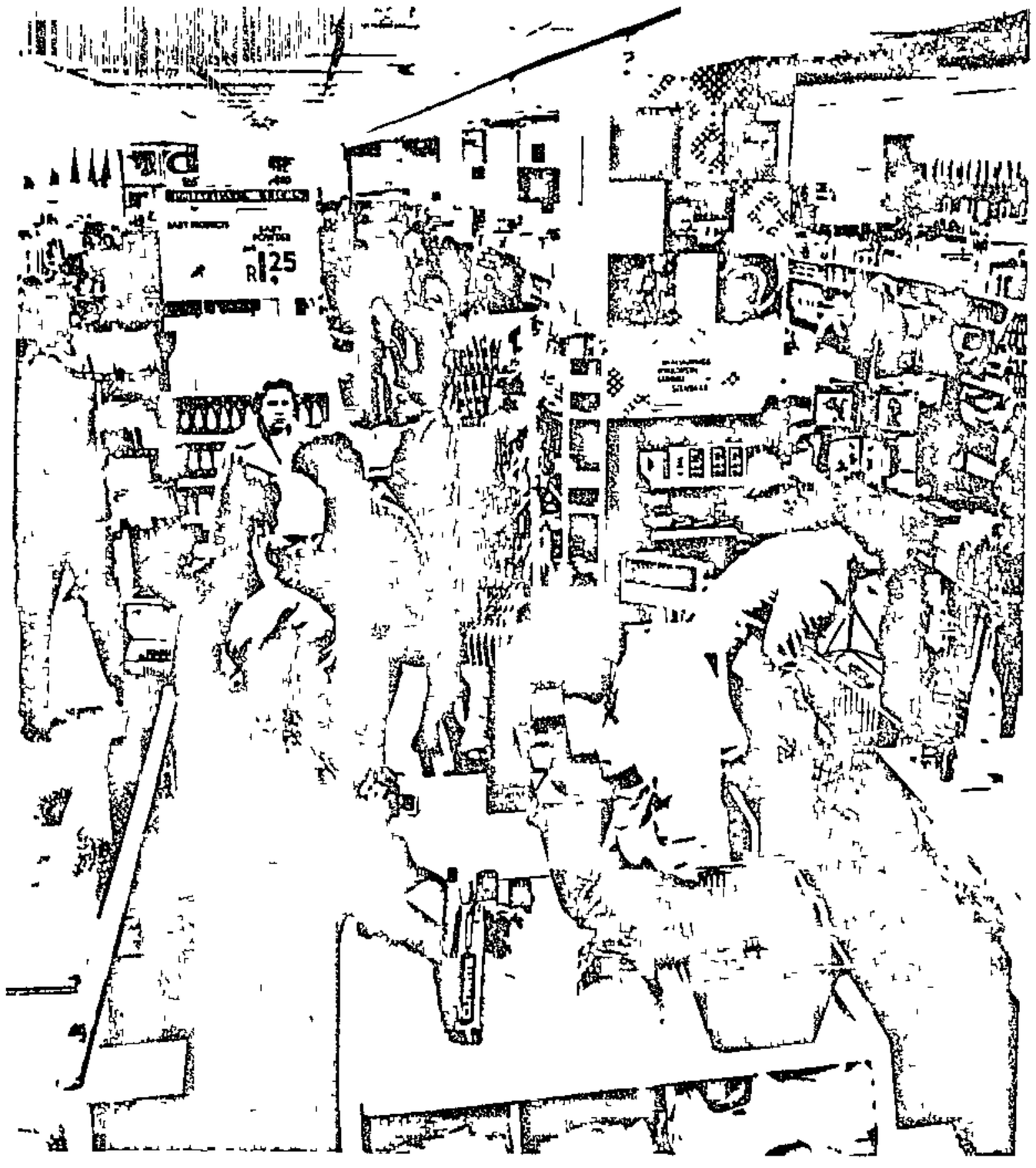
The running of a car means budgeting R150 a month on petrol and paying R111 a month on the motor car loan Another large expense is the pension which is R142,88

The Jones's set aside R200 for miscellaneous costs such as clothing for the children and themselves Other costs which use the rest of a months' salary are electricity, telephone, domestic servants, medical aid and car servicing

School uniforms

Annual expenditures such as car licences, third party, TV licence, school fees and sporting facility fees ensure that savings account figures dwindle even further

The Jones family cut back on petrol by walking as often as possible



They have no savings behind them to draw from if unexpected expenses crop up at the end of a month

"We can only cut down on something that is in our budget — otherwise we just would not have the money," said Mr Jacobson

The monthly house instalment costs R174 and the car instalment R200

Over and above budgeting R80 for monthly petrol expenses, the Jacobson's spend R41 on public transport

Combined pension payments total R104 and both hold seperate insurance policies which cost R88,50 a month. Other combined costs include tax which is high for married couples — R113,50 — and medical aid of R40,25

Groceries are the single largest expense of R160, followed by furniture hire purchase instalments which total R120 every month

Church donation

The Jacobsons budget R143 to cover clothing and Buy-Aid expenses and R80 is donated to their church every month.

Electricity, refuse, telephone and subscription shares take the remainder of their salary.

With expenses continually increasing and the two children having to start school in a few years, the Jacobsons don't know when they will start "serious saving".

[illegible] place which receives continual praise from them is the Tygerberg Service Centre where they eat twice weekly for R1 each.

Telephone

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Other expenses include medical bills and "pocket money" for Mr Russel.

Pocket money

"My wife has always dealt with the finances and she gives me pocket money for golf and other minor expenses."

"If our rent went up I don't know where we would go — old age homes are so expensive."

If the Russels had lived "hand to mouth" when they were younger they would never have managed in today's economic climate.

"I think God will provide for us," said Mr Russel.

People 'much deeper in debt than before'

N.M. 24/4/85 128

Mercury Reporter

SOUTH African consumers were successfully sued for nearly twice as much in December last year as in the same month in 1983

The managing director of Dunn and Bradstreet, Mr Allan Mankoff, said the value of court judgments against individual consumers jumped by a massive 84 percent last December compared with December 1983, while the number of judgments rose by only 9 percent from 21 033 to 22 915

'The value of the judgments soared from R13,4 million in December 1983 to R24,7 million in December 1984,' Mr Mankoff said

Civil

'People are obviously much deeper in debt than they were before

'The number of judgments against businesses increased from 1 546 in December 1983 to 2 460 in December 1984 and the value of the judgments increased by 82 percent from R2 300 000 to R4 200 000

Mr Mankoff said a Dunn and Bradstreet analysis had shown 330 company liquidations recorded in March this year, compared with 244 in March last year

It meant 16 companies had closed their doors every working day last month

A large increase in the number of civil summonses issued against businesses — from 7 300 in December 1983 to 10 200 in December last year — meant that the number of judgments against businesses would continue to rise in the coming months

'Business difficulties will probably peak towards the last quarter of 1985

Lessons

'Because of the severity of consumer and business problems over the past two years and the shakeout of weaker businesses I think we can see a lessening of these problems towards the end of 1985

'The business sector will begin to see an improved credit risk situation by early 1986

'So there is light at the end of the tunnel

'The lessons learned by businessmen regarding credit control will provide for leaner and better informed business in 1986 and that will translate itself into increased profits

'If businesses can reduce expenses and improve credit control, now is the time to develop new and better customers so that they can be in at the beginning of the recovery'

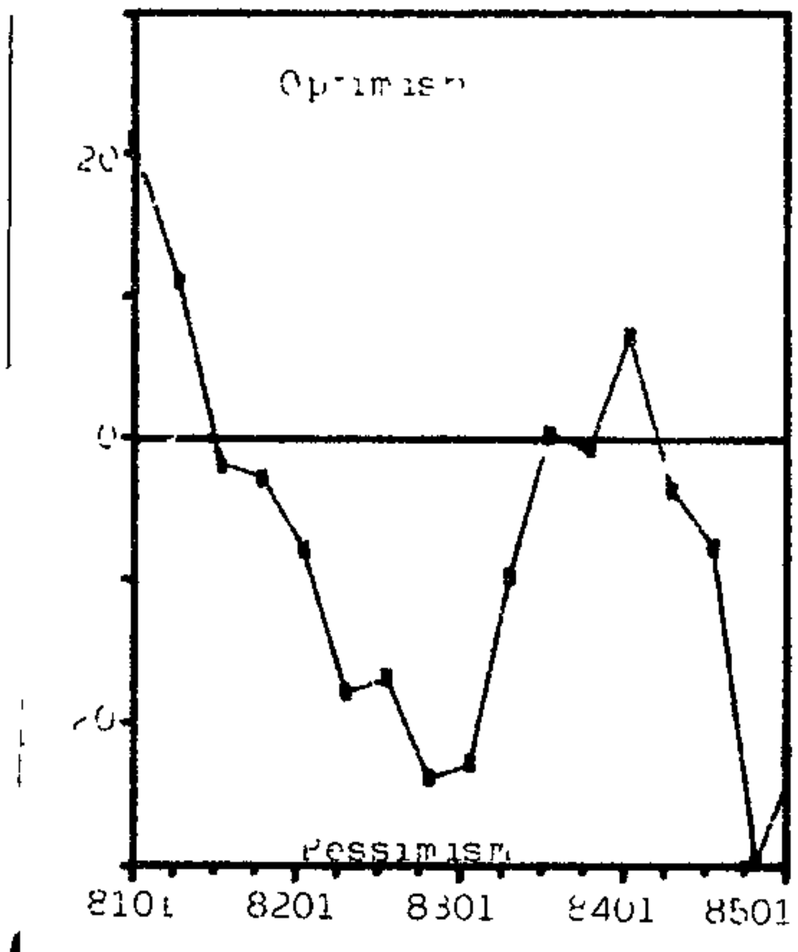
Wage bill to rise by 12,4pc this year: prime at 18pc

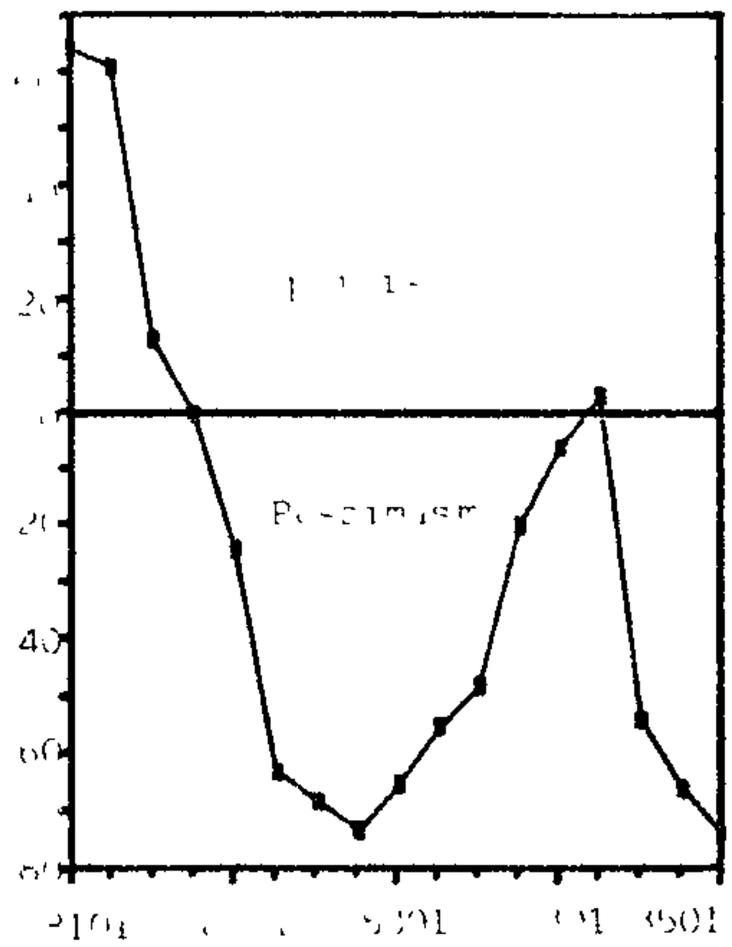
Herald 25/4/85

128.

BUSINESS MIRROR

JOHANNESBURG — The salary and wage bill in South Africa will rise by only 12,4 percent this year, while the real per capita income of individuals will decline by more than 5 percent, says Stellenbosch University's Bureau for Economic Research (BER).





Consumer confidence (left) has ticked upwards in contrast with the business mood which has continued to decline since early 1984 as these graphs from the Bureau for Economic Research show

It also predicts that short-term interest rates will decline sharply in the second half of the year, with the prime overdraft rate going down to about 18 percent by year-end.

In an updated version of its survey of economic conditions and prospects for 1985, BER says its projected 12,4 percent increase in the nominal salary and wage bill compares with last year's figure of 18 percent.

'As a result of the anticipation that the level of economic activity will remain low for the rest of the year and that unemployment will increase, this alone must have a negative impact on the ability of employees to negotiate relatively high salary and wage increases.

Bonuses

'The psychological impact of the announced cut in civil servants' bonuses, as well as the pressure on company profits, will harden the attitude of the private sector against demands for salary and wage increases despite continued shortages of skilled workers, as well as demands emanating from the expected high inflation rate.'

In view of the adjustment in personal tax schedules and the phasing in of fringe benefit taxes, some fiscal drag would still be prevalent but not to the extent of the past four years.

'Nevertheless, this will have a retarding effect on the rate of increase in nominal disposable income, with the result that a decline of about 2,5 per cent in real disposable income is foreseen for 1985. This implies a decline in the real per capita income of individuals of more than 5 percent,' BER says.

Inflation

Inflation had accelerated sharply of late, mainly because of the effect of the depreciation of the rand on import prices.

'While some hardening in the external value of the rand is expected during the course of 1985 this will not prevent import prices from rising at a high rate.

'The secondary effect of this, plus increases in administered prices and the rise in the unit cost of labour associated with a lower capacity utilisation, will keep inflation at a very high level throughout the year although some deceleration is foreseen during the second half of 1985.'

BER says that assuming the present monetary policy, emphasis on the price of money, rather than on its quantity, will prevail this year and that the overall policy mix will remain restrictive to discourage excessive use of credit, the decline in interest rates would be relatively limited.

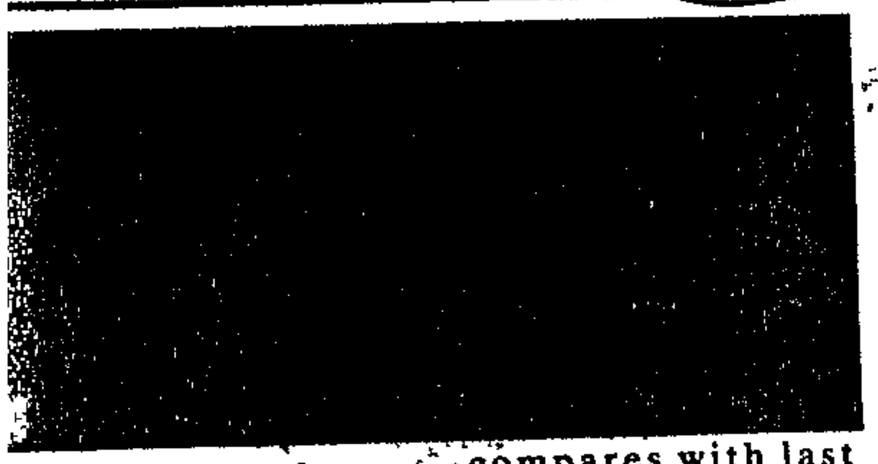
Rates

'At the same time the political pressure for a softening in rates is mounting. Given the expected sharp increase in net reserves and the decline in the domestic demand for funds, interest rates should decline during the course of 1985,' it says.

'This would be especially true for short-term rates. Ultimately, it will be the actions of the Reserve Bank that will determine the short-term interest rates movements.

'Although we have assumed that the Reserve Bank will try to keep short-term rates as high as possible for as long a period as possible, we foresee a relatively sharp decline in rates during the second half of 1985 in particular.

'A decline in the prime overdraft rate to about 18 percent at year-end is foreseen.' — (Sapa)



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"A decline in the prime overdraft rate to about 18 percent at year-end is foreseen." —Sapa.



) SEATS.

Redistribution of finances to Indians 'immoral'

NM 26/4-185 (128)

African Affairs Correspondent

ULUNDI—The redistribution of financial resources from blacks outside the new constitutional system to coloureds and Indians inside the system is not only immoral but totally unjustifiable in terms of the present economic circumstances, according to KwaZulu Minister of Finance, Mr Hugh Madonsela

Mr Madonsela was moving the adoption of the R845 million KwaZulu Estimates in the KwaZulu Legislative Assembly

Mr Madonsela said the real needs still lay largely outside the constitutional system

The introduction of the new constitution, however, put pressure on the central Government to triplicate services and to move towards the equalisation of the levels of public-sector services provided to the racial groups inside the system

He said the central Government had not fulfilled its promise that share capital for the KwaZulu Finance and Investment Corporation (KFC), previously the Kwazulu Development Corporation, would be available as a separate issue

The KwaZulu Government now faced a situation where it effectively had to finance the KFC from its own resources in the 1985/86 financial year as well as in future financial years

Mr Madonsela said it would be entirely inappropriate if the KFC's statutory grant did not show steady growth and was an amount received in addition to the KwaZulu Government's normal requirements

The KFC had, to date, been one of the very few points of entry for black people to capitalism, he said

Parliament and Politics

Rentals-income link suggested

Cape Times 22/5/85

128

Political Staff

A SPECIAL select committee report recommending that rentals be linked to incomes was tabled in the House of Representatives yesterday

Recommending an in-depth inquiry into housing, the committee under the chairmanship of the Minister of Local Government, Housing and Agriculture, Mr David Curry, stressed that interim measures were, however, "urgently required" to counteract the prevailing financial circumstances

The report suggests that tenants should pay a percentage of their income as rent

- R0 — R200 paying 1%,
- R201 — R450 paying 3%,
- R451 — R600 paying 5%,
- R601 — R1 000 paying 7%,
- R1 001 — R1 500 paying 9%, and
- R1 501 and above paying 11%

The committee further recommended that relief measures be found in respect of contributions to maintenance, rental reserve and community facility funds

With regard to responsibility for housing matters the committee recommended that

- management, local affairs and consultative committees be granted definite and wider powers which would be binding and mandatory,
- these bodies have the authority to carry out these powers,
- all powers with regard to these bodies be transferred from the Administrators to the Minister of Local Government, Housing and Agriculture,
- the bodies have the final say over land sales and that all plots be sold at fixed prices and not by public auction or tender,
- and new structure be found within local government in order to solve the problems of the community

	(a)	(b)	as at
Transvaal Education Department	5 314	4 634	21-1-86
OFS Education Department	1 168	1 302	4-3-86
Cape Education Department	3 969	3 660	30-4-85
Natal Education Department	776	563	30-4-86
Education and Culture	375	501	20-5-86

For written reply

General Affairs

Digital electronic trunk exchange

918 Mr P G SOAL asked the Minister of Communications

(1) Whether, with reference to his reply to Question No 781 on 2 May 1985, Phase 1 of the project to instal equipment to extend the Cape Town-Johannesburg digital electronic trunk exchange has been completed; if so, when, if not, (a) when is it anticipated that it will be completed and (b) at what cost,

(2) whether work on Phase 2 of the project is proceeding according to schedule; if so, when is it anticipated that the work will be completed, if not, (a) why not, (b) when is it anticipated that it will be completed and (c) what is the anticipated cost of this phase,

(3) whether there has been an improvement in regard to gaining access to the trunk network between Cape Town and Johannesburg, if not, why not?

The MINISTER OF COMMUNICATIONS.

(1) Yes, during October 1985,

(a) falls away, and

(b) R20,25 million in respect of switching equipment,

(2) yes, towards the end of 1986,

(a) and (b) fall away, and

(c) R16,84 million in respect of switching equipment

(3) Yes, considerable relief has resulted from the completion of phase 1 although limited difficulties may still be experienced to destinations in the Midrand areas These will be resolved when expansion work in automatic exchanges in that area is completed towards the middle of 1986 Congestion is still being experienced between the second trunk exchange at Tygerberg and Johannesburg because of a shortage of trunk circuits on the microwave route between Bloemfontein and Johannesburg Equipment to extend the spectrum of the relative route has already been installed and is presently undergoing tests It is expected that this equipment will be taken into use during the third quarter of 1986 The congestion will, however, only be entirely eliminated when the additional trunk circuits between the second trunk exchange at Tygerberg and Johannesburg to be provided in conjunction with the commissioning of phase 2 of the project, are placed in service towards the end of 1986

Public telephones: vandalism

924 Mr P G SOAL asked the Minister of Communications

Whether, with reference to his reply to Question No 527 on 19 March 1986, any steps (a) have been taken or (b) are contemplated to prevent or reduce vandalism in respect of public telephones, if so, (i) what steps and (ii) what is the estimated cost involved?

The MINISTER OF COMMUNICATIONS

(a) and (b) Yes

(i) the honourable member's attention is directed to my reply to part (2)(a) of question no 387 of 1 April 1985 in which the various measures taken to curtail vandalism in respect of coin telephones are set out fully These measures are applied on a continuous basis and the coin container of the pre-payment wall mounted coin telephone has, for example, recently been redesigned to eliminate a specific weakness. With a view to the apprehension and prosecution of as many offenders as possible, the surveillance by means of special equipment of coin telephones prone to vandalism has, in the meantime, also been intensified

(ii) the relevant costs are integrated with those of other services and cannot, unfortunately, be calculated separately

National states: gross domestic product/ *per capita* income

987 Mr R A F SWART asked the Minister of Education and Development Aid

Whether he will furnish statistics on the (a) gross domestic product of and (b) average *per capita* income in the national states, if not, why not, if so, what are the relevant statistics in respect of each national state for each of the latest specified five years for which figures are available?

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(a) Yes The latest available data on the gross domestic product is as shown hereunder

R'000

	1977	1978	1979	1980	1981
Gazankulu	31 548	41 425	56 175	73 733	97 799
KaNgwane	32 506	26 802	41 815	48 720	51 964
KwaNdebele	—	—	—	17 417	28 637
KwaZulu	280 112	294 641	366 249	436 857	572 481
Lebowa	124 269	135 176	191 395	207 115	252 903
Qwaqwa	12 932	17 145	19 664	24 770	34 806

(b) Yes. Average income *per capita* in the national states is given in terms of gross national product *per capita* The latest available data is for 1980 The data furnished for 1985 reflects projected figures calculated by the Development Bank of Southern Africa

	1980	1985
	R	R
Gazankulu	321	773
KaNgwane	508	951
KwaNdebele	513	1 147
KwaZulu	426	862
Lebowa	324	678
Qwaqwa	619	1 365

KwaNdebele

994. Mr P G SOAL asked the Minister of Education and Development Aid.

(1) What area of land was (a) bought for and (b) added to kwaNdebele in 1985 in terms of the consolidation proposals for this national state,

(2) whether any land remains to be added to kwaNdebele; if so, (a) how many hectares, (b) from which areas will such land be taken and (c) when will it be added in each case,

(3) what was the (a) adult (i) male and (ii) female and (b) child population of kwaNdebele living (aa) within and (bb) outside the boundaries of this national state as at 31 December 1985?

The MINISTER OF EDUCATION AND DEVELOPMENT AID·

More people without jobs

wlt MEGS 11/6/85

South Africans are sliding deeper in debt

128

Weekend Argus Correspondent

PRETORIA. — South Africans are sliding deeper into debt. This is evident from new Government figures which show that 385 065 civil judgments for debts, totalling R357,8-million, were handed down by the courts in 1984

These figures are almost seven percent up on those for 1983, when there were 360 305 such judgments for debts totalling R222,7-million

But even this may not show the true size of the problem, for the number of debt summonses issued every quarter is double the number of judgments — many squabbles being settled out of court

Economists have said the growing debt burden has meant that many South African families are now living a desperate hand-to-mouth existence and the nation's savings are said to be at an all-time low

Every new quarter sees a significant rise in the number of civil debt judgments as businesses and individuals are sued

In a single month, such as in February, civil judgments can involve debts amounting to a staggering R54-million

Most cases involve goods sold, with open accounts being the place where most people default on payment Last year saw more than 164 000 judgments involving R75-million outstanding on such accounts

Many people also failed to pay their rent and the courts decided more than 12 000 cases involving R11-million in back rent last year

And a total of 22 737 cases settled last year involved more than R71-million in loans

By PETER FABRICIUS and ADA STUIJT
Weekend Argus Reporters

UNEMPLOYMENT in Cape Town has increased by 132 percent in six months and nearly doubled in the Western Cape, rocketing from 7 976 in December 1984 to 14 681 in April 1985 And the figures are still climbing

Between December last year and the middle of May the queues of the unemployed in Cape Town have swelled from 4 985 to 11 568

These figures are supplied by the Department of Manpower and do not reflect the true situation, because many workless people are not registered The department has doubled or even tripled the number of dole-collection days, so queues do not stretch too far

"Chaotic

A department spokesman said it was the "only way to bring order into what seems to be a chaotic condition at times"

Unemployment figures at the Bellville office have increased by 96 percent since September last year — from 1 194 to 2 337 people

An outstanding feature of the Bellville figures is the dramatic increase in the proportion of white unemployed In September only 290, or 24 percent, of the 1 194 were white.

By the end of April there were 1 334 whites — or 57 percent — out of a total of 2 337. And unemployment among Bellville whites in the higher socio-economic group has risen particularly dramatically since the start of the year, the department said

In Cape Town coloured people have born the brunt of the recession In December there were 3 170 coloured people of 4 985 unemployed — about 63 percent By May this figure had shot up to 8 570 of a total of 11 568, or 74 percent

The white figure rose from 1 439 to 2 167. But as a percentage of the total unemployed, this represents a drop from 29 to 18 Few blacks or Asians registered

The department expects the May unemployment total to be "considerably higher" than last month's.

Mr Johan Braesler, president of the Tygerberg Chamber of Commerce, has attributed the sharp increase in white unemployment in the northern suburbs to the type of business most common there

These were mainly smaller units which employed up to five workers Many of these businesses were now forced to retrench between 40 to 60 percent of their labour force because of the recession, and many large businesses had also cut down on white-collar personnel

FINANCE

Argus 11/7/85 (ed) 12

Taxes — too much paid by too few for too many

By HARRY SCHWARZ, MP for Yeoville and Opposition spokesman on Finance in the House of Assembly

THE word "tax" is on most people's lips these days Three particular subjects are high-profile topics of debate evasion reform and how much the Government should be allowed to spend

Government expenditure is a topic on its own and is beset by ideological issues pertaining to priorities, the role of government, and non-discrimination in the provision of services.

Tax evasion has received considerable publicity Announcements of success in detection have been combined with employment of National Serviceman accountants and estimates of large losses due to dishonesty There was an announcement of a moratorium for those who confessed their previous sins and came forward.

It is forgotten, however, that high levels of taxation lead to increased wage demands and so add to inflationary pressures, lower the level of savings and make less capital available for investment — not to talk of increased debt adding to money supply problems

It is by no means clear how much tax fraud exists There is a feeling that in respect of ordinary income tax and company tax it has not increased, but that in respect of sales duty and ad valorem duties it has escalated — and that the evasion of these duties has brought with it more income tax evasion

How hard are taxes biting into people's lives these days?

Tax is paid not only on salaries and wages and profits from business, the professions and industry but also on many other human activities Income tax is paid with surcharge up to 53,5 percent of what is earned on the highest level

Company tax is 50 percent, and for gold mining companies it is even higher Gold mines also make lease payments to the Government

Diamond mines have just had their level of taxation increased.



Mr Harry Schwarz, MP for Yeoville

There are some tax-free investments in the form of Treasury Bonds, Post Office Certificates and Building Society shares (which are to be phased out) but the amounts which may be invested tax-free are limited

Dividends represent a form of double taxation in that they are paid from after-tax profits of companies and are taxed again in the hands of private individuals, who pay up to a further 35 percent

There is estate duty on death except now where a spouse inherits There is donation tax on gifts unless specifically exempted.

There are also rates and taxes payable to local authorities by property owners, and fees for owning cars and dogs

In business there are licences and levies — and now there are to be payroll and turnover taxes to finance the new Regional Service Councils

There are stamp duties, marketable security taxes and transfer duties

In the field of consumption, few activities are not hit Smoke a cigarette, have a beer, place a bet on a horse, buy petrol — on all of these there are duties

Imported goods are subject to customs duties, with special duties on cars and video recorders Ad valorem duties are imposed on so-called luxury goods — watches, engagement rings and so on.

Then on top of it there is General Sales Tax, with only li-

taxation of individuals increased by more than 110 percent against an increase of only about 20 percent in company tax

Income tax as a percentage of personal income has increased substantially

Percentage of total tax represented by GST (as well as the absolute amount collected by way of this tax) has risen dramatically, not only with the rise from four percent to 12 percent but with increases in prices due to inflation

Taxes as a percentage of the gross domestic product increased from 19,2 percent in 1970 to 23,3 percent in 1983 For real incomes of R10 000 the average tax rose from 14,2 percent in 1972 to 24,9 percent in 1979 — and in 1984 the same group paid 30,9 percent (Mercabank Focus on Economic Issues)

The proof of how the tax burden bites is seen in the statistics of decreased savings in the private sector, which in mid-1984 dropped to zero, and by the debt burden which the consumer now bears

Strange as it may seem, there is no capital gains tax — but how long this will continue is an open question While income has been heavily taxed, vast fortunes have been made without any tax being payable where such fortunes have resulted from capital gains (The issue of whether capital gains should in fact be taxed is a matter of considerable controversy)

are the more it takes to collect them — and the greater the possibility of evasion the greater the application of ingenuity by the individual to avoid payment

So when one talks of tax reform one should seek to reduce the number of taxes levied and simplify the task of both payer and payee

Much has been written on the efficacy of various forms of taxation and the effect of high levels on incentive and even on returns to the fiscus

Tax has become more than an irritation in South Africa — it has become a burden People are being hurt by it and are becoming fed up

It is having its effect on entrepreneurship just at the time when we need more enterprise to create more jobs It is annoying the ordinary working man who has his tax deducted at source and does not have the facility to employ experts to minimise his tax

The question which all taxpayers ask is What are we getting for our money?

South Africans are furious when they see Government waste and inefficiency The level of social services does not compare favourably with the level of taxation The tax burden is carried by too small a section of the population but the need for social services is spread across the broad spectrum of the people

The Margo Commission is to make recommendations to the Government on the form and nature of taxation and will no doubt seek to evolve equitable and simple forms of achieving the correct balance between the different methods available This would be not a moment too late

But the balance between direct and indirect taxation and the question of which sections of the community are to bear the burden in what proportion are political issues

The taxpayer does not mind paying tax to provide services which he wants and which the private sector can not efficiently supply, nor is there objection to taxes to ensure stability and security

What is objected to, however, is taxes which are inequitable

Pay your own way for your money

By HARRY SCHWARZ, MP for Yeoville and Opposition spokesman on Finance in the House of Assembly

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Diamond mines have just had their level of taxation increased.

Tax is paid on income from savings whether it be by way of interest or dividends



Mr Harry Schwarz, MP for Yeoville

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Imported goods are subject to customs duties, with special duties on cars and video recorders Ad valorem duties are imposed on so-called luxury goods — watches, engagement rings and so on.

Then on top of it there is General Sales Tax, with only limited exceptions such as for so-called essential foods.

The tax burden of the individual has changed dramatically In the three years after the beginning of this decade, direct taxation of individuals increased by more than 110 percent against an increase of only about 20 percent in company tax

Income tax as a percentage of personal income has increased substantially

Percentage of total tax represented by GST (as well as the absolute amount collected by way of this tax) has risen dramatically, not only with the rise from four percent to 12 percent but with increases in prices due to inflation

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Strange as it may seem, there is no capital gains tax — but how long this will continue is an open question. While income has been heavily taxed, vast fortunes have been made without any tax being payable where such fortunes have resulted from capital gains (The issue of whether capital gains should in fact be taxed is a matter of considerable controversy)

It takes a substantial bureaucracy to collect and police the many forms of taxation, and much of the private sector's productive time is occupied in keeping records and making returns. The more taxes there are, the more it takes to collect them — and the greater the possibility of evasion, the greater the application of ingenuity by the individual to avoid payment

So when one talks of tax reform, one should seek to reduce the number of taxes levied and simplify the task of both payer and payee

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The taxpayer does not mind paying tax to provide services which he wants and which the private sector can not efficiently supply, nor is there objection to taxes to ensure stability and security

What is objected to, however, is taxes which are inequitable in their application and which stifle the incentive to work, and where the use to which the money is put is wasteful and unproductive, either in the field of social services or in terms of problem solving

(128) (3) FM

BLACK WAGES 12/7/85

Myth of prosperity

Wage statistics from the Central Statistical Services (CSS) in Pretoria came under fire this week at a conference on economic development in SA

Held at Wits University, the seminar was organised by the Department of International Relations and SA Institute of International Affairs

Addressing the delegates, Professor of Social Anthropology at Wits, Jeremy Keenan, said that, contrary to official belief, there was strong evidence to suggest that most of the growth in black earnings since 1978 was attributable to social security payments and overtime

"Contribution to pensions, medical schemes and overtime hid the fact that black wages in most sections of the economy declined in real terms during the economic upswing from 1978 to 1981," he said

He concedes that black earnings rose substantially during the first half of the Seventies and attributes this to the increase in the gold price, international political pressure and the re-emergence of trade unions

But, he said "These increases were from a very low level where in 1975, after four years in which real wages had increased 44%, average monthly earnings of blacks was still only 75% of the minimum according to various poverty datum lines"

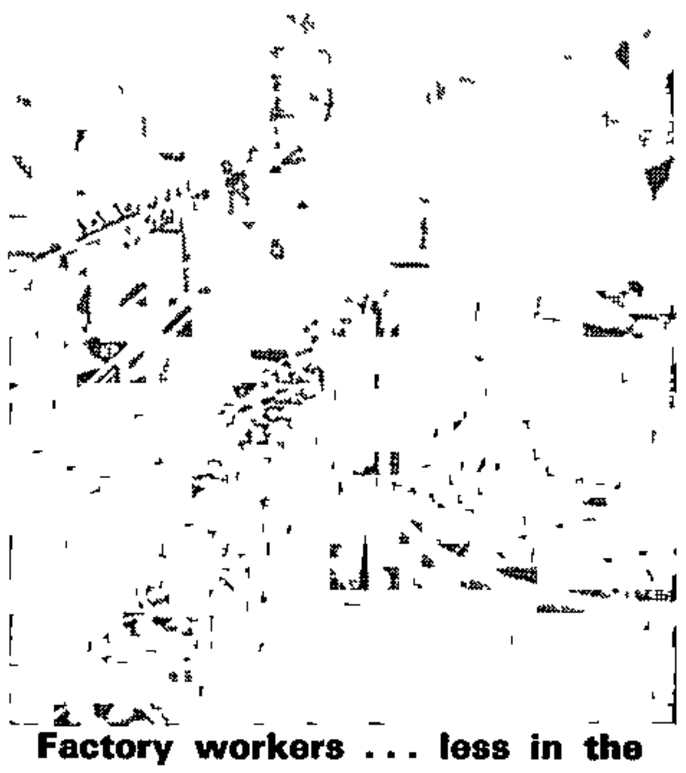
Keenan says official figures are misleading because they are more a measurement of labour costs than of earnings He says that CSS wrongly defines earnings as consisting of wages, overtime, bonuses, allowances, medical schemes, contributions to pension funds and employers' contributions to the abovementioned funds

Using CSS's yardstick, real black earnings rose 75,3% from 1970 to 1981, or 5,5% a year This compares to just 0,2% a year for whites CSS shows the black share of total income to have risen from 19,8% to 29% over the same period while the white share dropped from 71,7% to 61,5% over the same period This is not so

The situation is even worse when it is noted that workers in the agriculture and domestic service sector are excluded — the two lowest paid worker categories Also excluded from official figures are workers from the "independent" homelands — the country's lowest paid workers

Despite an assumption that occupational mobility has resulted in real increases in income, "there is little clear evidence of this," says Keenan Giving Soweto as an example, he notes that during the upswing from 1979 to 1981 inflation increased by 36% while take-home pay declined in real terms by 9,2% for men and 25% for women More people were thus forced to go to the homelands causing family ties to be broken further The size of households in the homelands has increased by 13% since 1977

Blacks also increasingly moved into informal sector activities This sector's contribution to total income rose from between 12% and 15% in 1981 to over 25% in 1983



Factory workers ... less in the pocket

Referring to income distribution, Keenan observed that figures only included income earners, and disregarded both the non-income earners and the unemployed, who had more than doubled in number since 1970

Keenan concludes that "the Botha era of reform has been characterised by a general deterioration in most peoples' standard of living" And it is not merely a case of the better-off getting richer and the poor getting poorer, but it is more a situation of a growing number of poor getting more poor

Keenan provides startling figures concerning rural blacks The number of adults in the homelands with no income whatsoever increased from 0,25m in 1960 to 1,4m in 1980 Recruitment from the homelands fell by 850 000 between 1975 and 1981 Also many "illegal" urban workers were sent back to the homelands in 1979

He cites surveys showing that at least 50% of the potentially economically active population in the homelands are unemployed In 1977 8,3% of unemployed men and 4,37% of unemployed women had been out of work for more than two years By 1984 the figures had risen to 38,5% and 53,8% respectively ■

CLOSE CORPORATIONS

Good for creditors

The Close Corporation Act (CC), which became law on January 1, is more than a highly beneficial vehicle for the small- to medium-size business It also offers major advantages to creditors, customers and officials from Revenue

For a CC member has a far greater potential liability than if his business were conducted as a company On conversion from a company to a CC, the member is exposed to the risk of becoming personally liable for the debts and obligations of his enterprise

In many cases, this brings theory into line with reality many company directors are often asked for personal guarantees — in addition to the company guarantee — before a loan or other advance is made to the company

A CC has the "capacity and powers of a natural person with full capacity," and, in principle, every member is an agent of the corporation Thus, those dealing with a CC are afforded greater protection than those dealing with a company

A company's activities are restricted to those named in the memorandum Those dealing with a company are deemed to have had "constructive notice" of the company's powers if an act of one of its directors or officers is beyond the company's powers, the act will be void The outcome can be particularly prejudicial to outsiders, who may have lent money or sold goods to the company without receiving payment

Though, like a company, the CC exists independently of a natural person who enjoys immunity to its liabilities, its members do forfeit protection where they fail to observe the basic rules of the system This was part of the intention of the CC Act's draftsmen to create personal liability of its members (similar to shareholders) wherever possible

By increasing the legal remedies, the CC Act enables those injured by negligent, reckless or fraudulent behaviour of the members to enforce their rights by civil law Members may also be personally liable in other circumstances, restricting the operation of the criminal law and allowing parties such as creditors a more direct way of enforcing claims

The members may incur personal liability arising out of various contraventions of the Act For business carried on fraudulently, there is an express provision to the effect that the member will be personally liable for all or any of the debts and liabilities of the corporation

Any member, liquidator, creditor or the Master may apply to the courts to enforce liability A person will be deemed to have knowledge of the facts when his conduct indicates a total lack of caring as to the facts

The CC thus has the advantage of a "sleeping" partner The powers of the court are sufficiently wide for a member to find himself liable for *all* the debts of the enterprise Personal liability may also be incurred for abuse of the separate juristic personality of a CC and the court may disregard the CC's personality in such an action The effect of this is to allow the court to avoid the vexed issue of "piercing the corporate veil" in cases involving companies

And a member whose act or omission has breached any fiduciary duty will be liable to the CC for any resulting loss suffered by the CC or any benefit derived by the member These provisions should allow creditors peace of mind when dealing with CCs Indeed, it seems only a question of time before company directors will be subject to the same risks of personal liability as members of a CC ■



The KEN OWEN COLUMN

Feeding the country's big spenders

THE tax collector, a central figure in every revolution since the tribes of Asia Minor poured molten gold down the throat of an avaricious Roman governor, has assumed a sinister prominence in South Africa

The mildest taxpayers are getting into an ugly mood as the Receiver of Revenue arrogates to himself the right to know whether the person you took to dinner in 1982 was your client or your mistress

When the state hounds its people to track down every last penny of taxable wealth, it makes enemies of its best defenders The tax collector becomes, in effect, the recruiting agent of rebellion

The mystery is why the Receiver has assumed this role

One needs to understand that the office of the Receiver is essentially a mechanism designed to transfer wealth from Johannesburg to Pretoria, from entrepreneurs to civil servants, from English to Afrikaans

It has worked like a charm

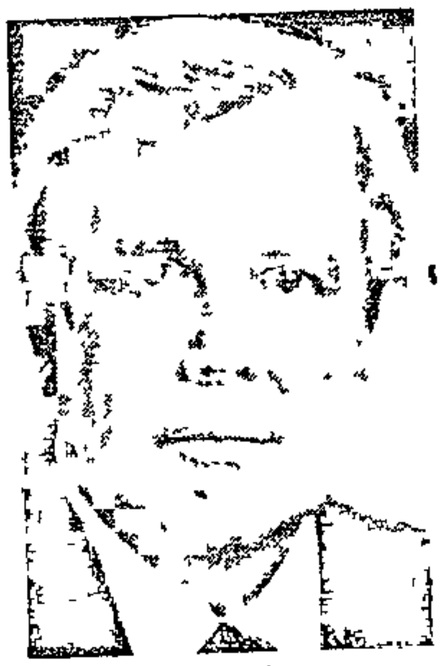
As recently as 1977, for example an outstanding Stellenbosch economist, Professor Sampie Terreblanche, told an Afrikaans audience that South African whites must face up to the need to share wealth with blacks, adding comfortingly that the wealthiest communities were in any event the Jews and the English

It is no longer so By 1980, according to figures given to Parliament a few weeks ago, the English community (presumably including Jews) was trailing badly, providing the country with most of its poor whites but a minority of its wealthy

Of the 2 940 people earning more than R100 000 a year, 2 212 had Afrikaans as their home language, only 548 were English, 47 were black, 14 Indian and seven coloured Control of the fiscus is clearly a key to prosperity

Today, anybody of any race in South Africa who earns more than R40 000 a year, according to government statistics, is most likely to be an Afrikaner Any white person earning less than R1 000 a year is most likely to be English

These figures confirm the impression which you can form for yourself any Sunday afternoon by driving through the immense new suburbs that spill across the hills in every direction from Pretoria the stereotype of the poor Afrikaner has long been obsolete The mandarins are fat cats



Mr Chris Heunis

Pretoria needs taxes because it has a high standard of living to keep up Any senior civil servant who sends his wife out to work is automatically in the upper classes, which explains why, in the words of a visiting diplomat, there seem to be more Porsches in Pretoria than in Bonn

Who are these rich people?

They are ordinary nine-to-five civil servants Mr Chris Heunis's department of constitutions, for example, has 15 people earning more than R55 000 a year, and another 134 who earn R26 000 to R55 000 If you don't earn R2 000 a month in Pretoria, you're nobody



Prof Terreblanche

The government department laughingly known as Co-operation and Development has no fewer than 460 people in this New Class (if one may be permitted to steal a label from Yugoslavia's disillusioned Marxist Milovan Djilas) The State President, known for his frugality, has only 53

The New Class largely comprises technocrats, the top engineers and architects, the medical superintendents and the chief magistrates, but it includes many who can't be identified except perhaps as Senior Clerks, Grade 1

What do they do for their money?

It is not easy to say The explanations given to Parliament are sketchy at best Mr Heunis, to cite a random example, is spending more than R28 million this year on "demographic studies"

Demographic studies? Couldn't we give the job to a graduate student with a computer and reward him with a Ph D? Or ask Professor S P Cilliers of Stellenbosch for the answer, since he probably knows it already?

But wait! Mr Heunis's merry men are also spending R36 million on "statistical services", presumably non-demographic They spend more than R8 million on "planning" Another R6 million goes to "management' Then there are smallish additional sums, a couple of million, for "economic planning", for "physical planning", for "social planning", for "science planning", and for "constitutional planning"

Another R2,5 million is swallowed by "research", which presumably covers neither demographic studies nor statistical services, and which is manifestly not planning

You think it doesn't add up? Mr Heunis presides over the expenditure this year of R5 000 000 000 That's right — five-thousand-million It is half the entire gold production for the year

Look at it another way The army's Operation Thunder Chariot has been criticized because it is said to have cost more than R25 million, with Mr Heunis's budget the army could have mounted 21 000 such operations and have change left over

Then, too, Mr Heunis likes to give money away He is spending R11 million on Bloemfontein, R20 million on Bronkhorstspruit. (If you don't know where Bronkhorstspruit lies, just wait it will soon be an eastern suburb of Pretoria)

Of course, the government's real expert at giving away money is Mr Pik Botha He's giving away a billion or so in "foreign aid and development cooperation", some of it to pay the salaries of seconded white civil servants who are teaching the black civil servants of Bophuthatswana, Transkei, Ciskei and Venda the tricks of living off the taxpayer

The government claims it does all this spending to keep us safe from revolutions But there's a better way The state now confiscates in taxes more than R31 billion a year — enough to give every black man, woman and child a regular income of R1 000 a year, and enough left over to pay for an army

The trouble with the poor, said American radical author Saul Alinsky, is they don't have any money — why not give it to them?

Why not, indeed? Cut out the middleman, give every black person R1 000 a year, or R5 000 for the average family, and the ANC wouldn't have a snowball's chance

That way, we wouldn't need an army, we'd hardly need a police force, and we certainly wouldn't need Mr Heunis or his merry men We would be a stable society

(128)

CONSUMER SPENDING SHIFT

FM 19/7/85

The purchasing power of blacks is growing, says Volkskas in its latest Economic Spotlight

But because the per capita remuneration of blacks will increase at a slower rate, black purchasing power will be channelled largely into basic necessities in the years ahead. And Volkskas believes the relative stagnation in the share of blacks in the total buying power during the last few years should be regarded as a temporary lull

Meanwhile, the current economic conditions are having a marked effect on the growth of the total remuneration of workers. Through the slower rate of increase in average remuneration, plus lower employment figures, means that remuneration growth is expected to be 12% for this year compared to 18% previously.

Significantly, however, white employment is still rising while the employment of blacks is expected to decline by about 2%-3% for 1985. Consequently, the relative share of whites in the total remuneration package is not expected to decline in 1985 and 1986. The share of coloureds and Indians is expected to increase.

The relative share of blacks income from sources other than wages and salaries, however, is likely to continue to grow Evidence of this is that transfers in the form of pensions to the black, Indian and coloured groups are rising at a more rapid rate on a percentage basis.

The propensity of whites to spend, on the other hand, is expected to decline over the next 18 months while the other groups will not undergo any material change.

"Consequently, the relative share of the other groups in total private consumption spending will probably continue to grow. Their relative purchasing power is also expected to continue to rise in the longer term, but not at quite the same rate as recorded in the 1970s."

Volkskas estimates that in the year 2000 whites will account for about 40% of total private consumption expenditure, coloureds 11%, Indians about 5% while the buying power of blacks will amount to nearly 40% of the total.

billion to R4 billion in 1983/84 — an increase of 50,16%

Perhaps it is this kind of information that the State President — whose remuneration is now exempt from taxation — needs more of, to realise why people are complaining about taxes.

The past decade has been characterised by systematic government overspending, rising government deficits, an average inflation rate in excess of 12%, growing unemployment; excessive money supply increases, and targeted growth figures that have rarely been met.

Where growth has been on, or above, target, it is usually accompanied by a boom in the gold price, having precious little to do with domestic management of the SA economy

The Margo Commission on tax is investigating an improvement in the quality of the tax system The quantity of cash government raises, and its present sources, must undergo fundamental reform before it is too late ■

(128) B. Daily 20/8/85

Big black spending rise in 15 years

A DRAMATIC rise in black spending power — expected to be R80bn — would be seen in the next 15 years, businessman H H Beier, told an Assocom symposium on Natal and KwaZulu in Durban yesterday.

The spending power of blacks was different to that of whites, he said, adding that where whites spent 30% of their total funds on clothing, footwear and food, blacks spent nearly 50% on these items

He said "There is a tremendous internal market building up, but how do we canvass it?"

Beier said government now seemed to accept the process of black urbanisation as inevitable and this may be one of the most urgent reasons for dismantling apartheid.

This urbanised black population, cut off from tribal traditions and the extended family, would adopt white life styles and start its own economy.

Beier said the overall message from black business leaders was that they were tired of paternalism and wanted to be allowed to stand on their own feet — Sapa.

It's lowering of standards for whites or else

A TOP development financier, Dr Simon Brand, chairman of the Southern African Development Bank, has conceded that substantial inroads will have to be made on white economic privilege

By BRIAN POTTINGER

This process was already under way in the lowering of standards required of public sector activity and the shifting of payment for services above a basic level to the shoulders of the individual

The broad thrust of Government policy has been raised by Dr Brand in response to an article by socialist historian Martin Legassick Both contributions appear in the latest edition of Die Suid Afrikaan

Mr Legassick argued that the South African capitalist economy would not be able to support the cost of expanding democracy to all sectors of the society — and the only alternative was socialism

Dr Brand conceded that huge amounts of money would have to be spent on housing and education to introduce equality of services among all race groups — up to 40 percent of State expenditure would have to go to education

He warned that unless the projected demands for the equalisation of services were kept under control the whole market-orientated system would be paralysed

Methods of tempering these demands had already been spelt out in the De Lange Report on Education — reduction of standards which previously affected whites, and the shifting of the burden of costs above minimum standards to those who could afford to pay more

Outlook dismal for 1986

Salary increases lagging badly behind inflation

THE GAP between salary increases and inflation is at its widest in 15 years and the situation is not expected to improve next year, says a staff survey released yesterday.

"Better standards of living for all race groups are going to be hard to attain in the next few years," says the 1985 survey by the renumeration division of P-E Corporate Services. "Even maintaining the status quo is going to be hard."

The survey, compiled from data supplied by more than 1 000 organisations, employing 1,2-million staff of all race groups, shows the overall percentage increase in basic salary levels between July 1, 1984 and July 1, 1985 was 10,8%.

The consumer price index (CPI) increased by 16,4% in the same period — a lag of 5,6%.

Jane Ashburner, manager of the division, warns that employees looking to next year for an improvement will be sadly disappointed

The survey says 86% of companies are predicting increases next year of below 12,5%. Last year only 72% predicted increases below 12,5%.

The actual percentage increases granted are traditionally 2% below those predicted by companies.

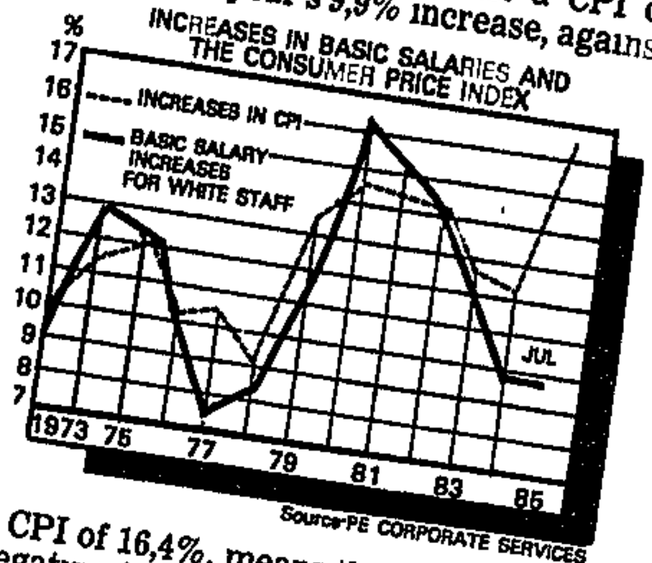
"Unless there are definite signs of an upswing next year, increased strike action may be expected."

LAWRENCE BEDFORD

This is the third year in a row that salary and wage rises have lagged behind the inflation rate, but it is the first time in more than 15 years that the difference has been so marked

P-E's survey shows whites once again got the lowest increase at 9,9%.

Compared with last year, when white pay moved by 10%, against a CPI of 12,4%, this year's 9,9% increase, against a CPI of 16,4%, means there has been a negative increase in real terms.



Blacks got the highest increase at 12,3%, which, although slightly higher than last year's 11,6%, remains well below the inflation rate.

Asians received a slightly higher increase than last year's 10,3% with an average of 10,7% this year.

Coloureds dropped 1,2% from last year's 11,5% to this year's 10,3%

Police say UDF won't be banned

STAR 128

Political Correspondent

Reports that the United Democratic Front was about to be banned were "mere speculation", police sources said last night.

Rumours that the organisation was to be banned gained credence yesterday when the Leader of the Opposition, Dr Frederick Van Zyl Slabbert, was reported in a Johannesburg newspaper as saying that, following the banning of Cosas, the UDF was the next organisation to be banned. 7/9/85

Dr Slabbert said last night, however, that he had said only that he had heard "strong rumours" to this effect and that, if the UDF was banned, it would be disastrous for the country.

The police sources said that no decision of the sort had been contemplated. It was true that much of the UDF hierarchy had been detained, but there had been no move to outlaw the organisation itself, they said.

Shopping scramble

Free

Spree

Buying

loan levy cheques and fear of price

Weekend Argus Reporters

FLOODGATES opened today to release torrents of rands into the tills of Peninsula shops, much of it the proceeds of loan levy cheques which taxpayers have been receiving since Thursday.

Christmas shopping took a sharp upswing with thousands of people crowding into shopping centres, sweeping temporarily under the carpet the recession blues which have plagued the country all year

Most centres jubilantly reported the busiest day this season, which has not so far given shopkeepers much to smile about

Tyger Valley, one of the newest and most lavish shopping centres set in the affluent northern areas, reported an "exceptionally busy period" with thousands pouring through the centre

"Tremendous sales"

Shops at Cavendish Square in Claremont were having "tremendous Christmas sales"

A spokesman for the Hyperama said that "they were quite busy", and that people were mostly buying food

At Garlicks, Cape Town, a spokesman said "sales are normal for Christmas time We are not doing any better or worse than last year"

Our Johannesburg correspondent reports that shoppers are scrambling to beat price increases early next year

Though personal savings have been whittled away by inflation, the last few weeks have been a boom time for "big ticket" items such as televison sets, fridges, microwave ovens and video recorders

And although this market is attracting the buyers for all the wrong reasons — inflation fears, import surcharges and the unfavourable rand exchange rate — everything is going right for the major trading groups dealing in household appliances and entertainment products

Dramatic price increases

"Slowly the consumer is being conditioned to the fact that prices are increasing and will increase even more dramatically in the new year," says Mr Arthur Solomon, general manager of furniture and appliances for OK Bazaars

Buying on the strength of the early repayment of the 1979 loan levy is probably also contributing to the buoyancy in sales

There is no doubt, however, that the main reason for the sales rush is consumer awareness of price rises to come

Mr Solomon estimates that hi-fi equipment will go up by 25 to 35 percent and television sets and video machines by 40 to 50 percent

Furniture and other household items such as fridges and washing machines, he believes, will cost 20 to 30 percent more

isiness Day

THE NATIONAL NEWSPAPER FOR DECISION MAKERS

R2
TRADE-I
CITY
MMI
Guy ter B Elliot

Cabinet discusses public sector pay

GOVERNMENT is considering giving public servants pay increases of between 8% and 10% — and is also discussing restoration of the 30% cut in service bonuses.

If granted, this could increase government spending by as much as R1bn

Pretoria sources told *Business Day* yesterday that staff association demands had been discussed at Cabinet level and that, although no firm decision had been made, the lifting of the freeze on public-sector salary increases was now under intensive study.

GERALD REILLY

But economists warned yesterday that any increase in the huge slice of national income which goes to pay the 645 000 central government and provincial workers — about R6,5bn — would greatly complicate the 1986/87 Budget.

The figure of R6,5bn does not include pay for the 235 000 SA Transport Services (Sats) and 80 000 Post Office workers, who would get the same increase as any decided on for central government workers.

When their annual payout is added, the total public-sector salary bill exceeds R10bn.

Public-sector salaries were last raised in January 1984 by 12%.

Since then staff associations claim inflation has eroded 22% of the purchasing power of their earnings.

The Public Servants Association (PSA) has submitted a demand for "double-digit" increases from the start of the new financial year in April, and Post Office and Sats unions have asked for ample compensation for inflation.

A major objective of the PSA is to keep pay in the service abreast of private-sector salaries.

PSA chairman Colin Cameron has claimed that a gap has already opened between the two since January last year

If this was not closed, he warned, there would be a flow of skilled and professional public servants to the private sector when the upturn got under way.

Progressive Federal Party spokesman on the public service, Ruben Sive, said the costs of government in South Africa had gone through the roof.

Less spending power

● From page 1

addition to incomes, especially if the increase comes from a cut in general sales tax, he adds.

Volkskas economist Adam Jacobs says agriculture could also boost the overall level of personal disposable income.

Given suitable weather, farmers and farm workers will have substantially more cash in their pockets by the middle of next year.

The downward trend in interest rates may not have a significant effect on total disposable income.

While the 600 000-odd SA bond-holders will begin to enjoy lower monthly repayments from this month, many investors, including a large number of pensioners, will be receiving lower interest payouts.

In any event, strictly speaking, money used to repay bonds is part of disposable income.

However, prospects for a lasting turnaround in the level of disposable income are cloudy.

Cape Times 28/10/85

Everyone getting poorer — bank

PRETORIA — South Africa is saddled with a stagflation dilemma, with a stagnating real economic growth rate and a relatively high inflation rate, says Volkskas in its latest Economic Spotlight

"To make matters worse, the balance of payments position must also be taken into account, in particular the limitations which the foreign debt burden and everything associated with it place on the balance of payments," it says

"This in turn inevitably limits freedom of movement in the economic policy strategy"

Sluggish economic growth led to a decline in the national product or income per capita increased unemployment, lower company profits and more bankruptcies

"In short, everyone or almost everyone is becoming poorer Moreover, the danger is that the economic recession can feed on itself

"Sluggish growth leads to poor consumption and investment which in turn can further depress the growth rate — thus, a vicious circle that could lead to a highly dangerous state of affairs," says Volkskas

How far the government's domestic stimulation package would go was not yet clear

"However, keeping in mind the recent course of events it seems as if a real economic growth rate of from three percent to four percent can be expected in 1986

"Compared with this year the inflation rate should be a percentage point or two lower in 1986, while the current account of the balance of payments could continue to show a surplus — Sapa

Disposable income set to drop by 4%

JOHN TILSTON

DESPITE government efforts to stimulate the economy, South Africans will be considerably worse off at the end of this year than they were at the beginning.

Total personal disposable income is expected to drop by between 3% and 4% in real terms this year.

Nominally, it is likely to be about R67bn, 12,6% higher than last year, according to estimates by Volkskas economists.

By mid-year, it was running at a seasonally adjusted annual rate of R68,5bn.

But with inflation at 16,4%, on average people will be 4% worse off

It will be at least six months before many of us see any increase in the amount of money we have to do with as we please

South Africans can look to three areas for relief from the squeeze on their finances Salaries is one.

Research by PE-Corporate Services shows that on average firms are expecting to increase the general wage levels in the next 12 months or so by 11,8%.

PE's Jane Ashburner says that in the past actual salary increases have been about two percentage points lower than predicted.

However, inflationary expectations have been revised upwards since the PE research, and employers might now be expecting to pay slightly more.

Nevertheless, if inflation stays in its current range, an increasingly likely prospect, then employees will effectively get a 4% to 5% pay cut

Prospects for increased employment, and a resultant boost in total disposable income, look slim for the next six months.

The manufacturing sector is operating at only 84,4% of its capacity.

Standard Bank economists confirm "A more realistic assessment of individual and corporate capabilities and expectations has been created."

This suggests firms will not rush to employ more people.

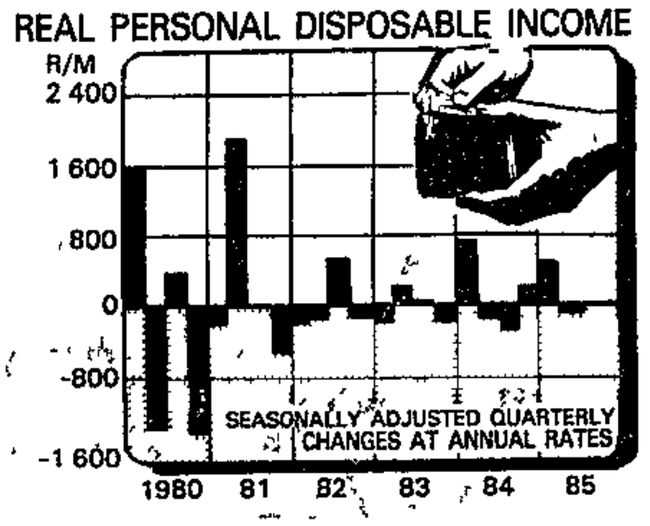
It does seem increasingly likely that there will be a cut in direct or indirect taxes in next year's March budget, which would translate immediately into higher levels of disposable income.

Government revenues from tax are 12% above budget, while expenditure is not too much out of line at this stage of the fiscal year.

Barclays economist Johan Cloete says it is likely that pressure on the government to stimulate the economy next year will result in an increased budget deficit.

The stimulation will provide a net

● To Page 2



Earnings below inflation rate, but households are saving more

W/E ARGUS 28/9/85 (128

JOHANNESBURG — Domestic saving improved during the second quarter of this year, with private households making the largest contribution, the SA Reserve Bank says in its latest quarterly bulletin

Nominal factor income increased at rates well below the current rate of inflation during the second quarter

"A slow-down in employment growth and a moderation of wage increases resulted in an increase in total remuneration of employees at a seasonally adjusted rate of only 9,5 percent during this quarter

"The other main component of factor income, namely total gross operating surplus, increased by only 5 percent because of the impact of the economic downswing on corporate profits

"A large increase in the operating surplus of the mining sector reflecting higher rand export prices as well as higher export volumes of metals and minerals, was partly neutralised by declines in the operating surpluses of the sectors electricity, gas and water= commerce= and transport, storage and communication

"Despite the lower rate of increase in factor income, domestic saving improved substantially during the second quarter, and the savings ratio increased from a recent low of 20 percent in the second quarter of 1984 to a level of 26 percent of gross domestic product

"The largest contribution to this improvement came from increased savings by private households," the Reserve Bank says

"Personal saving as a percentage of personal disposable income, in fact, changed from a negative figure in the second quarter of 1984 to a positive figure of 7,5 percent in the second quarter of 1985

"General government saving remained negative, but the savings shortfall was reduced appreciably in the second quarter Corporate saving, however, declined as company profits slowed down"

Demand for labour also diminished Seasonally adjusted, the number of registered unemployed Whites, Coloureds and Asians rose from a low of 29 350 in July 1984 to 40 570 in December and 67 900 in July 1985

The easier labour market conditions were accompanied by a slowdown of the rise in nominal remuneration per worker in the first quarter of 1985

"Measured over a four-quarter period, nominal salaries and wages per worker increased by 12 percent, while in real terms they actually declined by 2,7 percent in the first quarter of 1985"

Labour productivity declined at a rate of 1,8 percent in the first quarter of 1985

Real gross domestic expenditure declined at a seasonally adjusted annual rate of 8 percent in the second quarter.

"All the main expenditure components contributed to this fifth consecutive quarterly decline

"At a seasonally adjusted annual rate, private consumption expenditure at constant prices declined by 5,5 percent after its downward tendency had been temporarily interrupted by an increase of 4 percent in the first quarter of 1985.

"The decline during the second quarter was particularly evident in real outlays on durable goods, which decreased by 28 percent Expenditure on non-durable goods also declined, but at a substantially lower rate of 5 percent This low level of consumption expenditure continued during July and August."

Real gross domestic fixed investment declined by 13-1/2 per cent in the second quarter of 1985 This was mainly due to declines in real fixed capital outlays The decrease in the real capital expenditure of public corporations amounted to only 4-1/2 per cent

"The decline in capital formation was widely dispersed among the various sectors of the economy, but was particularly evident in agriculture, construction, commerce and finance

"Although the real fixed capital formation of the mining sector improved somewhat in the second quarter of 1985, it was still 27 percent below its peak in the third quarter of 1981." — Sapa.

'Highest paid blacks'

VAAL Triangle residents could afford increased rents because they were the highest paid blacks in the country, the town clerk of Lekoa said in the Pretoria Supreme Court yesterday.

Giving evidence before Mr Acting Justice W J Human and two assessors, Mr Nikolaas Pansloo Louw told the court that residents there were not against the concept of Black Local Authorities but that they were demanding representation at government level

He was testifying in a case involving eight Sharpeville residents who are alleged to have murdered a town councillor, Mr Khuzwayo Jacob Dlamini, on September 3 last year

The eight are Mr Mojalefa Reginald Sefatsa (30), Mr Reid Malebo Mokoena (22), Mr Oupa Moses Biniso (30) Ms Teresa Ramashamola (24) Mr Motseki Christiaan Mokobong (23) Mr Motsisi Gideon Mokone (21) Mr Duma Joshua Khumalo (26) and Mr Francis Dawn Mokgetsi (28)

They are facing another charge of subversion and alternative charges of malicious damage to property and arson They have all pleaded not guilty to the charges

According to the charge sheet, a group of people allegedly set Mr Dlamini's car alight stoned his house and took possession of a firearm he used to defend himself He was stoned during the incident and later thrown into a burning vehicle He died as a result

In your SOWETAN tomorrow

- Tomorrow we focus on the National Convention Alliance that was formed last weekend. How effective can it be in changing the tide of events in the country?
- To learn what the labour situation is like and the activities of trade unions you need to read our Workers' Diary. It is indispensable.
- You could find that you are the lucky winner of the popular Chicken Licken Soccerpot when we publish the results tomorrow.
- Of course you can't afford to miss our boxing column, Punch. Not when we were treated to such fine boxing this weekend Be sure to buy your copy for it and lots, lots more in your SOWETAN tomorrow.

Riches to rags for SA executives

By Ciaran Ryan

SOUTH African executives, who in 1981 had the greatest buying power in the world, are now worse off than their counterparts in most Western nations, says a survey by P-E Corporate Services.

The manager of remuneration at P-E, Jane Ashburner, says "A high inflation rate, punitive tax and the perks tax have eroded the buying power of South African executives"

Managing directors of large manufacturing companies in the United States have more than four times the disposable incomes of their South African counterparts, says the survey

Shock

The table shows the relative buying power of managing directors in several parts of the world. Disposable income refers to money left over after essential living expenses

But South African executives thinking of "gapping" it to Australia are in for a shock — Australian managing directors in large manufacturing companies have 20% less disposable income than their SA counterparts

SA managing directors are better off than those in Belgium and the United Kingdom, but worse off than those in France, the Netherlands and West Germany

The rand's buying power — based on an index of 100 — is slightly better than that of the Australian dollar and the French franc, each of which has an index of 104.

Countries with a lower cost of living than SA are Belgium, with an index of 88, West Germany at 85 and the Netherlands at 88

Inflation

The United States, with an index of 117, and the United Kingdom with 112, are more expensive than SA

SA has the highest inflation rate — 16,4% — of all the countries compared.

Marketing directors are better off in the United States than anywhere else. A marketing director there has 3½ times the disposable income of his SA counterpart. A West German marketing director has 2½ times his SA counterpart's disposable income.

UK marketing directors are worst off with only a tenth of the disposable income of those in SA. Australians earn 10% less than South Africans in this job category and Belgians 40% less

Managing director of a large manufacturing company								
	Australia	Belgium	France	West Germany	Nether-lands	United Kingdom	USA	South Africa
1978		80	120	130	60	45	205	100
1979		70	100	115	50	75	185	100
1980		60	110	110	55	55	155	100
1981		50	80	90	40	65	135	100
1982		40	80	50	50	65	200	100
1983		60	130	140	70	40	140	100
1984		60	140	160	80	60	320	100
1985	80	90	220	240	110	70	420	100

Relative buying power of executives around the world All figures are reduced to indices for purposes of comparison with SA which has an index of 100

Spending still depressed

CONSUMER spending at the year-end has been lower than ever, according to early indications from major retailers

The picture from groups like Grand Bazaars, OK Bazaars, Woolworths and Garlicks suggests that December turnovers are going to barely match 1984 levels.

Taking inflation into account, this means real returns for the retail sector as a whole are going to continue reflecting dramatically the recession's impact.

This is, however, in line with most company forecasts, which generally held out little hope a Christmas spending spree would materialise.

In a recent survey of traders' expectations the Association of Chambers of

CHRIS CAIRNCROSS and Sapa

Commerce reckoned that year-end sales nationally would total about R6,4bn — a real decline of around 7% on the comparable period last year

It was expected that the hardest hit sectors would be clothing and those items placed in the luxury category

Many shops in the Cape Peninsula fared much better over the Christmas period than they had expected and those selling food and toys seem to have done exceptionally well

Although no accurate figures are available, the turnover at some shops was up to 12% higher than it was for the same period last year

Mexican art theft 'biggest' in history

MEXICO CITY — Mexico's Christmas Day robbery, in which were stolen 173 indian art objects, dating from before Columbus discovered the Americas, could turn out to be the biggest art robbery in history

Judicial sources told reporters yesterday that the Mayan and Aztec indian artefacts in the National Anthropology Museum were unique and priceless. Estimates by foreign collectors suggested they could have fetched up to $200m (about R540m) had they been sold legally — Sapa-Reuter.

BER survey sees improvement

BUSINESS conditions in the manufacturing sector are expected to be slightly up in the first quarter of 1986

A Bureau for Economic Research (BER) survey of conditions and prospects says some manufacturers expect improvements to occur in sales and production volumes

Neither the manufacturer, wholesaler, retailer nor consumer is now in a position to absorb higher costs, it says

Both the availability and cost of working capital have negative effects on activity in the manufacturing sector Participants in the survey confirmed this by regarding these as major bottlenecks

However, interest rates have eased

LAWRENCE BEDFORD

significantly recently and further reductions seem likely

This could improve the level of production by increased demand because the cost and availability of finance usually go hand in hand

The majority of manufacturers questioned judged their stocks of finished goods as too high, they also indicated their delivery periods of orders were shorter, when compared to the fourth quarter of 1984

On exports, the survey says manufacturers can overcome the slack domestic demand through sales overseas It acknowledges that discrimination against SA products renders problems to conventional trading and that other methods will lead to higher costs

As far as the high level of production costs are concerned, the survey says the underlying factors responsible for this — shortage of entrepreneurial talent, high costs of capitalisation and raw materials, and divesity of skills in the labour supply — are not expected to change substantially.

In the short to medium term, the outlook for a significant slowdown is bleak In the long run improvements may occur if underlying detrimental structural problems are overcome

PRICE MOVES AT A GLANCE

REUTERS

MARKET MOVEMENTS — DECEMBER 26 to DECEMBER 27

Johannesburg Stock Exchange

Twin ogres keep the hard-working family man in poorhouse

Pay rises don't keep you ahead of inflation

Most taxpayers have become bewildered to find the harder they work and the more they earn the worse off they seem to be, says Miss Jane Ashburner who runs the remuneration division at P-E Corporate Services

"The mystery deepens when the experts use jargon such as 'bracket creep' or 'fiscal drag' but really it's quite simple — they're trapped in a Catch 22 dilemma

The first ogre is inflation, which gnaws away at living standards but an even worse ogre is our tax system which strips away rands faster the harder one tries to increase gross income to stay ahead of the price spiral

'South Africa has a tax revolt on its hands because of the sharpness of the upward curve in the marginal tax rate that reaches a point where the tax man snatches 50c from every rand an unmarried person earns above R3 500 a month

"The married person does not reach the ultimate 50 per cent marginal tax rate until income goes over R5 000 a month — but very often that is the combined income of a husband and wife which the taxman insists on lumping together

"Lower down the income scale, more and more taxpayers are pushed up the tax ladder — nearer and nearer the supertax bracket — the faster they try to keep pace with inflation with pay increases

Middle-income taxpayers are on the brink of revolt. The Minister of Finance is under intense pressure from all sides to find a new formula to end a Catch 22 phenomenon MICHAEL CHESTER looks into the logic behind the growing discontent

It is the middle-income family that suffers most and is most baffled and frustrated Something in the tax structure is going to snap The sooner the better"

To illustrate the Catch 22 syndrome — and steer clear of the fiscal drag mumbo-jumbo — Miss Ashburner takes the case of a person on a middle-income gross salary of R2 500 a month five years ago

He forked out R5 000 in tax that year — at an average tax rate of 16,7 percent His annual take-home pay was R25 000, just enough to cover all living expenses

Now

If his pay packet grew at 12 percent a year in the struggle with inflation his gross salary in 1985 stands at R3 916 a month but his annual tax bill has raced to R12 500 because the marginal rate ladder has propelled his average tax rate to 26,8 percent

If one assumes his living expenses kept in step with inflation they now total R39 500 Result: while he balanced the budget in 1981 he is running R5 000 short in trying to pay all his bills in 1985

Mr Costa Divaris, another top tax planner, brings out more anomalies in trends

Five years ago individuals paid R2,1 billion to the Department of Inland Revenue — a relatively modest 18 percent of total tax revenue

Because of the quirks of the marginal rate ladder as salaries battle it out with the cost of living index, individuals will be stripped of R9 billion in the 1986 tax year That 16 percent share of the burden has mushroomed to 32 percent — and that's before GST — up from only R1,6 billion in 1981 to R8,3 billion

What also looks weird — and is the subject of lots of controversy — is that the share shouldered by companies has shrunk. In 1981 company tax totalled R5,2 billion or 41 percent of the total tax burden. In 1986, on current estimates, taxes will have grown to no higher than R6,1 billion — bringing the company share down to only 22 percent.

The reasons are not too hard to find Though the company tax rate is pitched at 50 percent, leaving aside loan levies and surcharges, the corporate financial wizards burn the midnight oil to find loopholes to dilute tax liability

As Mr Divaris puts it, while big business is a big complainer about the tax system it is also a big beneficiary

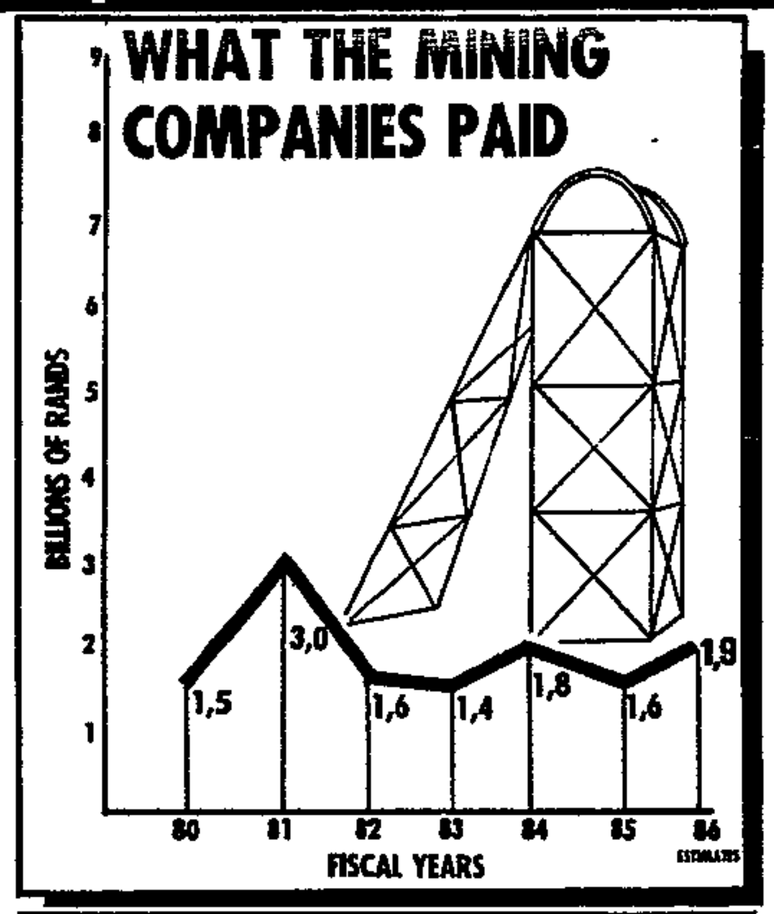
Not that the benefits are equally shared by companies

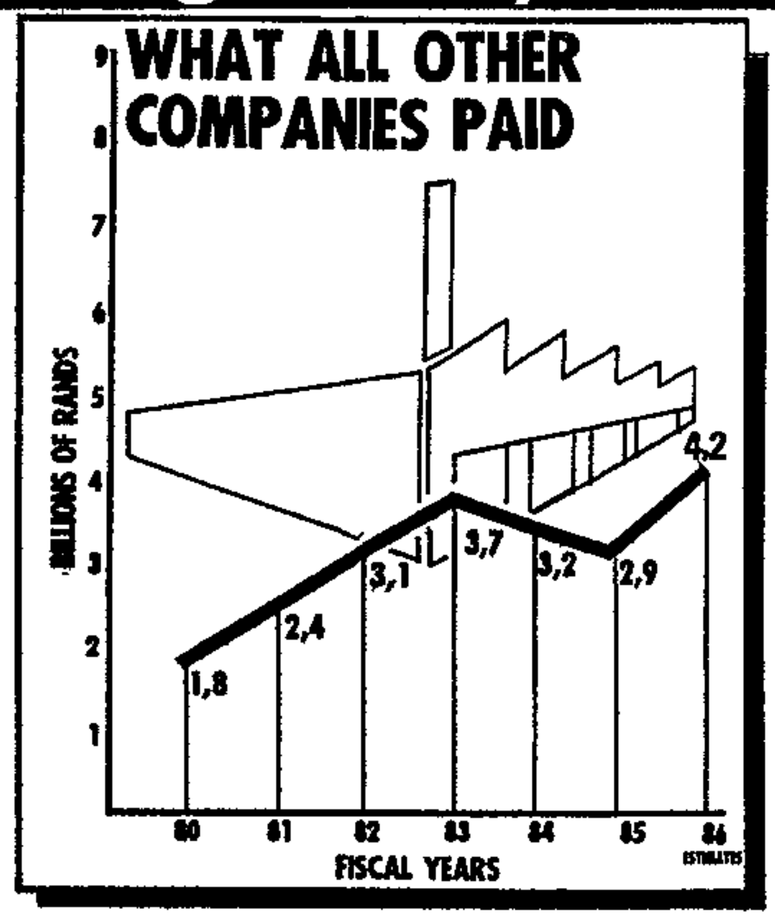
The major tax concessions — are enjoyed by the big mining and industrial corporations, farmers and exporters

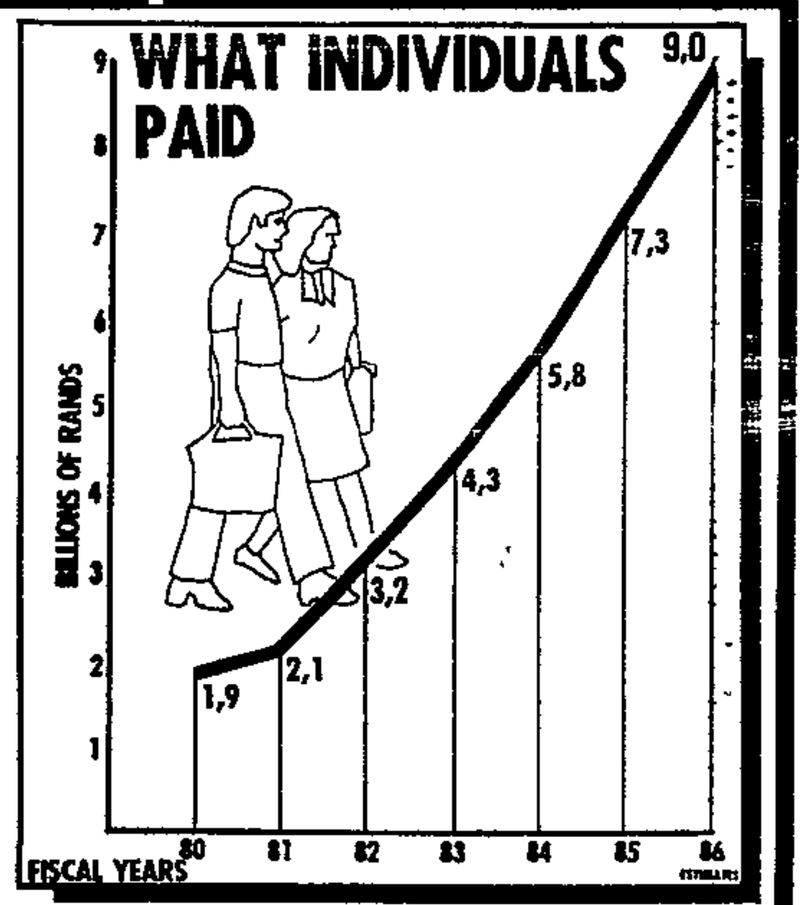
Small businesses — wholesalers, retailers and service and property companies — often end paying their full whack out of profits

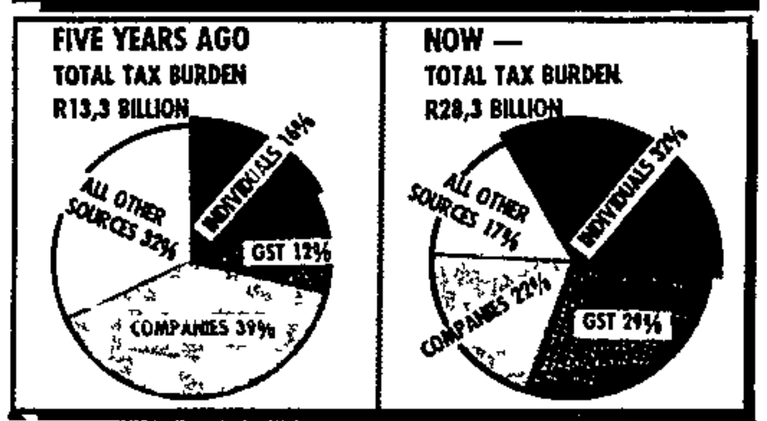
Professor Attie de Vries of the Bureau for Economic Research at Stellenbosch University, always with an ear close to the inner sanctums, forecasts that the Minister of Finance is likely to tackle the company tax anomalies when he scrapes away to find the cash to finance tax cuts for individuals in the next Budget.

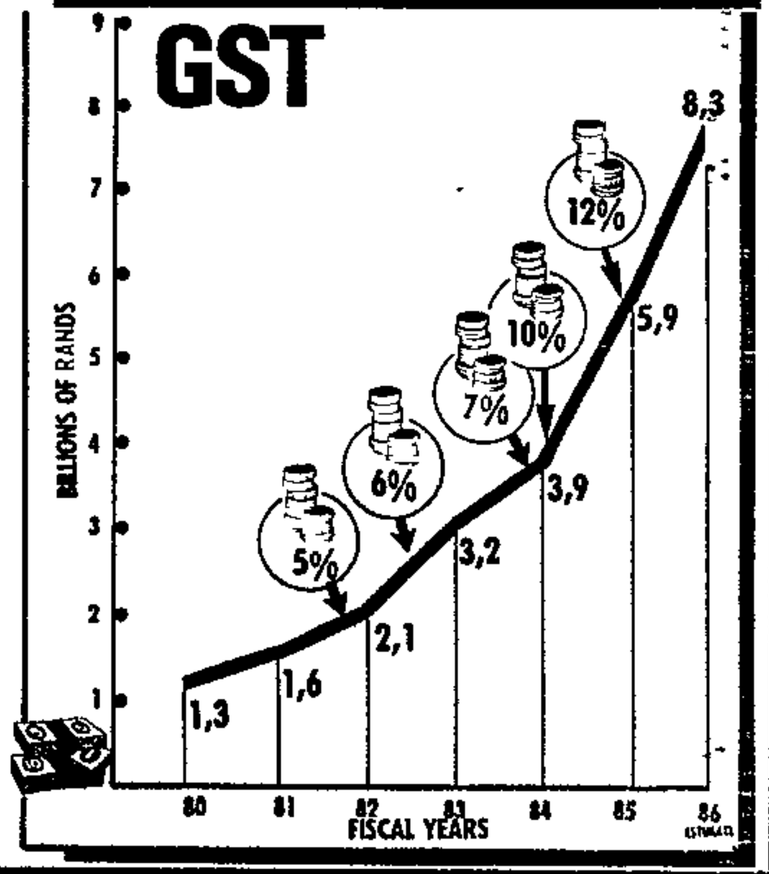
The professor predicts that Mr Barend du Plessis will search for a formula that will pitch the really *effective* tax rate for companies at about 40 percent











Inflation undercuts increases

6/1/86
BUS DAY

Meagre rises trim living standards

PRIVATE sector wage increases in the last few months mean the average South African's standard of living will decline again this year.

Increases were from 0% to 12%, with larger corporations paying closer to the top figure Small firms' payouts varied considerably, but those under severe pressure granted no increases at all

With the rate of inflation for 1986 expected to be at least 15%, workers will be lowering their standard of living for the second year in a row.

Major industrial and commercial groups claim to understand the needs of employees and do their best to accommodate them

JOHN TILSTON
and STEPHEN CRANSTON

But this is within the constraints of a severely depressed economy

Among major groups awarding increases was Barlows, which employs a vast number of people It awarded 10% towards the end of last year

The Chamber of Mines reports that miners received 11%, staggered over the year

A large insurance company granted increases of 12%

Pick 'n Pay awarded staff 13% to 14% last June and a spokesman surmised that increases this year would be about 12%

Similar increases are being forecast for the current year by employement analysts

Smaller organisations will mostly pay less

A building firm in the housing market decided against granting its traditional December increases last month.

The hard-pressed newspaper industry granted journalists about 6% on average in December

The inflation-battered increases will be further dented by fiscal drag.

As wages increase, so earners are pushed into higher tax brackets

On a broader front, any growth in the economy as a whole will have to come from the export sector.

There is no chance of a recovery led by consumer-spending.

The latest Reserve Bank bulletin details the poor progress of wage increases It reports that the recessionary state of the economy was particularly noticeable in the growth of nominal wages

At a seasonally adjusted annual rate, total remuneration of employees increased by 13,5% in the second half of 1984

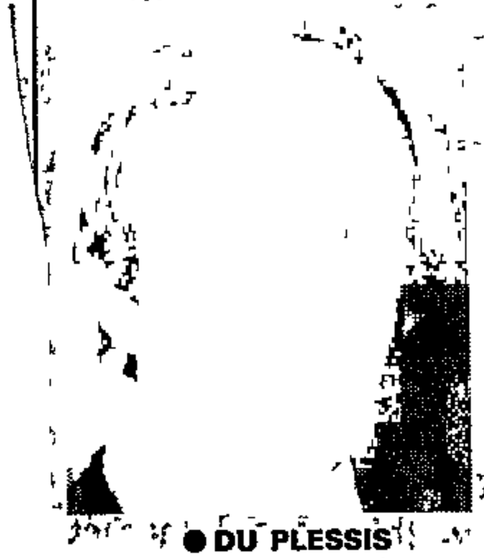
However, the subsequent slowdown in employment growth, higher unemployment rates and lower rates of wage settlement, caused it to rise at a seasonally adjusted annual rate of only 8,5% in the first half of last year and by a meagre 3,5% in the third quarter of 1985.

With inflation last year topping 16%, the squeeze has been on consumers.

At the same time, labour productivity, as measured by real gross domestic product (GDP) a worker in the non-agricultural sectors, started to decline in the fourth quarter of 1984

In the first half of 1985, productivity was 1,9% lower than in the corresponding period of 1984

R700m needed for public sector pay increases


● DU PLESSIS

FINANCE Minister Barend du Plessis will have to set aside at least another R700m in his March Budget if State employees are to get 10% pay increases from April.

Calculations based on Central Statistical Services' figures show that the 645 000 civil servants earned nearly R7bn in the 1985-86 financial year.

The Public Servants Association points out that the last general increase in earnings was a 12% hike in January 1984.

"So, at the start of the new financial year in April, it will be 26 months since salaries were last adjusted," said an official.

The PSA has asked government for double-digit increases and a restoration of the one-third cut on service bonuses imposed last year.

The association claims this is vital if the gap between the pay of private sector and government workers is not to widen further.

GERALD REILLY

Although Commission for Administration chairman Johan de Beer has said that general increases were by no means certain, senior government workers claim the repercussions of a continued freeze would be costly politically for government.

For this reason, if for no other, increases were certain, they said

The State's need for funds in the new financial year, government sources said, would be greater than ever

SA cheapest country in the world

Bus Day 9/11/86 (128)

Own Correspondent

LONDON — South Africa, in spite of galloping inflation over the past five years, has become the cheapest country in the world in which to live when measured in hard-currency terms

According to the London-based information agency, Employment Conditions Abroad (ECA), the cost of living index in SA is 30% lower than that of its nearest rival, Zimbabwe, and more than 400% below that of the world's most expensive country, Tanzania.

ECA says the cost of a shopping basket of essential items has climbed 89% in SA over the past five years, compared with 63% in Western Europe, 39% in the UK and only 7% in Japan.

Nevertheless, SA was able to improve its ranking by five places to become the cheapest of the 70 countries included in the ECA survey.

Brazil, Mexico and Portugal respectively are listed as third, fourth and fifth cheapest while Britain has surprised by jumping 18 positions to become sixth cheapest.

The top end of the scale is even more astonishing with Nigeria, Ghana, Iraq and Japan being the most expensive apart from Tanzania In 1980 the People's Republic of China was the least expensive country but it has now slipped down to 45th position.

In addition to relative price inflation between countries, ECA says exchange rate changes have also influenced cost of living comparisons "For example, the relative weakness of sterling in 1985 compared with 1980 is an important factor contributing to the UK's fall in the league table of living costs."

Quite obviously this factor must also have had a major influence on SA's ranking after the crash of the rand during 1985

PRICE MOVES AT A GLANCE

REUTERS

Jewellery Designed Free
The perfect gift
for your loved one
at 5th Avenue Jewellers
of Claremont
The Link Main Road
Claremont Tel 64-4680
5th AVENUE JEWELLERS

Barclays Bank predicts higher inflation rate

JOHANNESBURG. — The real income loss of the recent past will be remembered by labour as something that will need to be recouped in a future recovery, says Barclays Bank in its latest Business Brief, released yesterday.

In the two years, 1985 and 1986, that the Consumer Price Index will probably average 16 percent, non-agricultural remuneration may increase only at an average of 10 percent

The "recoupment" which labour would seek, when taking place from an already historical high inflation rate, could only imply a "further ratcheting up of wage demands and CPI inflation in the recovery period ahead, strengthening the argument in favour of a voluntary (and therefore reasonably flexible) incomes policy"

Inheritance

"Similar to the inflation inheritance has been the revaluation of the foreign debt burden in rand terms This debt will have to be serviced and amortised by a gross domestic product that has essentially stagnated in real rand terms since 1980, even while the debt has increased nearly three-fold in real rand terms since then

"The interest burden associated with this debt has also increased explosively to some $2 billion or nearly R5 billion in 1985," says Barclays

There could be no possible defence for the mix of macro-economic policy that has been responsible for injecting such profound instability into the South African economy in the past four years

To claim that all of these results were inescapable due to external or natural reversals was a fallacy The entire adjustment period has been far too prolonged by relying on incorrect policy measures

Weaknesses

"Even at this late stage it does not appear as if a beginning has been made with correcting those structural weaknesses that continue to keep the economy highly exposed to a deteriorating external environment"

The debt standstill of September 1985 finally lowered the curtain on what could have been a range of "normal" economic options for the post-adjustment period

"Most destabilizing was probably the unrestrained rise in real government consumption spending, which contributed greatly to the excess demand condition throughout this period

"This sustained inflationary conditions, which in turn reinforced the consumer's rational defence of acquiring real assets as fast as possible, irrespective of the financial exposure that was so being incurred

Stabilization

The absence of stabilization policy was greatly worsened by the decision to free the foreign exchange market in the manner in which it was done

"The consequent increase in the amortization burden of the foreign debt has been an unnecessary penalty on South African society

"The impact of imported inflation has also been unduly harsh, while the related distortion of sectoral performance has similarly been overdone without achieving permanent benefits," says Barclays — Sapa

Surcharge on books slated

14/1/86 STAR

Municipal Reporter

The 10 percent import surcharge on printed works could price many books out of the reach of Johannesburg readers

This is the opinion of the Johannesburg City Council's Library Consultative Committee, which maintains that the exemption from the surcharge granted to State and provincial institutions should be extended to local authorities.

Combined with the unfavourable exchange rate, the surcharge placed a heavy burden on libraries, which would seriously affect the city's cultural and educational amenities, said the committee

Only books valued at less than R20 and received by post were exempt from the surcharge

Private sector pay increases lag 5pc behind inflation

15/1/86 STAR

129

Pretoria Bureau

Most private sector pay increases in 1986 are expected to continue to lag about five points behind the inflation rate, a management consultants' study has found.

It found that for the year from July 1984 to July 1985, average overall increases were 10,8 percent. The inflation rate for that time was 16,4 percent

Blacks got the largest percentage increases, 12,3 percent, followed by Asians (10,7 percent) and whites (9,9 percent)

The highest increases among whites was in the data processing field, where pay rises averaged 13,2 percent The highest rise for blacks was in the clerical and secretarial sector (13,3 percent), for Asians and coloureds in administration, 12 and 12,9 percent respectively.

Among all population groups, the lowest wage hikes were in the manufacturing sectors which saw an increase of 8,3 percent for whites, 9,4 percent for blacks, 8 percent for coloureds and 7,5 percent for Asians

The latest Reserve Bank bulletin says the total renumeration of employees increased by 13,5 percent in the last six months of 1984 But as the economy continued on its downward slump, salaries only showed an increase of 8,5 percent in the first half of last year and 3,5 percent for the third quarter of 1985.

Black spenders gain on whites

5/a/86 BUS DAY 128

RETAIL sales are likely to top R50bn by the year 2000 with the greatest explosion in spending coming from blacks.

Amrel executive chairman Ronnie Cohen told the seminar: "It is essential to realise how important black spending already is to retailers and manufacturers."

He predicted blacks would account for over 40% of all retail sales within the next 15 years

His own findings show blacks now constitute about 32% of the total retail market and whites 55,4%.

"By the year 2000, the importance of white consumers will have declined and they will hold about 42,2% of the market,

Business Day Reporter

compared with the 40,7% that will be held by blacks

"These figures, although conservative, show where the eventual spending power will be concentrated.

"This trend is accelerating This can be seen from the fact that the black share of disposable income, which has grown from 23,3% of the total since 1970, will be an estimated 40,7% at the end of the century."

Cohen said social pressures to increase salaries, population growth and the establishment of a strong middle-class community would account for increased spending by blacks.

Biggest drop in retail and wholesale trade

Real wages are down in every sector of economy

REAL wages measured in 1980 terms fell in every sector between the third quarter of 1984 and the third quarter of 1985, the latest figures from Central Statistical Services, Pretoria, show.

This is consistent with the findings of P E Corporate Services surveys, which show that almost all pay increases have been below the rate of inflation.

Business Day Reporter

The largest fall was in the retail and wholesale trade sector where there was a deterioration of 6,1%, including an 8,1% decline in black wages.

Whites suffered most in the construction sector, with a fall of 8,2% in real wages.

The mining industry remained the most lucrative for whites, with an average income of R2 215 a month. But it was the second-most-poorly-paid industry for blacks, with wages averaging R390 a month.

Only the retail and wholesale trade paid less at R302 a month.

P E director John Cole says there is still a great deal of job reservation in the mining industry and that many of the blacks employed have a low skill level.

Banking was the best-paid area for blacks, at an average of R611 a month, while it was the second-worst-paid for whites at R1 449.

Cole says the banking sector has led the way by opening up to blacks.

The manufacturing sector continued to be the biggest employer (1 344 200 employees), although the civil service was catching up with 1 064 110.

Cole says there is a preponderance of civil servants in the SA economy, especially with the tricameral parliamentary system.

7/2/86 Bus Day

Blacks buy more cars

GERALD REILLY

CAR sales among blacks are expected to increase by between 14% and 18% in the next few years, says the National Association of Automobile Manufacturers of SA. A Naamsa survey indicates that sales of light commercial vehciles are expected to grow at an average rate of 4% annually.

The average long-term growth rate for heavy commercial vehicles should be maintained at about 3%

The survey shows that between 1979 and 1983 car sales increased by an average of 4,7% a year

In that period black ownership increased by 9,1%.

"The growth rate of black ownership has consistently outstripped the growth rate in other sectors," says Naamsa

Blacks owned 8,9% of cars in 1983, 26,6% of minibuses and 15% of comercial vehciles.

11/2/87

Doctors need pay increases — Masa

BUS DAY

128

THE Medical Association of SA (Masa) has called for immediate increases in salaries and the restoration of full bonuses for doctors in the public service.

Masa said in a statement that about half the country's doctors occupied positions in the public service and it was almost three years since the last increases.

Masa Federal Council chairman, Dr R D le Roux, said the plea for increases was especially necessary in the light of the freezing of posts and the subsequent larger workload placed on doctors.

Masa was undertaking an in-depth investigation into the improvement of service conditions embracing all facets of the practice of full-time doctors, and expected to make representation to the relevant authority soon, the statement said. — Sapa.

Sats unions reject 10% pay rise offer

ANGRY leaders of 230 000 SA Transport Services workers passed a motion of no confidence in the Cabinet after a clash on Saturday with Transport Minister Hendrik Schoeman over pay increases.

Earlier at a meeting with Schoeman, the executive of the Federal Council of Sats Trade Unions rejected an offer of a 10% pay rise as totally unacceptable.

Pretoria sources say it is now certain the Cabinet has decided on a flat 10% pay increase for all public-sector workers — government and provincial staff, the Post Office, police, and prisons and SA Defence Force staff.

Schoeman told the federal council the 30% cut in service bonuses would be restored in the new financial year.

When the meeting was told of the proposed 10% increase, the federal council rose to leave, claiming there was nothing further to discuss. Schoeman called members back and tried to explain the Cabinet's attitude against a background of SA's serious financial difficulties

GERALD REILLY

After Saturday's meeting, federal council chairman Jimmy Zurich said decisions on Sats' increases were apparently being taken by Cabinet.

"In future, therefore, we will demand direct negotiations at Cabinet level as the Transport Minister obviously has no mandate to bargain and negotiate with his trade unions."

He said the 10% offer was an insult to all rail workers.

"We asked for 25% which would still have left a backlog when the huge increases in living costs over the past two years are taken into account."

Public Servants' Association president Colin Cameron told *Business Day* it appeared the rest of the public sector was also to get 10% increases "We asked for an across-the-board increase of about 13%, and so far we have had no indication from government as to what the settlement is to be."

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Car workers get increase

Business Day Reporter

WORKERS at Ford, General Motors, Volkswagen and Mercedes-Benz in the Eastern Cape will receive pay increases ranging from 16c to 22c an hour after talks with the Eastern Province Automobile Manufacturers' Association.

The National Automobile and Allied Workers' Union (Naawu) said the agreement reached with employers at the industrial council also provided for a minimum wage increase from R2,70 to R3 an hour for unskilled workers.

Political comment in this issue by Nigel Bruce Newsbills by Neil Jacobshon Headlines and sub-editing by Gordon Amos All of 171 Main Street, Johannesburg



Schoeman's 10% pay-rise offer angers Sats workers

THE Federation of Transport Workers Unions is to meet tomorrow to review the "totally unacceptable" 10% salary increase offered by Transport Minister Hendrik Schoeman.

The talks will take place against a background of Schoeman's budget speech in the Assembly.

Federation chairman Jimmy Zurich told *Business Day* yesterday that angry phone calls had come in from Sats trade union leaders throughout the country, expressing shock at the increase and demanding urgent action.

"We intend to continue pressing for the additional 15% — the original claim was for 25% — until finality is reached"

The federation, he said wanted to avoid a repetition of the rebellious protest meetings of disgruntled railway workers which followed the announcment last year of the 30% cut in service bonuses.

Tucsa gave its wholehearted support to the Sats workers yesterday and said it deplored the 10% increase.

GERALD REILLY

Railmen threaten action for 15% more

Public servants to get 10% increase

BUSDAY 128 20/2/86

ALL PUBLIC servants, including teachers, are to receive a 10% pay increase from April 1 and will also get a full 13th cheque this year.

The pay package also applies to Post Office and SA Transport Services employees and will be calculated on basic pay as well as the pensionable allowance introduced in January 1984.

Announcing the increases yesterday, Minister for Administration and Economic Advisory Services in the Office of the State President, Eli Louw, said the package applied to technikon, college and schoolteachers, the services, provincial staff and persons attached to statutory councils.

Public servants last received a pay adjustment in January 1984.

Louw said government's decision to commit itself to extra expenditure had not been an easy one but had been done in appreciation of "the sacrifices public servants made in past years".

He said government tried to compensate its officials "as reasonably and realistically as possible within fiscal limits".

Political Correspondent

However, as a result of economic pressure, it was forced to ask "certain sacrifices of them", Louw said.

With regard to the bonus, Louw said government was grateful that it had not been necessary to continue slashing the payment.

Announcing the 10% rise for Sats workers when he presented his budget in the Assembly earlier yesterday, Transport Minister Hendrik Schoeman said the 13th cheque would be permanently restored.

Sats workers had asked for a 25% increase but, owing to prevailing economic circumstances and the financial position of Sats, it was not possible to approve more than 10%, Schoeman said.

The executive of the 24 000-strong Artisan Staff Association has already warned, however, that consequences will be "drastic" if Schoeman does not reconsider the 10% increase.

Schoeman said further negotiations would be conducted with trade unions as soon as circumstances permitted.

Commenting on the increase, Opposition spokesman on transport and MP for Port Elizabeth Central, John Malcomess, said 10% was totally unsatisfactory for lower-paid staff and would not compensate for a high cost of living.

Higher-paid staff could, however, exist with less than a 10% increase, Malcomess said

PFP spokesman on post and telecommunications, Alf Widman, said the 10% increase was "the inevitable consequence of government's failure to provide an adequate financial policy".

NRP spokesman on post and telecommunications, Brian Page, described the increase as "niggardly", while NRP transport spokesman Vause Raw said a mere 10% over two years and a "radical reduction in living standards" was the reward for loyalty and increased productivity.

Raw added that "the 8% for pensioners

● To Page 2

● See Pages 3 and 4

10% for public servants

20/2/86 BUSDAY 128

● From Page 1

is an absolute disgrace and will cause untold hardship".

After an emergency meeting of the Artisan Staff Association executive in Johannesburg yesterday, president Jimmy Zurich said reaction from branches of the 11 Sats trade unions indicated an explosive situation was developing.

The ASA sent a resolution taken at yesterday's meeting to Schoeman, warning him the unions would continue to press for the additional 15% of their original claim of a 25% increase.

Zurich, who is also chairman of the Federation of Sats Trade Unions, said: "We don't think the minister realises the extent of the anger among his workers.

"At a meeting of the ASA'a Pretoria branch this week members threatened to down tools unless Schoeman increased the 10% offer."

Other meetings of Sats unions are scheduled over the next few days.

Zurich said railway workers were forbidden to strike or go slow in terms of the Railways and Harbours Services Act.

He said: "We have demanded an immediate response from the minister on the additional 15%.

"If the request is rejected, we will have difficulty in restraining our members from taking some form of retaliatory action."

Railway workers felt sacrifices made over the past three years to maintain productivity at a high level to compensate for drastic staff cuts had been ignored, he said.

Zurich also said the system whereby all public sector staff were lumped together when the Cabinet made decisions on pay was hopelessly outdated.

"We want the right restored to bargain and negotiate our own pay conditions with the transport minister," Zurich added.

Expert expects sharp CPI drop

Economics Reporter

THERE should be a sharp drop in the consumer price index (CPI), when the February figures come out, and the average rate for 1986 will be 16,5-17%, according to Rudolf Gouws, new group economist at Rand Merchant Bank.

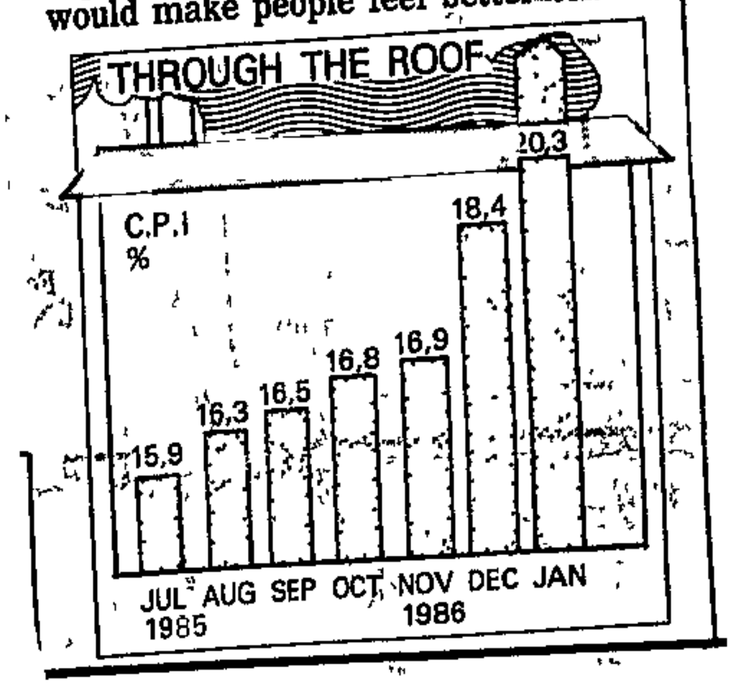
All economists have been surprised by the January rate of inflation, which at 20,7% was at least 1% higher than expected, Gouws adds.

He believes that there is little that government can do as there is not much scope for tax cuts, although lower rates of personal tax are possible.

Assocom chief executive Raymond Parsons believes that there is a possibility that the strengthening of the rand will mean a stabilisation, and eventual reduction, of inflation, but it may not be wise to let it strengthen too much, in view of its impact on foreign debt.

"If inflation is not managed," Parsons says, "we could see the next economic upturn last not for three years as before, but for 18 months. The inflationary expectations could lead to wage inflation."

He says the next budget will be crucial, as the right tax cuts could defuse expectations as greater take-home pay would make people feel better-off.



Schoeman to see unions

GERALD REILLY

TRANSPORT MINISTER Hendrik Schoeman is arranging an urgent meeting with the Federation of Sats Trade Unions to discuss the strike threat and the "unacceptable" 10% pay hike, according to a ministerial spokesman.

Federation chairman Jimmy Zurich welcomed the minister's decision to meet his executive.

"There are a few options open to the minister which would help defuse the explosive situation."

These included a shorter working week — hours had not changed since 1944 — payment of market-related salaries, and service increments similar to those paid in the civil service, he said.

10% pay increase 'unacceptable'

Minister urged to defuse explosive Sats situation

THE 24 000-strong Artisan Staff Association yesterday warned Transport Minister Hendrik Schoeman he would have to act swiftly to defuse the explosive situation which had developed after the "unacceptable" 10% pay increase offer.

Stressing this, ASA president and Federation of Sats Trade Unions chief Jimmy Zurich said there was wild talk among ASA members of strike action.

"I know nothing of this. I am still fully in control and we do not expect groups of ASA members to take what would amount to illegal action," he said.

SA Transport Services workers were forbidden to strike under the Sats Services Act.

But if there was no quick response from Schoeman, the ASA would go to the State President, Zurich said.

GERALD REILLY

The minister, Zurich warned, was on a collision course with his workers. Their morale was at a record low and productivity would suffer.

It was the high level of productivity over the past two years that had made it possible for Schoeman to reduce his staff by 53 000, he said.

"The fact that there was talk of go-slows and strikes indicates the extent of frustration among railway workers at the raw deal they have been handed by the Cabinet."

The minister, Zurich said, had to believe the ASA executive's statement that an explosive situation had developed.

"Last week the federation sent an urgent letter to Schoeman, demanding the other 15%. We asked for 25% and we will maintain pressure until we get it."

Adding to the frustration of railway workers was the severe reduction of incentive bonus work. As a result, many were taking home R300 less a week.

Overtime had also been drastically cut "and we are down to the bones of our basic salaries".

More than 900 newly-qualified artisans had been drafted into lowly-paid operative work because there was no work for them in their trades in either the public or private sectors.

Schoeman said at the weekend that the 10% increases and the restoration of the full service bonus would cost Sats about R400m and it was impossible for Sats to pay more.

BUSINESS DAY, Tuesday, February 25 1986

PARLIAMENT

BusDay 25/2/86 Sapa 128

Parliamentary pay put in perspective

PAY and fringe benefits granted to parliamentarians cannot, says a report, be based on those pertaining in the public sector

The report of the Committee of Inquiry into the Structure of Remuneration and Conditions of Service for the State President, Ministers, Deputy Ministers, Members of Parliament and the President's Council was tabled in Parliament yesterday.

It says the demands of modern society make it imperative that successful businessmen, professional people, farmers and industrialists should become involved in the highest legislative and executive body.

"This means that such a person has either to relinquish his profession or career entirely or neglect it to such an extent that great personal loss ensues. — Sapa.

Railmen vote to strike

DIANNA GAMES

FOUR hundred Southern Transvaal Artisans' Staff Association members last night voted to strike over the 10% pay increase granted to all SA Transport Services.

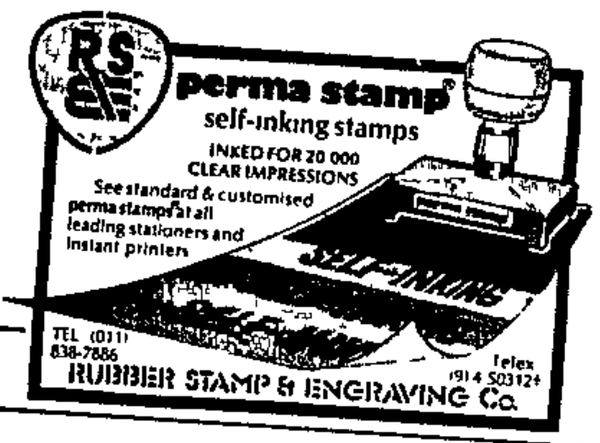
The members — many of whom claimed they took home less than R200 a month — passed a motion in Johannesburg of no confidence in Transport Minister Hendrik Schoeman.

They also denounced the recommended pay increases of up to 108% for MPs.

● See Page 4

Business Day

THE NATIONAL NEWSPAPER FOR DECISION MAKERS



Proposed salary increases for MPs 'political dynamite'

SALARY increases of up to 108%, recommended for Members of Parliament by a committee of inquiry, are being viewed as political dynamite for a government which last week announced increases of just 10% for civil servants

The report which was tabled in Parliament yesterday will, if accepted by the Cabinet, raise the total salary bill for 308 MPs and 60 members of the President's Council from about R15m to about R27m.

The report recommends that the new cash remuneration levels should be fully implemented as soon as possible when economic circumstances justify doing so

Already the proposals have sparked an angry outcry Federation of Sats trade unions chairman Jimmy Zurich described them as breathtaking

Zurich said the proposals were "unreasonable, unjust and would be seen to be so by the majority of trade union leaders"

STACKING UP

NEW PAY LEVELS RECOMMENDED BY THE COMMITTEE OF ENQUIRY

	SALARY	ALLOWANCE
STATE PRESIDENT	R130 000*	R29 668*
MEMBER OF PARLIAMENT	R49 800	R19 000
CABINET MINISTER:	R121 500	R22 560
LEADER OF THE OPPOSITION	R77 000	R19 000

*TAX FREE

Business Day Reporters

The 77-page report, compiled by a five-man committee under the chairmanship of former vice-president Alwyn Schlebusch, recommends cash increases of

- 108% for the 20 Cabinet Ministers and 12 other members of the Ministers Councils with their salaries rising from R58 200 to R121 500;
- 84% for ordinary MPs and members of the President's Council from R27 000 to R49 800;
- 68% for the 11 deputy-ministers whose salaries are set to rise from R45 900 to R77 400

Substantial increases are also recommended for leaders of oppositions in the three Houses, whips and chief whips.

The State President will receive a salary of R130 000, up from R84 000, and allowances of R29 668 in terms of the recommendations, all of which is non-taxable.

The report also recommends overall increases in allowances for MPs of 18,75% with MPs moving up from R16 000 to R19 000 a year and ministers and deputy-ministers from R19 000 to R22 560 These amounts are taxable.

In addition, the five-man committee stated that MPs should be allowed an amount of R10 000 a year for secretarial services.

In its report, the committee states that a considerable backlog in remuneration exists — MPs received their last increases on January 1 1984 — but at the same time they are mindful that the State President stated when he appointed the committee that any recommended improvements "would be postponed until they could be justified in view of economic circumstances"

The committee's interpretation of the State President's decree is that "the Government takes the onus entirely on itself to decide on the timing of the implementation of the recommendations"

● See Comment Page 6

Real incomes crashed heavily during 1985

SALDRU STAR 1/3/86 128

Own Correspondent

CAPE TOWN — Real wages crashed in 1985 under the impact of inflation and the failure of employers to raise wages sufficiently, according to the South African Labour and Development Research Unit (Saldru) of the University of Cape Town.

1985 was the worst for wages in at least a decade, according to the unit's review of minimum wages.

However, the real wage decline was not solely due to inflation which ate away otherwise realistic wage increases.

"All industrial councils and the Wage Board knew for a certainty that inflation would be an important feature in 1985," the report said.

"Yet a quarter of industrial council agreements and half of all wage determinations made no adjustment in minimum wages at all in 1985."

In 1985, 91 percent of labourers' minimum wages fell in real terms (57 percent in 1984), 23 percent of labourer job categories had no wage rise at all (16 percent in 1984) and only nine percent showed a real wage rise (43 percent in 1984).

Cut taxes to help economy — Kantor

CAPE TIMES 5/3/86 128

By AUDREY D'ANGELO

THE strength of the economy is dependent on consumers' willingness to spend, and it will therefore not recover fully until wages and salaries increase to cover rising costs, Professor Brian Kantor of the University of Cape Town said yesterday.

Stressing that "a revival of the economy is absolutely critical for the future of South Africa," he said the government should think in the short term and cut taxes so that consumers would have more disposable income

"In the Budget to come, I would hope that the authorities would borrow more and cut taxes

"One way or another, one would be looking for cuts in personal tax"

He thought it would be helpful to the economy if the government were to spend 15 percent more than last year, and borrow more to pay for this

Professor Kantor was speaking to the Western Cape branch of the Federation of Furniture Manufacturers of South Africa at a city hotel

He said he expected the inflation rate to fall to 12 percent by this time next year, provided the rand remained at its present level

But he expected the inflation rate to remain at about 17 percent for the next 10 months

He thought the economy would recover this year, but from low levels, and growth was unlikely to be more than five percent

Professor Kantor said that although deregulation would help the growth of small businesses, it would not mean much without deregulation of the labour market

Industrial councils inhibited competition in the labour market He would like to see more bargaining at plant level

He thought there should be no government interference in wage rates, conditions of work or decisions about "who does what"

Professor Kantor said the recent behaviour of trade unions, which now enjoyed greater freedom, had been one of the big success stories of South Africa

The trade union movement had provided credible and responsible black leadership Although these leaders were radical, economic factors had forced them to behave responsibly in the interests of their members

"To govern South Africa effectively, radicals have to be in the government system and their behaviour has to be constrained by the economic interests of their supporters"

Minimum level will no longer apply

Owners of small shops given wage exemption

SMALL businessmen in the commercial distributive trade will no longer have to comply with minimum wage agreements.

The Wage Board has decided to exempt businesses which employ fewer than five people from minimum wage agreements

New employers, regardless of the number of employees or stores, will be exempt for their first year of trading and will pay 10% less than the minimum wage for the second year.

Dulcie Hartwell of the National Union of Distributive Workers said yesterday she was horrified by the decision "They are asking workers to subsidise businessmen and it is not going to stop there. The whole system of minimum wages is under attack," she said.

Hartwell said rural areas would be

Business Day Reporter

especially hard hit, and employers with slightly more than five employees would be tempted to cut down to four and avoid the minimum wage requirements

"This will not create any extra employment, it will lead to greater unemployment," she said

The minimum wage for a general assistant in the main business areas is R232 a month, for a general shop assistant R339 and for a sales assistant R545. About 200 000 people are employed in the commercial distributive trade.

The latest report on minimum wages by Cape Town University's SA Labour and Development Research Unit shows minimum wages in the industry have declined seriously since 1968 and no increases were granted for two years from November 1983.

Hartwell said she also feared the Temporary Removal of Restriction on Economic Activities Bill would allow the State President to interfere in any business and would "give him the power to reduce wages and change working conditions if he wants to".

A Small Business Development Corporation spokesman said yesterday flexibility in minimum wages would contribute to job creation.

"A relatively small percentage of workers employed will be affected, while better prospects for employment will be available to the jobless The benefit of higher living standards for all people can be achieved by the accelearted creation of new small businesses," he said.

More jobless and less cash

Industrial Staff

GROWING unemployment and under-employment are forecast for the manufacturing sector during the next five years.

Professor Jan Sadie, of the Bureau for Economic Research, added that manufacturers would also be faced with a shortage of capital during this period.

He told the convention that shortages of high-level manpower would further aggravate development.

Survival as a viable industrial nation depended on keeping pace with productivity improvements in other countries, said PE Corporate Services director John Moubray

He added that many developments in productivity improvement needed reconsideration.

14/3/86 WEEKLY M. (128)

No rise in black income

INCOME in black households has shown little or no improvement in real terms since the beginning of the "reform" era in 1978, according to Prof Jeremy Keenan of Wits University's Department of Social Anthropology

Keenan, who was addressing a marketing conference in Johannesburg this week, said since PW Botha came to power, the predominant rhetoric was that the general economic condition of blacks had been improving rapidly.

But based on his own research on households in Soweto and other surveys, Keenan said he would like to caution against the belief by retailers that the "sleeping giant" of black consumerism was about to awake

"Some households have improved their situation but the number that has fallen below the poverty line during this period has increased more so"

He said that in Moroka, real per capita income was less than one percent more than it was in 1978, and lower than it was in both 1981 and 1982 In Phiri it has declined by 14 percent since 1981 and by 25 percent since 1982

Earnings increases outstrip the cost of living

Public sector pay rate zooms

24/3/86. BDAY

PUBLIC-SECTOR pay is growing at a much faster rate than that of the rest of the economy.

This is despite claims that there has been no increase in public-sector salaries and wages since January 1984.

In the two years to September 1985, the average public-sector pay packet increased by 39,86% compared with general price increases over the same period of 30.7%.

With the recently-announced 10% pay increase, the average public-sector pay packet will be R985,19 a month, 53,8% higher than in September, 1983. The full restoration of annual bonuses for public servants will boost average remuneration levels even further.

These figures emerge from calculations based on data published by Central Statistical Services. They include all races.

By comparison, the private sector has generally not managed to beat inflation.

JOHN TILSTON

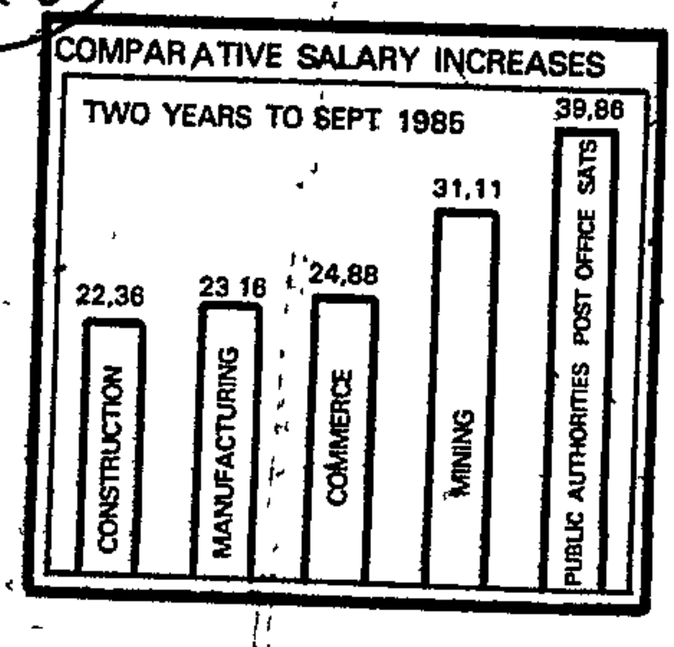
Average pay in the commercial sector increased by 24,88% to September last year. Similar increases were recorded by the construction and manufacturing sectors of the economy.

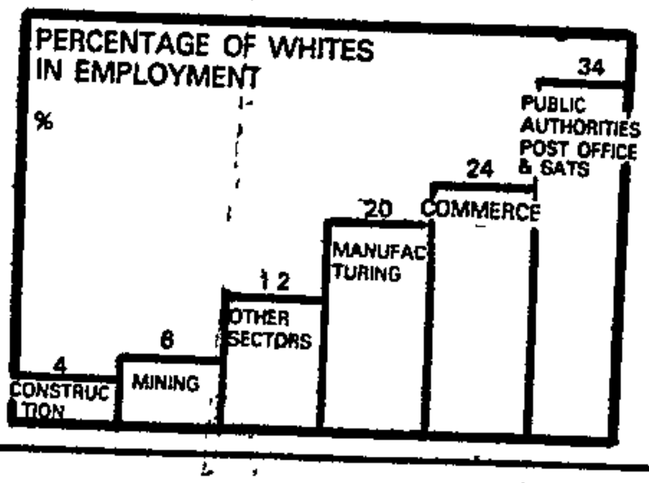
Even average wages in the buoyant mining sector have increased by only 31,11% over the same two-year period.

Nevertheless, public-sector pay still lags behind that of the rest of the economy in absolute terms. The average wage in the private sector — excluding agriculture — was R1 012,10 a month in September. This is likely to increase by 12%, the most common estimate of private-sector pay increases this year, to R1 133,55.

A sectoral analysis shows that the highest-paid sector of the economy is commerce, where the average wage is

● To Page 2





BDAY 24/3/86.

Public pay rate grows

● From Page 1

R2 023,40 a month, twice as high as average public-service rates.

Commercial pay rates have grown by only 24,88% in the two years to September, way below the rate of inflation, and by 15% less than public-sector pay. Average monthly pay in the manufacturing sector was R806,40, in the construction sector R628 and in the mining industry R562.

Between September 1983 and September last year the number of people employed by "public authorities, the Post Office and SA Transport Services (Sats)" declined by 0,75% to 1,198-million.

During the same period the total wage bill, the gross remuneration of employees but excluding any payments in kind, increased by 38,82% to reach R3,2bn a quarter. The average wage, therefore, is R895,63 a month. The recently-announced 10% increase takes this figure to R985,19.

The higher average pay rates in the public sector and in commerce (R2 266,20, assuming the generally-supposed 12% increase), than in other sectors of the economy, are the result of significantly higher proportions of whites in them.

Of the total workforce in each of these sectors, 42% are white. In the construction (13%), mining (16%) and manufacturing sectors (23%) the proportion of white to other employees is much lower.

Despite the decline in employment, the public sector is still the largest employer of whites at 34% of the total. Employment of all races in the construction industry dropped 3,85% over the two-year period, in the manufacturing sector it declined by 3,52% and commerce shed 1,05% of its workforce. Only the mining sector took on more people (5,16%).

In last Monday's Budget speech Finance Minister Barend du Plessis said that 71% of State employees earned less than R10 000 a year (R833,33 a month) in 1985, and 94% under R20 000 (R1666,66 a month).

Consumer Council was 'naive'

Supermarket chiefs blast price surveys

By Jackie Unwin

Angry supermarket chiefs have blasted the Consumer Council for its price surveys, claiming they are misleading and distorted Even the supermarket chain which appears to have come out best says it was "just lucky".

They criticise the council for misreading the results of its latest survey on the supposed effect on supermarket prices of the 10 percent decrease in the petrol price

DISTORTED

The council issued a press release this week giving the results of the latest survey on Pretoria stores, but after representation from Checkers, issued an addition to its release agreeing the survey could give a "distorted picture"

The council made two surveys on February 28 and on March 26 A comparison of prices in the two surveys showed the following (where the total of the items surveyed were taken into consideration)

- Pick 'n Pay Vermeulen Street — a decrease of 2,6 percent
- Pick 'n Pay Verwoerdburg City — a decrease of 0,8 percent
- OK Bazaars Verwoerdburg City — a decrease of 3,1 percent
- OK Bazaars Lynnwood Manor — a decrease of 2,6 percent
- Checkers Sunnypark — an increase of 3,7 percent.
- Checkers Lyttleton — an increase of 4,5 percent
- Spar Barclay Square — an increase of 0,4 percent
- Hyperama — a decrease of 0,7 percent
- Pick 'n Pay Hypermarket — an increase of 0,2 percent

The council's first press release praised Pick 'n Pay and the OK Bazaars for the price decreases

The second stated "I wish to point out that Checkers froze its prices for one month as from January 20, which is seen as praiseworthy," says Consumer Council director Mr Jan Cronje

"It would appear that the choice of Checkers to freeze prices was taken at a very unfortunate time The decrease in the petrol price straight thereafter and Checkers' return to normal prices thus shows a much higher increase — which most probably gives a distorted picture"

Mr Allan Fabig, director of OK Bazaars, which came out best in the survey, said the council was "naive"

"Prices have not come down as a result of the petrol price reductions The supermarket industry lives on deals The prices go up and down the whole time

"We thought the council's price surveys had been debunked — it came threequarters of the way to admitting it I thought it had abandoned them

"I don't think the surveys should be given credibility The council hasn't done its homework

"The whole thing is a farce The surveys are badly conducted by amateurs on the wrong lines, some of them luxury items I don't think it does the supermarket industry any good

"The fact that we came out top this time was luck — it could so easily have gone the other way"

Mr Clive Weil, managing director of Checkers, said "I have never heard of a worse example of mixed-up thinking The council's Press release talks about percentages — percentages on what? Not a single buying price has been decreased as a result of fuel

"It is absolutely misleading information

"The council took one reading during our price freeze and one after the freeze when prices were raised, which distorts the results"

BETTER DEALS

Mr Robin Burnill, marketing director of the Spar Group, said manufacturers did not reduce prices because of the petrol decrease

"What happened is we have all been leaning heavily on the manufacturers In some areas they have given us better deals, but whether they are permanent is hard to judge"

He said the council was "assuming" price drops were due to the petrol price decrease "We all have specials"

Mr Richard Cohen, director of Pick 'n Pay, said "In one or two cases price drops might be due to the petrol price decrease, but not all"

BLACK CONSUMERS

The giant sleeps on

Increasing real wages don't necessarily improve quality of life for blacks. A series of micro-studies in Soweto by Wits social anthropologist Jeremy Keenan has revealed a "catastrophic increase" in unemployment and a drop in informal sector activities which more than offset the benefits of rising wages

While some households have better living standards, the increase in the numbers which have fallen below the poverty line is far greater, says Keenan. "And, since the first survey in 1978, 80% of households have fallen below the poverty line at some time."

On these grounds, he cautions against the belief that the black consumer market is about to take off "This has been the central concern of Johannesburg retailers for 100 years, we are still being told stories of how the sleeping giant is going to awake"

He believes the groups studied, though small, are "typical of what is happening in almost every corner of the country".

"Data from the initial study was drawn from 50 randomly selected households in Rockville in Moroka West, which could be regarded as being in Soweto's top 25%. The study collected data on income from both formal and informal activities, employment and unemployment, household structures, poverty levels, the adaptive strategies of households and so on. In 1981, the study was expanded to include 50 households from Phiri and a further 50 from White City."

In Moroka, where household sizes have fallen by 15% since 1978, real per capita income (PCI) at the end of 1985 was less than 1% more than it was in 1978 In Phiri, where household sizes have decreased by about 8% since 1981, PCI has declined by 14%. And in White City, with a decline in household size of 3%, PCI has declined by 17%

A major cause is the increase in unemployment between 1981 and 1985· from 37% to 46% in Moroka, from 32% to 52% in Phiri; and from 32% to 60% in White City In real terms, average informal income per household dropped significantly between mid-1984 and the end of 1985· by 54%, 61% and 50% in Moroka, Phiri and White City.

To survive, families have reduced the number of dependents, sending children and the elderly "to live with kinsmen elsewhere, usually in the homelands" Keenan points out the severe limitation of this strategy. "It is an act of desperation, a step towards the disintegration of the family unit and an abdication of parental and familial responsibility." ■

Shoe workers' pay upped



WORKERS in the shoe-making industry are to get a 12,5% wage hike from July 1, under an agreement signed between the Footwear Manufacturers' Federation (FMF) and the SA Federation of Leather Trade Unions last week.

The across-the-board increase will apply to all sections covered by the Industrial Council's footwear agreement. The employees will also benefit from an extra working day's paid leave a year, raising the present allowance to 15 days.

A leather industry source said the negotiations took two full days

ALAN PEAT

The unions were pressing for an increase in excess of the present inflation rate — estimated at 18,5%. And the industry aimed at a lower figure than was finally compromised on, as the manufacturers continue to feel the effects of a recessed market and competition from cheap imports.

Dennis Linde, executive director of FMF, said the industry felt that the impact on the price of end-products from the wage increase would be "no more than 5%".

Parliament and Politics

Du Plessis attacks CP over schools

Political Staff
and Sapa

HOUSE OF ASSEMBLY — The direct tax paid by most Afrikaners was not sufficient to cover the cost of their children's education, the Minister of Finance, Mr Barend du Plessis, said yesterday

Replying to second-reading debate on the Budget, he rejected Conservative Party complaints that whites paid for the education of blacks

Redistribution of income to pay for the schooling of developing communities in South Africa was an "absolute prerequisite" and a "Christian reality"

Mr Du Plessis said a white family with two children had to earn a total of R27 500 a year before they paid enough tax to cover their education

Rough figures showed that 68 percent of two-child families did not reach this income-level

Altogether, 89 percent of whites with one child at school and one at university, and 94 percent of those with two children at school and one at university, did not earn enough to pay for their education

Quoting a study by University of Stellenbosch economic statistician Prof J L Sadie, Mr Du Plessis said that "even today" it was fair to say that English-speaking whites paid 60 percent of all income tax

'Were on their knees'

A company could not be classified as purely English or Afrikaans, but according to Professor Sadie, only 22 percent of companies in this country were under Afrikaans control

According to him, English speakers paid 75 percent of total company tax

"I say categorically that it is acceptable to members of the CP that in the days when Afrikaans-speakers were on their knees, they were subsidized by English speakers

"But now there is this illusion that the Afrikaner has developed to such an extent in the economy that he can stand on his own feet, this issue of redistribution of incomes is being thrown at our heads"

Facts showed that the claim that the Afrikaner was economically self-sufficient was "not true", Mr Du Plessis said The "unarguable truth" was that even now the majority of Afrikaner families did not pay enough tax to cover the cost of their children's education.

He had never, since 1948, heard an English-speaker say he was against paying for an Afrikaner's education This was because they realized all South Africans were bound by destiny into the same economic community.

Relief for motor industry

Rightist radicals tried to politicize this matter

"But we as Afrikaners have no moral right to do this The facts of the history of this country say otherwise"

It was a "shock" to hear the level of CP debate South Africa was at an hour of crisis, and members had to rise above their own self-interest

● Much-needed relief, possibly in the form of reductions in customs duty or some other tax concession, may be on the cards for the beleaguered Eastern Cape motor industry

This was hinted at yesterday by Mr Du Plessis

He stressed that while he did not want to raise hopes unnecessarily, consideration was being given to tax concessions and suggested a reduction in customs duties was one possibility

Mr Du Plessis said any decision would have to await the report of the Margo Commission — expected within the next few months

Changed GST structure

He said the commission was also to give consideration to a changed structure for general sales tax

Until this had been done he believed no attempt should be made either to reduce GST or tamper with it structurally

The minister contested claims that a reduction in GST would alleviate the plight of the poor, noting that most basic foodstuffs were exempt from the tax

Mr Du Plessis rejected out of hand assertions that the Budget failed to give any attention to the country's inflationary problems

Several elements addressed this problem, he claimed These included

● Setting money supply targets

● Keeping increases in government expenditure below the inflation rate

● The deficit before borrowing was reasonable by most limits — and the intention was to finance it in a non-inflationary manner

Widespread condemnation of new Bill

Employers may have to collect State's rent

BUS DAY 17/4/86. STAR

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BLACK local authorities are to be given powers to recover rents and money due to them. Draft legislation enabling this was tabled in Parliament yesterday by Constitutional Affairs and Planning Minister Chris Heunis.

Under the Bill, cash outstanding can be collected from employers

This aspect has already been criticised by organised commerce and industry

The Federated Chamber of Industries (FCI) and the Associated Chambers of Commerce (Assocom) yesterday both rejected the Bill in principle

"Employers should not be drawn into the landlord-tenant relationship Until now, we have sought actively to avoid being rent collectors for the State or local authorities," said FCI manpower committee chairman Bobby Godsell

CHRIS CAIRNCROSS and CHERILYN IRETON

A controversial clause in the Black Local Authorities Amendment Bill — already condemned by Opposition MPs as a "recipe for trouble" — empowers local authorities to issue garnishee orders against employers, instructing them to withdraw amounts due to local authorities from employees' salaries or wages

The draft legislation states that the amount to be deducted may not exceed 25% of a worker's pay.

It also enables magistrates to issue warrants of execution against employers' movable properties if they do not collect amounts their employees owe the local authorities

Proper notice has to be given to the employers and employees involved before this can be brought into effect.

Assocom manpower secretary Vincent Brett, rejecting the Bill in principle, said debts should be pursued through courts or other normal channels

Progressive Federal Party spokesman on black rural affairs Ray Swart (MP for Berea) slammed the draft legislation as a recipe for trouble.

"It disregards the rights of the individual and passes the buck to the employer," he said

"It could be the cause of considerable friction between employer and employee and the local authority takes on itself the rights of a court to pass judgment on residents in its area, and then instructs an employer to deduct the rentals due from his employee.

"In the present climate, in which a volatile situation already exists with the jurisdiction of black local authorities,

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Rents Bill slammed

● From Page 1

these measures are highly dangerous," Swart said.

Cosatu general secretary Jay Naidoo warned that employers could be caught in the crossfire if they deducted money for the councils.

Urban Council Association of SA (Ucasa) deputy president Tom Boya recently estimated that unpaid rents totalled R60m.

He said the main areas affected were Katlehong on the East Rand, the Vaal area and Mamelodi near Pretoria

Boya said rent boycotts had rendered some townships ungovernable and 32 community councils and three town councils had collapsed as a result.

PFP law and order spokesman Helen Suzman said the offending clause was asking for trouble.

"Government seems totally unaware of the mood of the townships, not to mention the struggle which black people are having in the present economic recession, and in the fight against inflation.

"Trying to cope with the recent boycott in this arbitrary way instead of attempting to resolve the basic causes of why people are not paying rents seems to be the height of folly.

"This is a discriminatory measure because these powers are not given to local authorities dealing with other races, where presumably in some instances rents are not paid"

Suzman said the effect on the relationship between employers and workers was likely to be disastrous — at a time when everything should be done to minimise the dangers of strikes and industrial unrest.

"I anticipate a loud yell of protest from employers when they are confronted with a warrant of execution against their movable property because they have failed to pay back the charges for rents and services of their workers.

"This absurd provision should be withdrawn forthwith," Suzman concluded.

The Coloured Labour Party said the proposed legislation was totally unacceptable

In a statement released in Cape Town, the LP said "It is unreasonable and certainly unjust and discriminatory in that it concerns blacks only. Other people are also involved in non-payment of rent

"It must be seen as a political response to the political action, in that certain organisations have forced people not to pay rent."

Black really is beautiful

Financial Staff

The South African toiletries market is undergoing a profound change, becoming increasingly dominated by black purchasing power

In 1975 only 40 percent of black households used deodorants — in 1985 usage of these products had increased to 87 percent There is also a trend in some categories by blacks for more expensive brands which has led to a shift in the entire market structure

A Market Research Africa survey shows that specific sectors of the market are recording astonishing growth A particularly dramatic example comes from the hair care sector Black expenditure here grew by 93 percent during 1985 to R35 million (excluding salon treatments)

In the conditioner category particularly, black volume growth of 39 percent was accompanied by a move to more expensive products, with a resultant tripling of market value

With white/Asian/coloured expenditure growing at a more modest 22 percent, the black share of total hair care expenditure increased from 25 percent in 1984 to 34 percent in 1985, at the same time, the value of the total market (all race groups) grew by 39 percent compared with 1984

In the deodorant category continuing black market growth has seen an increase in the share of the roll-on segment (which is 71 percent black) to 34 percent of the total category, with roll-on deodorants showing volume growth of 11 percent in only six months

PFP slams 'dangerous deduction scheme'

Political Staff

PARLIAMENT — A major row is developing over Government intentions to re-introduce measures that will force employers to deduct money owing to black local authorities from the pay-packets of their employees

The measure contained in an amendment to the Black Local Government Act has brought immediate condemnation from the Progressive Federal Party which has described it as "highly dangerous and irresponsible"

Government officials however yesterday defended the move, saying it was not a new principle and made the "collection of money much quicker and easier"

Mr Ray Swart, PFP black affairs spokesman, said a volatile situation existed in the black townships and the measure could fuel it further

Thumbs down to Heunis' rents scheme

20/4/88.
CITY PRESS
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CP Reporters

CONSTITUTIONAL Affairs and Planning Minister Chris Heunis came under heavy fire yesterday because of his plan to "turn employers and black local authorities" into rent collectors

The attack follows Heunis' draft legislation tabled in Parliament on Wednesday which proposes the abolition of black community councils

According to the Black Local Authorities Amendment Bill, councils will be replaced by greater city and town councils and town committees with legislative powers

And with a new line of control, development boards will finally lose their say over local black government

According to the Bill, the way is opened for Heunis to delegate control of black local government to provincial administrators

The Bill – which also gives him the power to make by-laws and regulations – was described by Heunis as "the end of an era of community councils", reports *Sapa*.



HEUNIS
Slammed

In terms of the Bill, local authorities will be given permission to increase tariffs for their services

The Bill has been described as a Government move to crush township opposition to apartheid and follows the refusal of township residents – especially those in the Eastern Cape and parts of Transvaal – to pay rents

Prominent and influential business groups like the Federated Chamber of Industries and the Associated Chambers of Commerce rejected the Bill in principle

The Congress of SA Trade Unions will hold urgent regional meetings tomorrow, Cosatu acting regional secretary Bangilizwe Solo said

"We view this bill in a very serious light And we would like to warn the State that we will take strong action against the authorities if they go ahead with it," he said

Solo said Cosatu has been approached by hundreds of members worried about the implications of the Bill if it finally becomes law – probably in June

"And it is going to cause serious friction between employers and workers," he added

Black Mining Construction and Allied Workers' Union publicity secretary Motsomi Mokhine said the Bill was a Government move to crush resistance to apartheid

"This Bill is aimed at circumventing resistance to apartheid – it's just another form of repression," he said

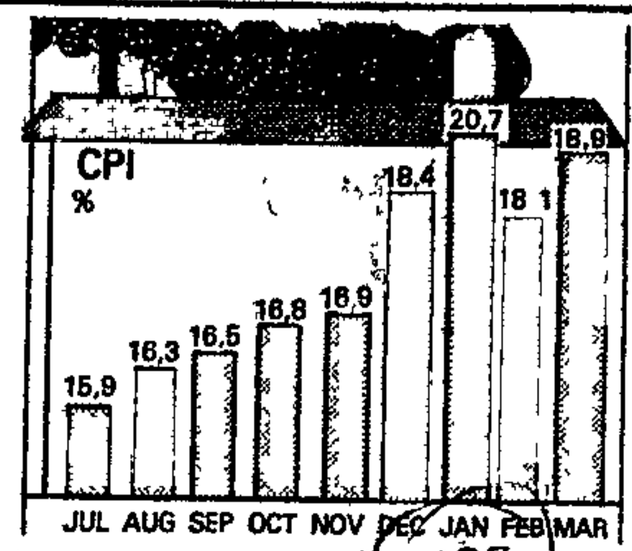
"As representatives of black workers we would like to warn managements not to collaborate with the system in its endeavour to further supress the interests of black workers"

Azanian National Youth Unity spokesman Carter Seleka said the Bill was completely unacceptable He said it was aimed at trapping workers to pay the ever-increasing rents

"The move will only provoke the patience of black people more," he said

Soweto Chamber of Commerce and Industries member Veli Kraai said the Government wanted to "withhold black peoples' salaries without their consent"

... two more in Gen... Today ... Th...
... See Page 6



Inflation rate up at 18,19%

JOHN TILSTON
Economics Editor

THE INFLATION rate increased to 18,9% in March, following its decline in February to 18,05% from January's record 20,7%.

The high rate continues to act as a drag on economic recovery.

Capital market rates, the most immediately sensitive to the rate of inflation, firmed only slightly on news of the higher Consumer Price Index. The bellweather RSA 13% 2005 closed at 17,35% after trading down to 17,25% earlier.

The CPI gained 1,16% in March (an annual rate of just over 14%.) While that is encouragingly lower than the year-on-year increase of 18,9%, it is higher than the February monthly increase of 0,93%.

For the first time in over 12 months the food section index of the CPI was unchanged. It was largely food price increases that pushed January's inflation rate to 20,7%.

Old Mutual economist Rob Lee said the increase was as expected because of the small monthly increase in March last year, which effectively assured a higher March '86 rate.

The lower-income group index rose a year-on-year 18,12% in March; the middle-income group index rose 18,72% and the higher-income group index, 19,16%.

Survey pinpoints SA's costly cities

23/4/88 - 126 STAR.

By Sheryl Raine

Johannesburg, Pretoria and the Vaal Triangle are the most expensive urban areas for blacks to live in, according to the latest household subsistence level survey released by the University of Port Elizabeth

Benoni, Maritzburg, East London and Port Elizabeth are the cheapest of the larger urban centres for a six-member black family

Pretoria is by far the most expensive city in the country for a coloured family of five, because of the high cost of housing Johannesburg is the second most expensive area for coloured families to live, followed by Kimberley and East London King William's Town is the cheapest urban centre for coloured families, followed by Uitenhage

LOW

The survey, conducted during the first three weeks of March, revealed that the overall percentage increase of the household subsistence level for a six-member black family over the past 12 months was a relatively low 9,2 percent, for a five-member coloured family this was 10,6 percent and for a six-member Indian family in Durban, 11,6 percent.

These increases were substantially lower than the Consumer Price Index of 18,1 percent for urban centres (17,4 percent for lower income groups)

"After the spate of price increase announcements, notably fuel, transport, sugar, meat, eggs, margarine, and oil, a high rate of increases (in the household subsistence level) was to be expected," the survey said

It revealed significant increases in transport costs Increases varied from 0 to 30 percent in Durban, where two increases were introduced since September last year. Generally, transport costs increased between 12 and 25 percent

It was noted that price increases on items exempted from GST were low

Countrywide living costs

The following is a list of monthly living costs for a six-member black family and a five-member coloured family respectively in various urban centres around the country:

- **Cape Town: R359, R381.**
- **Port Elizabeth: R348, R357**
- **East London: R348, R367.**
- **Kimberley: R354, R387.**
- **King William's Town: R321, R336.**
- **Uitenhage: R350, R339.**
- **Durban: R361, R382, (Indian family of six R431).**
- **Maritzburg: R332, (no figure for coloured family).**
- **Pretoria: R380, R437.**
- **Johannesburg: R383, R426.**
- **Benoni: R333, (no figure for coloured family).**
- **Boksburg: R345, (ditto).**
- **Brakpan: R363, (ditto)**
- **Germiston. R359, (ditto).**
- **Springs· R352, (ditto).**
- **Krugersdorp· R382, (ditto).**
- **Vaal Triangle: R373, (ditto)**

Black orientated stores post better-than-average results

STAR 24/4/86. 128

By Sven Lunsche

The last six months have seen a massive turnabout in the retail industry The established companies have largely seen their profits cut back substantially, while mainly black-orientated stores have posted succesful interim results

Frasers, who topped the upper range of analysts' forecasts, increased its earnings by 61 percent, as did Jazz and other major stores which are largely targeted at the black market

Analysts however feel that large scale black consumer spendng will still take a while to come through and Frasers good returns have been described by one stockbroker as the result of its extensive rural store operations

"In rural areas the pressure of boycotts has been less severe, but more importantly, mine workers have been sending home more of their wages than before," he said

There is also agreement on the fact that the black boycott of retail stores, apart from being difficult to verify, has not contributed substantially to the dismal performance of the retail sector

On the other side of the scale, retail giants Pick'n Pay suffered an almost 25 percent drop in its share price after disappointed investors offloaded the shares following the drop in profits in the annual results

Says Frankel Kruger retail analyst Mr Jeremy O'Regan "With the noticeable exception of Clicks and Waltons, the Pick'n Pay results are indicative of the general feeling in the retail industry"

He believes that the steady decline of real income among whites estimated to be at an annual four percent, and a fiercely competitive market are the main reasons for the setback.

This view is supported by a Pick'n Pay spokesman Mike Marsden "The general economic climate and the resulting unemployment and depression, have made people more price conscious, if they have any money left The economy is very soft, while at the same time the market is very competitive"

The downward trend, many analysts claim, started just a few months before Christmas and the poor sales were characteristic of the consumer's price consciousness

According to the Managing Director of Clicks, Mrs June Kritzinger the consumer trends have been reversed that is, "towards getting the best buy at the lowest costs."

For the first two months Clicks sales were 18 percent up on the previous year and Mrs Kritzinger believes that the trend should continue. Apart from the fact that basic toiletries, the company,s major trading item, have registered a tremendous growth as a result of rising black consumer spending, she says the State President's opening of Parliament speech had created some initial confidence

Analysts however feel that this has been the exception to the rule "February has been a terrible months for most of the companies and only slight increases in respect to previous months sales will be recorded in March Sales are expected to pick up only at the end of April, as the Budget has created a certain amount of optimism and the public service increases will come through at that stage," one broker said

The Deputy MD of Dion's, Mr Steve Kurland supports this view "The trend has bottomed out in February and March and while we have not seen any major increases yet, consumer spending should pick up again in the near future"

An analysis of the various sectors of the retail industry shows that only furniture recorded some positive results at the beginning of the year

Most analysts have laid the blame for the slump at the general economic recession

Clive Weil, the Checkers MD however feels that the authorities have misunderstood how tightly pressured the consumers are

"While Checkers sales have been satisfactory the market overall is still very soft The massive price increases are making themselves felt"

FIN MAIL 25/4/86

TOWNSHIP RENTS 128

Employers as police

Government is expected to come up against a brick wall if it tries to push through parliament a controversial new measure to force employers to deduct rent from black employees — and to take legal action against the employers if they refuse to do so It is reminiscent of the highly controversial R400 fine placed on employers of domestic servant "illegals" not all that long ago, which one (white) woman openly defied in a much-publicised case last year.

The clause, contained in the Black Local Authorities Amendment Bill, tabled in parliament last week, has been condemned across the political and business spectrum.

There seems little chance that it will be approved by coloured and Indian MPs and government may be forced to use the Nationalist-dominated President's Council to push the measure through if it seriously wants it enacted.

The measure is obviously aimed at breaking the rents boycott which has spread to townships across the country In some areas, notably Sebokeng in the Vaal Triangle, no one has paid rent for a year. Some estimates put the amount outstanding at around R60m.

The new measure would allow a black local authority to demand that an employer deduct arrears rent and service charges — not exceeding 25% of the employee's wages — and pay the money over to the local authority.

If the employer refuses to do so, a warrant of execution against the moveable property of the employer for the recovery of the outstanding money may be issued by a magistrate

Personal savings drop a... bad times empty pocket...

(58) (128) Times 27/4/86

By Amrit Manga

ECONOMIC conditions are unlikely to improve dramatically this year, and there is no indication that people are building up precautionary balances in anticipation of difficult times.

Nedbank, which looked at the savings pattern, says: "Although 1985 was a tough year economically with little indication of improvement in the near future, the public did not materially increase the proportion of its disposable income, as measured by the personal savings ratio, allocated to savings."

Quarterly figures compiled by the Reserve Bank show that the personal savings ratio declined from 8,2% in the fourth quarter of 1984 to 5,6% a year later

Post Office

Reserve Bank figures also show that South Africans drew on their savings in the past five years.

Although the personal savings ratio declined, many people are putting money aside. But their savings are going to the Post Office's tax free investments instead of banks.

If interest rates continue to remain below the rate of inflation, currently 18,19%, the parking grounds for savings may also alter

Barry Swart, Barclays Bank deputy managing director, says: "You can't really blame them when we see that the inflation rate turns 14% into a negative interest rate by a wide margin — and tax has to be paid on the negative return."

The banks' deposit mix has been adversely affected.

Mr Swart says: "Our core retail deposits now form a much lower percentage of our total deposits than they used to We are having to fund our increasing balance sheets with funds from the money market."

Call money

This has significant implications for banks when interest rates increase. "If the call rate rises one percentage point — as it has over the past month — and prime rate remains unchanged, you can imagine what that does to our margins."

In facing the squeeze, banks have been obliged to keep tight control over non-interest costs.

Mr Swart says. "This effort is bedevilled by increases in administered prices like those of the Post Office and the exchange rate on the price of imported technology"

Staff cut

But what about future savings trends? Nedbank says total real personal disposable incomes are likely to remain under pressure in the years ahead as a result of the weak demand for labour

Personal disposable income will come under pressure as fringe benefit taxation becomes steadily more onerous.

In all likelihood, price increases in basic necessities will continue to outstrip wage and salary rises. Many people, and in particular those with a low income, will find it difficult to save.

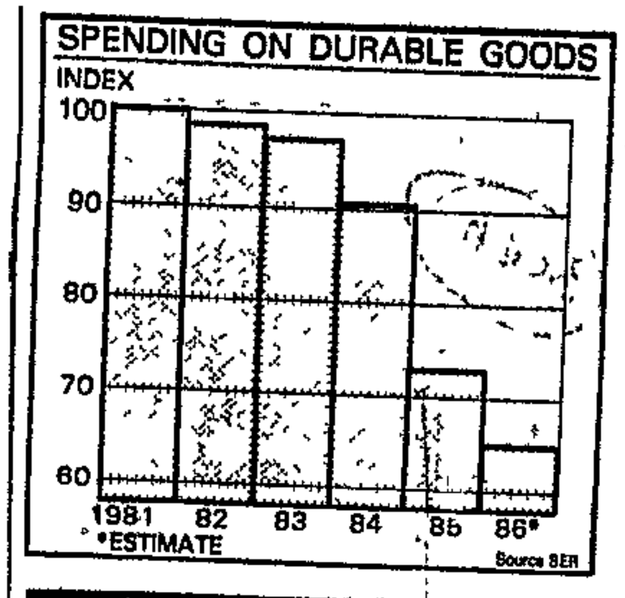
In spite of having taken a knock from the Post Office in the savings area, Barclays has done well overall. The bank's total staff has fallen through attrition by 600 in the past year

The economic situation has not helped. Barclays hire-purchase arm, WesBank, is experiencing a record level of bad debt The worrying aspect of the trend is that 40% of this bad debt is registered by customers who under better economic circumstances would be considered valued customers, says Mr Swart.

Gearing

"Where people have lost their jobs even less onerous repayment terms are not much help to embattled borrowers."

Fortunately, a lower cost of funds is compensating for both the bad-debt problem and lower number of transactions Rand volumes, however, remain high because of costly cars A reasonable profit for WesBank is already "locked in"



No short-term upturn in sight, says BER

SOUTH AFRICANS will remain under economic siege this year, says the latest issue of *Economic Prospects* of the Bureau for Economic Research (BER).

Its author, Ockie Stuart of the University of Stellenbosch, expects consumers to come under pressure from declines in real wages and higher tax rates in July when higher levels of perks tax take effect. Private consumer spending will drop by 1% from last year's depressed level.

JOHN TILSTON

Real spending on durable items is projected to show its sixth consecutive annual fall and be at the level of such spending in the late seventies. It should fall 9,4% this year. Last year it fell 19,5%.

Spending on semi-durables should again be affected by boycotts.

Savings will fall, reflecting the difficulty many consumers are having in making ends meet.

The personal savings ratio (personal savings as a percentage of disposable income) should fall to 3,7% in the last quarter from the first quarter's 6,9%.

Fixed investment should continue in the doldrums.

It has fallen continuously since 1982 at an annual average rate of 4%. This year it is likely to decline by 7,0%.

Not even the public sector will boost investment. On average, capital formation is expected to decline by 4%. Major cutbacks by public corporations will result in a fall of 14% in fixed investment.

Much of the private sector, heavily dependent on state spending, will, therefore, feel the pinch.

Jo'burg a cheap city

NEW YORK — After four years as the world's most expensive city, the Nigerian capital of Lagos has been topped by Tokyo, according to Business International Corp's 1986 survey of executive business costs.

Johannesburg was placed ninth on the list of the 12 cheapest cities to live in, with the last three on a par with one another.

The survey found that the strengthening yen and Nigeria's currency difficulties led to Lagos' fall from first to third place.

The second-costliest city is Tehran, the Iranian capital. "The few remaining foreign executives do not have regular access to the ration coupons that take some of the sting out of high market prices," the report said.

At the other end of the index was Asuncion, capital of Paraguay, where a live-in maid costs $40 a month.

Business International did the survey in January based on the cost of food, alcoholic beverages, personal care items, tobacco, utilities, clothing, domestic help, transportation, recreation and entertainment. — Sapa-AP.

FRIDAY, 2 MAY 1986

†Indicates translated version

For written reply

General Affairs

HANSARD 2/5/86 QCR 1511 (128)

Taxable income

337 Mr B B GOODALL asked the Minister of Finance

(a) What were the total taxable earnings for Whites, Coloureds and Indians, respectively, in 1984 and (b) what was the (i) total taxable income earned in this year by each of these race groups and (ii) percentage increase or decrease for each such group over the previous year?

The MINISTER OF FINANCE

			Whites	Coloureds	Indians
(a)		(1984)	24 679,9 m	1 462,3 m	1 171,5 m
(b)	(i)	(1985)	21 929,8 m	1 580, 1 m	842,9 m
	(ii)		4,54%	14,77%	22,33%

Notes

(1) It is assumed that what is required under (a) and (b)(i) is the taxable income assessed for the 1984 and 1985 tax years, respectively This excludes taxpayers paying tax under the Final Deduction System, in respect of whom accurate statistics are not available

(2) The statistics for the 1985 tax year are incomplete because ± 25 per cent of individual taxpayers have not yet been assessed The percentage growth has therefore been calculated on the average income per taxpayer

Q car 1571

HANSARD 2/5/86

Mamelodi: ammunition issued

326 Mr P G SOAL asked the Minister of Law and Order

With reference to his reply to Question No 6 on 11 February 1986, how many (a) tearsmoke canisters, (b) quirts, (c) shields, (d) helmets, (e) rounds of buckshot and (f) R1-rifles were issued to the members of the South African Police deployed in Memolodi on 21 November 1985?

The MINISTER OF LAW AND ORDER

Except to mention that adequate equipment had been issued to members of the South African Police deployed in Mamelodi on 21 November 1985 to resist any eventuality, I am not prepared to furnish further particulars

(a) to (f) Fall away

HANSARD Q car 1572 2/5/86

99-year leasehold

528 Mr P G SOAL asked the Minister of Constitutional Development and Planning,

(1) How many houses (a) had been bought under the (i) 99-year leasehold and (ii) 30-year ownership scheme and (b) were being rented in each township falling under each specified Development Board as at 31 January 1986,

(2) how many housing units had been sold under the special State housing sale scheme in each specified Development Board area as at that date?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

99-Year leasehold is a form of land tenure and does not necessarily include houses. In the reply to question 1(a)(i) no distinction is made between developed and undeveloped sites in respect of the following Development Board areas. With this reservation, the question is replied to as follows

Northern Cape Development Board

(1) (a) (i) 333

(ii) 3

(b)

Mataleng	404
Bongani	195
Motswedimosa	239
Tlhakatlou	224
Boipelo	117
Boichoko	616
Huhudi	399
Thembinkosi	127
Lukhanyisweni	101
Mziwabantu	110
E'Thembeni	246
Matlhomola	200

(2) 33

Orange-Vaal Development Board

(1) (a) (i) 404

(ii) 1 092.

(b)

Bothaville	817
Frankfort	156
Harrismith	811
Heilbron	4
Parys	25
Petrus Steyn	4
Viljoenskroon	145
Villiers	201
Vrede	237
Vredefort	32
Warden	84

(2) 174

Southern Orange Free State Development Board

(1) (a) (i) 1 913

(ii) 2 969

(b)

Allanridge	—
Bethulie	132
Boshof	289
Bultfontein	—
Brandfort	305
Clocolan	109
Dealsville	178
De Wetsdorp	221
Edenburg	147
Excelsior	69
Fauresmith	134
Ficksburg	126
Fouriesburg	61
Hennenman	—
Hertzogville	—
Hobhouse	74
Hoopstad	155
Jagersfontein	75
Jacobsdal	189
Koffiefontein	102
Marquard	105
Paul Roux	8
Petrusburg	129
Philippolis	136
Reddersburg	156
Rosendal	4
Rouxville	47
Senekal	1 062
Smithfield	34
Soutpan	260
Springfontein	207
Theunissen	204
Trompsburg	188
Tweespruit	386
Vanstadensrus	2
Ventersburg	41
Verkeerdevlei	2
Wesselsbron	111
Wepener	—
Winburg	251
Zastron	318

(2) 1 913

Natalia Development Board

(1) (a) (i) 14

(ii) 3 205

414

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Real personal income will drop 2% — Unisa report

5/5/86 STAR

128

Real personal income was expected to drop by about two percent this year due to a further fall in real remuneration of employees and the maintenance of high personal income tax, says Unisa's Bureau of Market Research

The new tax concession were cancelled-out by fiscal drag, the report, titled *Forecast of Retail Sales for 1986*, said

But easier HP conditions and credit facilities, lower interest rates, and savings reserves built up in 1985 would allow for a moderate increase in real private consumption of about one percent, the report added

"Although there is a close and fairly stable relationship between private consumption expenditure and retail sales, the Bureau expects a slightly higher increase in real estate sales, viz 1,5 percent for 1986, since those private consumption expenditure items which do not flow through the retail system, like personal transport equipment, petroleum products and services, are expected to increase at a slower rate than total private consumption expenditure

IMPORTED MERCHANDISE

"The moderate increase in real total retail sales will, of course, affect the 18 merchandise groups differently"

Sales of imported merchandise, like television sets, radios and certain entertainment and sports requisites, would experience a decrease, while sales of household furniture, domestic appliances, food and non-edible groceries were expected to increase, albeit at a slower rate than the popular growth, which meant a reduced standard of living per head of population

"Of total retail sales whites are expected to command 45,2 percent, blacks 40,8 percent, coloured 9,3 percent and Asians 4,7 percent If black boycotts of white retailers continue during 1986, the percentage for blacks will be somewhat lower, and those for whites, coloureds and Asians correspondingly higher," the report said

The report was compiled by Professors FE Radel and M Loubser and is obtainable, for R100, from the Bureau of Market Research, Unisa, PO Box 392, Pretoria, 0001 — Sapa

6/5/86
STAR

2 pc drop in income forecast

125

Pretoria Bureau

A 2 percent drop in real personal disposable income has been forecast by the Bureau of Market Research at the University of South Africa.

The drop is due to a further fall in real remuneration of employees and the maintenance of high personal income tax

The tax concessions are expected to be balanced out by the fiscal drag

In contrast a moderate increase of one percent in real private consumption expenditure is expected to be brought about by the easier high purchase condition and credit facilites, lower interest rates and savings reserves built up during 1985.

The bureau has predicated a slightly higher increase in retail sales, about 1,5 percent.

Blacks should dominate the market but if boycotts continue the white share of 45,2 percent could increase.

FIN MKTS 16/3/87

PRODUCTION PRICE FALLS

Another welcome drop in the increase in the production price index (PPI), to 19,6% year-on-year, is reported for March. More significant is that the imported price component has fallen to 27,9%. This compares to 30,8% the previous month and the peak of 32,7% in January.

The indices for the components hardly changed. The all-commodities index remained at 206,9, while the index for the imported component actually fell from 227,8 in February to 227,6.

Says Barclays' economist Alan Doyle: "It definitely points to a further cut in fuel prices; maybe we will see a fall in the CPI for April, from the March 18,9%." He points out that whether the steady reduction in imported inflation is passed on to the consumer depends very much on the government.

The authorities have already withheld some benefits of falling oil prices. For example, excluding the present over-recovery position and additional levies introduced by government since January, Reef 93 octane would cost just 68,4c/l, as opposed to 83c currently.

However, at least some benefits from the improvement in the PPI position should filter through to CPI.

In its latest monthly tape subscription service, *Economic Comment*, Barclays expects only a slow erosion in the reported year-on-year CPI, but the January 1987 figure may reveal a major fall because it will be compared to a major jump in CPI in January 1986.

The bank points out that in times of price volatility, year-on-year rates are not necessarily indicative of overall trends. Annualising the month-on-month increase may make the pattern more clear. The CPI for March on this basis, for example, suggested an annual inflation rate of just 8,4%.

Institute: workers paid below minimum

Dispatch Reporter

UMTATA — About 70 per cent of workers in eZibeleni industries were paid below the minimum wage of about R100 per month, the Institute for Management and Development Studies deputy director, Mr Peter Wakelin, told a seminar at the University of Transkei

Speaking on industrial decentralisation the Queenstown-eZibeleni case, Mr Wakelin said the average wage per worker in eZibeleni was R90 a month In some case, wages were as low as R26 a month

With wage concessions now at R110 a month a worker, "industrialists point out very clearly that unless the wage concessions go to a minimum of R140 a month, this situation will continue"

At Queendustria, the average wage per worker was about R253 a month

Of the R1,5 m paid in concessions in eZibeleni, 80 per cent — R1,2m — was in wage concessions

"In terms of the total wage bill paid to each worker in eZibeleni, the concessions make up 75 per cent

"The wage differential between the two areas therefore becomes a very localised problem, and as a result, labour turnover in eZibeleni is high, with most workers preferring to seek employment in Queendustria," he said

Mr Wakelin said the wage incentive package had encouraged "over-employment at the expense of productivity, and has also led to many industrialists exploiting the position to offset other costs"

In a case study, it was shown that with a R99 000 wage bill for one year, a company was paid out R168 000 — a profit of R69 000

"The manager/owner's salary for the first year of operation was R60 000, yet he was paying his workers on average R50 to R60 a month"

(b)

	(i) White maize	(ii) Yellow maize
	R/ton	
Producer's price	240,35	225,27
Board's selling price ..	280,89	266,27
(c) Producer's price	21,75	10,62
Board's selling price	34,29	23,62

(2) Yes, as far as the producer price is concerned No, as far as the Board's selling price is concerned

(a) The available subsidy of R129 million is insufficient to provide fully for the handling and storage costs of the Board on maize for local consumption

(b) R5 per ton per month on both white and yellow maize as from 1 June 1986

(3) Monthly as from 1 June 1986

(4) (a) Increases of R5 per ton per month

(b)

	White R/ton	Yellow R/ton
1 June 1986	285,89	271,27
1 July 1986	290,89	276,27
1 August 1986	295,89	281,27
1 September 1986	300,89	286,27
1 October 1986	305,89	291,27
1 November 1986	310,89	296,27
1 December 1986	315,89	301,27
1 January 1987	320,89	306,27
1 February 1987	325,89	311,27
1 March 1987	330,89	316,27
1 April 1987	335,89	321,27

(5) (a)

(b)

	White maize	Yellow maize
	R/ton	
	335,89	321,27
	36,2%	32,4%

The average monthly selling price for 1986-87 is 25,1% higher in the case of white maize and 21,1% higher in the case of yellow maize The effective increase could even be lower if more maize is bought early in the season

(6) No, a news release has already been issued on 22 April 1986

HoA

Own Affairs

Welfare organisations

86. Mr R M BURROWS asked the Minister of Health Services and Welfare

Whether there has been any delay in the payment of increased administration subsidies to private welfare organisations employing social workers, if so, (a) what was the cause of the delay, (b) what was the delay in paying the 1985-86 increased subsidies and (c)(i) what is the current delay in paying these subsidies and (ii) in respect of what date is this information furnished?

The MINISTER OF HEALTH SERVICES AND WELFARE

Yes

(a) The delay was caused by the failure of welfare organisations to submit their estimates of expenditure timeously which is necessary for the calculation of increased subsidies, the submission of erroneous or insufficient information by organisations and continuous requests by organisations to amend their estimates

(b) Between 9 and 12 months depending on the dates on which complete information was furnished

(c) (i) Currently there is no delay in payment of subsidies for 1986-87

(ii) A current date

Social workers

87 Mr R M BURROWS asked the Minister of Health Services and Welfare

(1) Whether increases in the remuneration of social workers were announced recently, if so, (a) when and (b) what is the nature of these increases,

(2) whether these increases (a) have been paid to all social workers employed in his Department and (b) have been paid over to private welfare organisations for the payment of social workers in their employ, if not, why not in each case, if so, (i) with effect from what date were these increases paid and (ii) what total number of social workers received increases in each case?

The MINISTER OF HEALTH SERVICES AND WELFARE

(1) Yes

HoA

(a) On 26 February 1986 in the case of social workers in the service of the Department and on 22 April 1986 in the case of social workers in the service of private welfare organisations

(b) A ten per cent increase in salaries and reinstatement of service bonuses

(2) (a) Yes

(b) Not yet The increase for each individual case is still being calculated

(i) 1 April 1986

(ii) 378 Social workers in the service of the Department received increases and 899 in the service of welfare organisations will receive increases with retrospective effect

FRIDAY, 23 MAY 1986

†Indicates translated version

For written reply

General Affairs

Housing

598. Mr P G SOAL asked the Minister of Constitutional Development and Planning

Whether his Department spent any money in the 1985-86 financial year on the construction of housing for Blacks in (a) Cape Town, (b) Durban, (c) Pietermaritzburg, (d) Pretoria, (e) Port Elizabeth, (f) Kimberley, (g) East London, (h) Bloemfontein and (i) Johannesburg; if not, why not, if so, what amount in each case?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(a) Yes—R221 086

Priest tells of squalor and violence in Alex

By Jackie Unwin

The frustration and anger of people living in squalid conditions and separated from their families, leading to violence in the townships, was described last night by the Rev Horace McBride, priest in charge of St Michael and All Angels' Church in Alexandra township.

"People living in an abnormal situation behave abnormally," he said.

He was speaking at the Lions LINK Supper Club, which was formed to promote communication, understanding and friendship among all people.

But he had a message of love, which he said came deep from the heart of Alexandra. It was: "Tell our white brothers and sisters we do not want to rob or take away what you have — don't ever fear that.

"All we want to do is share with you. We, as fellow South Africans, want to have equal opportunity, send our children to school and live where we can afford to, take a job we are qualified to do, which doesn't depend on the colour of our skins but the merits of our minds and abilities."

He showed slides of the conditions in which the Alexandra people lived — overcrowded with no waterborne sewage, or storm water drainage.

He spoke of "the buildings of evil" — the hostels housing thousands of lonely and frustrated men and women who are prohibited from living with their husbands and wives.

FRUSTRATION

"If I had lived in the hostel for a year, could not be with my wife and children, all my urges and needs would come to the surface. If the frustration and anger builds up I might have a fight with a member of another tribe. Is that a faction fight or a frustration fight?" he asked.

He said there was resentment from the people in the township towards the people in the hostels because prostitution was rife.

The women, because of their needs, slept with the Alexandra men. It resulted in tremendous animosity.

In an area as big as the hall housing the supper club there would be between eight and 10 families living together with one tap and about four dirt bins.

"When the dirt bins fill up they are tipped into the stream in the townhip which is now filled with derelict cars, filth and often corpses.

He felt the circumstances, conditions and facilities caused schoolchildren to rebel in the way they do.

Mr McBride said: "I abhor violence, am totally against it, but I can understand what is happening."

"I believe that the future of our country rests squarely on the shoulders of the powers that are. Give us a fair deal and we are prepared to meet you not half way, all of the way."

But passing of influx control was viewed with "a feeling of great suspicion and wariness".

"Can I really trust and believe that this is going to happen and there are no strings attached?" he asked.

But he said: "In Alexandra we have white people who come into the township on a regular basis to share their love, time and fellowship with one another.

FELLOWSHIP

"White and black can function in Alexandra in a very loving and meaningful way. There is a blending in as people and not as a different race - this is the kind of fellowship we experience weekly, daily."

Dr Hymie Beinart, convener of the supper club, said the Lions would immediately pursue ways in which it could help the Alexandra community.

Standards in decline

BEVAN BROWN

WHILE blacks earned 13% more last year than in 1980 and their birth rate declined by 21%, there was move impoverishment because of massive unemployment, says Unisa's Bureau of Market Research

It says although the birth-rate declined steeply, the number of blacks sharing a house and living expenses increased from 5,7 to 6,2 people, mostly because of the housing shortage.

Unemployment has resulted in 50% of potentially economically active members of a household staying home, a figure which in 1975 was only 39%

SABR 11/6/86

Visions of more consumer spending have turned out to be a myth

Breadwinners are worse off than ever

Visions of more consumer spending power that were created by announcements of tax cuts in the 1986 Budget have turned out to be myths.

Most breadwinners have found that in fact their income tax bills are still heavier — and nearly all of them find they are worse off than ever

The cash harvest reaped by the Department of Inland Revenue from personal income tax in the current 1986/87 year will be the biggest crop on record.

Breadwinners who thought the 1986 Budget would leave them better off may be in for a grave disappointment.
MICHAEL CHESTER reports.

PAY INCREASE — 12 PERCENT
INFLATION — 18 PERCENT

	1985/86	1986/87
Basic salary	20 000	22 400
How spent		
Pension fund contributions	1 500	1 680
Medical expenses	1 200	1 416
Taxation	2 027	2 366
Living expenses (the balance)	15 273	18 022
Total	20 000	23 484
Shortfall		−1 084
★ ★ ★		
Basic salary	40 000	44 800
How spent		
Pension fund contributions	3 000	3 360
Medical expenses	1 200	1 416
Taxation	9 041	9 858
Living expenses	26 759	31 576
Total	40 000	46 210
Shortfall		−1 410
★ ★ ★		
Basic salary	60 000	67 200
How spent		
Pension fund contributions	4 500	5 040
Medical expenses	1 200	1 416
Taxation	18 169	19 130
Living expenses	36 131	42 635
Total	60 000	68 221
Shortfall		−1 021

The slide in living standards has been illustrated by tables prepared by P-E Consulting Services showing how a family is still worse off than a year ago

To ensure the validity of the comparisons, the experts have drawn a profile of a married man with a non-working wife and two minor children — battling the currents of the present 18 percent inflation rate

Pension fund contributions equal 7,5 percent of basic salary and medical contributions and excess expenses were running at R1 200 last year Tax rebates come to R1 155

It is assumed the family budget last year managed to scrape home in balance. Even if the breadwinner won a 12 percent pay increase for 1986 — better than average — the family budget will run into the red

The Catch-22 problem waits in hiding whatever the pay level — R20 000, R40 000 or even R60 000 a year

"The apparent tax cuts announced by Finance Minister Barend du Plessis on March 17 were illusory," says Dr Azar Jammine, director of the Econometrix research unit.

"While it was intended to sound like a R1 billion giveaway — with the abolition of the 7 percent tax surcharge and the introduction of a 5 percent rebate — in fact tax collections will be the heaviest yet".

Econometrix estimates that overall personal income tax will still soar by as much as 22,5 percent, hoisting the total from R8 820 million in 1985/86 to R10 806 million.

The sorcerer at work is inflation and the way it causes what economic boffins call "fiscal drag" or "bracket creep" — the mechanism that pushes more and more breadwinners higher and higher up the tax ladder every time they win increases in salaries and wages in their vain efforts to try to keep pace with the cost of living spiral.

Econometrix takes as an example a taxpayer who last year earned R10 000 — about R833 a month If he started 1986 with a 10 percent pay increase (little better than half the rate of inflation but the sort of increase that was better than average), even with the tax cuts his actual tax bill is up from R935 to R1 024.

Unaltered

The only scrap of consolation is that had the old tax rates stayed unaltered the taxman would be grabbing R100 more.

If the identical taxpayer was lucky enough to be given a 20 percent pay increase, the tax sting would be worse — up from R935 to R1 230

True, if he received no pay increase at all his tax bill under the new rates would be lower, down from R935 to R877 But his spending power in real terms would be slashed by 18 percent or more by the vicious cut of inflation.

So there was no escape from a shrinkage in living standards.

Higher up the income brackets, a taxpayer who picked up a 20 percent pay increase to add to the R50 000 he earned last year is seeing his tax bill shooting up from R17 982 to R20 762.

And even if the basic income tax rate is not quite as bad as it was, the odds are that a taxpayer on this sort of salary now also has to confront more cuts from the perks tax on such items as running a company car or using company housing loans.

"The injustice of the tax system is magnified by trends that prove how fiscal drag is forcing private individuals to carry a more and more disproportionate share of the overall tax burden," says Dr Jammine.

Load

The proof is set out in a set of Econometrix pie-charts.

Five years ago, the share of total tax revenue shouldered by personal income tax payments was only 15,6 percent.

By last year, private individuals were carrying 29,7 percent of the load.

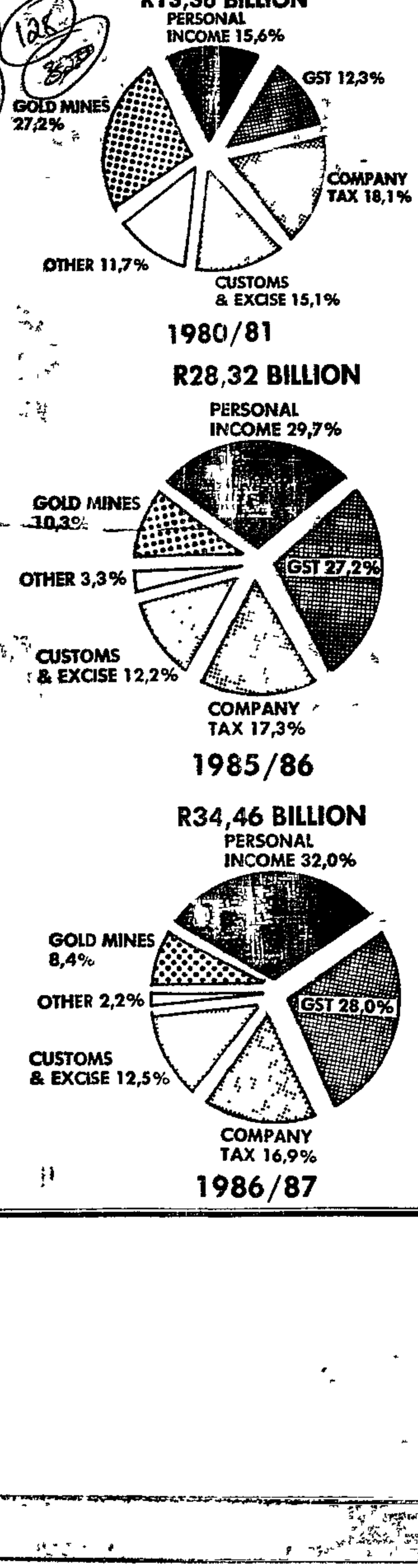
And this year — despite the tax-cut fanfare — they will be lumbered with as much as 32 percent of the burden

"The time has arrived for a really dramatic round of tax reductions," argues Dr Jammine

"No doubt the Government would argue the national economy cannot afford drastic tax cuts

"The governments of nearly all the Western nations are in the process of selling more and more state enterprises to the private sector, which almost invariably do a better job with them.

"Their successes are enormous. South Africa must follow suit — or face calamity"



Rent hike under fire

POLITICAL organisations in Atteridgeville, Pretoria yesterday reacted angrily at the local town council's decision to increase rent from July 1.

The UDF, Sayo and Asro — in a statement issued yesterday, accused the council of "provoking residents at a time when the country's economy was in chaos and many people are unemployed

"These monies are being used to prop-up the homeland system and the community council which are rejected by the people. We cannot afford to support such institutions which have caused misery and poverty in our townships", the organisations said

NEAC backs rent boycott

SOWETAN 12/6/86

128

THE National Environmental Awareness Council has come out in support of the anti-rent campaign organised by the Soweto Civic Association.

The call for Soweto residents not to pay rent was launched from June 1 Among demands listed by the SCA for the rent boycott are.

- That pensioners should not pay rent,
- That because of low wages, the people cannot afford high rent,
- That refuse be collected and sewerage pipes be fixed on a regular basis, and
- That all councillors should resign

Mr Japhta "Clean" Lekgetho, president of NEAC, said it is the right of every resident to get services regularly when he pays rent

"Our townships are becoming uninhabitable. They are nothing-else but health hazard zones The amount of uncollected rubbish and continuous sewerage blockages are making residents' lives unbearable

"My feeling is that the anti-rent campaign should not only be in Soweto It should be spread to all areas that are affected by poor services," he said.

According to Mr Lekgetho, one major grievance is that the Soweto town planning is disgracefully bad He said the people want proper planning that will provide tarred roads, sewerage system, shops, cleansing services, maintenance services, recreational facilities, electricity and health services

Mr Lekgetho warned that if by the end of August, the cleansing and maintenance services are not improved, NEAC together with other community organisations is going to call for the privatisation of all services in Soweto

"We will organise a group of local businessmen to buy trucks and equipment to clean our townships The contract will be renewed after every five years."

FIN MAIL 15/6/86

CONSUMER SPENDING

Retail riddles

Unisa's Bureau for Market Research reckons consumer buying power will increase faster in 1986 than at any time in the last four years. But this is not to say that retail sales forecasts are bright

The bureau estimates that retail spending, at 1985 prices, will creep up from R30 billion to R31 billion.

However, Assocom economist Bill Lacey disagrees. "The signs are not encouraging," he says, pointing out that retail sales in the first quarter of the year are 6% down in real terms on the same period of 1985

Unisa's Professor Marius Loubser agrees that "people haven't been spending But," he adds, "there comes a time when they can no longer postpone the purchase of durable goods"

Loubser lists ability, need and willingness to buy as the motivations for consumer spending And this year's Unisa forecast shows that the need aspect will predominate "Need is related to the 2,5% total annual population growth As the population expands, more goods are sold," says Loubser.

The ability to spend will also increase because of easier hire purchase conditions and credit facilities, lower interest rates, and savings reserves built up in 1985, says the bureau

Slight increase

It expects a slight overall increase in real retail sales of 1,5% for 1986 because it sees private consumption expenditure, which does not flow through the retail system, rising by only 1%. This is lower than the estimated increase in total private consumption expenditure

Sales of furniture and household appliances, which have been falling since 1982, are expected to pick up But sales of imported merchandise will decrease because of the 10% import surcharge, says Loubser

"The adverse economy, with so many out of work, leaves willingness-to-spend at the bottom But it is still higher than in 1985," he adds

But Assocom, which puts the unemployment level at about 3m, takes a more gloomy view "Consumer and business confidence has been destroyed by high inflation and unemployment A total economic package of R1,5 billion is needed to boost consumer and business confidence," says Lacey.

The continued fall in real employee remuneration on the one hand, and the maintenance of high personal tax on the other, is expected to cause a decrease of about 2% in real personal disposable income, says the bureau

"As in 1985," says Lacey, "salary and wage increases will lag well behind the rate of inflation and South Africans will have to brace themselves for another decline in living standards Wages in the private sector rose 11% in 1985 and indications for 1986 suggest an overall increase of 12%"

Black salaries have increased over the years, raising buying power in this sector, and black spending outweighs that of whites in food, clothing, furniture, alcohol, tobacco and cigarettes and detergents, says Loubser

But if black boycotts of white retailers continue in 1986, their buying power percentage will decline, with a correspondingly higher share going to whites, coloureds and Indians

Just how accurate is the bureau's forecast? On the one hand, its estimate of a 1,5% real increase in food sales for 1985 proved accurate, but its 3,5% estimate of increased textile sales was way below the ultimate 7,8% increase "We obviously didn't take into account the fact that in these times people would be making more of their own clothes and buying more material," says Loubser ■

Many taxpayers could cash in by weekend

By Michael Chester

The first load of cheques repaying taxpayers for the 10 percent loan levies they paid in 1979/80 were on their way to the Post Office today.

Precisely 1 055 383 breadwinners will benefit from the pay-back of the R154 million that was added to individual income tax bills and which has been swollen to more than R206 million by the interest that has accrued in the past six years.

Technically, the repayments were not due until next year, but the date has been hurried forward by the Minister of Finance in the economic package he unveiled in Parliament yesterday in a bid to haul the economy out of the doldrums.

Mr Schalk Albertyn, chief director of operations at the Department of Inland Revenue, confirmed this morning that the first loads of cheques were already on their way to the Post Office and could be expected to be delivered by the weekend.

He gave an assurance that all one million or more cheques should arrive in the post boxes of taxpayers by the end of next week at the latest.

The intention was to ensure the completion of deliveries ahead of the start of the school winter holiday break in all provinces.

"Let's all clear away the blues for a spell and enjoy a holiday bonus," he said

"It's impossible to prepare a detailed table of how much each taxpayer can expect, but we reckon that the middle-income breadwinner should receive around R300.

"One caution, however, is that taxpayers must remember that their wages or salaries were a lot lower six years ago, so there's little point in working out 10 percent of current tax payments.

"Still, the cheques should be big enough to return a smile to a lot of glum faces."

Tax expert Mr Costa Divaris estimates that nearly a half of the one million taxpayers in the repayment exercise were earning less than R500 a month in 1980, so their average cheques may be less than R20

However, breadwinners whose income was running at around R1 000 a month should be able to expect cheques of R100 or more.

And taxpayers earning R2 000 a month should receive R300 or R400 or more.

The R86 million balance of the big loan levy repayment will go to 34 400 businesses which were paying company tax

● See Pages 9 and 17.

Tax blow for TBVC institutions

BARRY SERGEANT

THIS week's SA Income Tax Bill's proposal to tax interest earned by South Africans from banks and building societies in the TBVC countries comes as a blow to institutions there.

But the SA authorities have been warning of moves to end tax breaks in the independent homelands for some time.

It is particularly the Venda, Bophuthatswana and Ciskei building societies that will be hurt.

The broad background of the development is that the SA Margo Commission on tax is thought to strongly favour the changing of SA's "source" tax rule to a tax on world-wide income. Currently income must be "sourced" in SA to be taxable here.

The TBVC countries offer particularly favourable tax rates. All impose sales tax rates less than SA's 12% GST rate — in Bophuthatswana sales are nil-rated Compared with SA's 47,5% maximum personal tax rate, Ciskei offers a maximum 15% personal tax rate and a nil company tax rate for new ventures.

Tax consultants read the new SA development as an attempt to maintain the structure of SA's tax base so revenues do not fall imperceptibly. SA signed double tax treaties with the TBVC countries on devolution.

Observers say marking out of TBVC banks and building societies, only leaves room for tax planning Large investments can still be made into low tax jurisdictions and investments in interest-bearing paper such as government stock, development and defence bonds appear unaffected

But the TBVC countries are sometimes used for far more complicated tax-engineered schemes

A difficulty for Margo and SA politicians is that SA annually pays hundreds of millions of rands to the TBVC and non-independent homelands. Now it appears to be on the road to ending tax breaks offered to SA residents by the TBVC countries

Tembisa gets more land

THE acute shortage of houses in Tembisa could be alleviated following a Government ruling yesterday that more land be made available to the township.

The Minister of Constitutional Development and Planning, Mr Chris Heunis, said in a statement released in Pretoria, the decision was the first step in the implementation of the recommendations of the recently accepted positive urbanisation policy as set out in the White Paper on urbanisation.

He said the approval implied that approximately 800 ha could be developed for housing.

Miners to get 15-20 pc pay rises next week

By Sheryl Raine

The Chamber of Mines will implement pay increases ranging from 15 to 20 percent for black mineworkers on gold and coal mines on July 1

This means increases of between R32 and R90 a month depending on job category

In some cases the increases could be slightly higher

The union originally demanded a 45 percent increase, reduced working hours from 90 hours a fortnight to 80 hours, as well as improved leave, maternity benefits, shift allowances and death benefits

The chamber said yesterday after the seventh round of wage talks that it had made its final offer regarding wages and conditions of employment for members of the union on certain gold and coal mines

"The union requested an opportunity to refer the offer to its members for consideration and arrangements have been made for a further meeting to be held between us on July 2," the statement said

The chamber said it accepted a suggestion from the union that the final offer be implemented on the traditional date of July 1, although the union's members had not yet accepted the offer

The package offered includes

- For surface daily-paid employees on gold and coal mines, increases ranging from 20 percent in job category one to 17 percent in job category eight
- For daily-paid underground employees on gold mines, increases ranging from 18 percent in job category one, to 15 per-2cent in job category eight, and for daily paid underground employees on collieries increases ranging from 19 percent in job category one to 16,4 percent in job category eight

The chamber has proposed that demands for May 1 and June 16 to be declared paid holidays be referred to a government commission of inquiry which should consider the scheduling of the country's public holidays

If a commission has not been appointed by February 1 the chamber has agreed that it will discuss the matter further with the union

15%-20% rise for black miners

THE Chamber of Mines is to implement hikes of 15% to 20% on minimum rates for black employees on July 1

It said yesterday it had accepted a suggestion by the National Union of Mineworkers (NUM) that its final offer be implemented on that date, even though unions members had not accepted it

The NUM has requested an opportunity to refer the offer to members for consideration' Parties will meet again on July 2 to continue talks affecting union members on recognised bargaining units on certain gold and coal mines.

CLAIRE PICKARD-CAMBRIDGE

The NUM could not be contacted for comment yesterday

Further improvements include a reduction by two hours of work a fortnight for underground gold miners, certain job security guarantees amd improvements to the death benefit scheme

INCOME

1988 – 1989

Big shift in household spending

SATURDAY JANUARY 9 1988

By DEREK TOMMEY
Finance Editor

SOUTH Africans have had to tighten their belts quite substantially in recent years

The latest family spending survey conducted by Central Statistical Services (CSS) shows that households are spending far less of their income on food, alcohol, cigarettes, clothing, furniture and recreation than in the 1970s

On the other hand they are spending a far bigger portion of their income on housing, medical services, communications and transport

While some of these changes in spending patterns may have arisen from changing life styles, many seem to be the result of South Africans having to adapt to more stringent economic conditions

The latest survey was conducted in 1985, the findings of which were released this week 1985 was a hard year for business and individuals Businesses, hit by Everest-like peaks in interest rates, were moving into a recession while private individuals were having to pay interest rates of 20 percent and more for their mortgages

The latest survey, which is the basis of the updated consumer price index (base 1985 = 100), was based on returns from more than 4 000 white householders of who more than 400 were from Cape Town It also uses the findings of the Bureau for Economic Research at Unisa in determining expenditure of black, coloured and Asian households

The surveys were confined to town-dwellers

It shows that South Africans have significantly cut their spending on food compared with 1975 when the last survey was undertaken

South Africans are now handing over 22,7 percent of their income to the supermarkets, which is nine percent less than in the 1970s

Spending on meat has fallen 15,5 percent Even so the "typical" South African family is still spending about R138 a month at the butcher

Although CSS does not give a monthly income for its statistical "typical" family, available figures suggest that it was in the region of R1 800 a month after tax in 1985 This is the basis of the figures in this article

Much less is also being spent on vegetables (down 30 percent), fish, sea foods (29 percent) and milk, cheese and eggs (down 27 percent)

However, expenditure on sugar is 16 percent higher — no doubt reflecting the sharp increases in recent years in the price of this commodity

With the anti-smoking campaign increasingly gaining ground, the 40 percent drop in expenditure on cigarettes is to be expected But the 38 percent drop in spending on liquor is a little surprising Even CSS officials have doubts about this figure They know that people are reluctant to say how much they spend on alcohol and tend to understate the amount

Expenditure on footwear and clothing has also taken a clobbering It is 31 percent lower than in the 1970s

And if one needs evidence that the percentage drop in spending on basics is not simply the result of higher incomes and better living standards, the survey also found that people have cut their spending on recreation and entertainment by eight percent

Biggest percent increase in expenditure has been on communications — that is telephones and postage This is running 71 percent higher than in the 1970s

But the greatest real increase has been in the expenditure on housing South Africans are now having to pay some 20 percent more of their income on this item that they did 10 years ago

The other big increase has been in transport costs This accounts for 17 percent of spending, an increase of 15 percent on the 1970s figure

Other items where there has been increases in expenditure include personal care (4,4 perent), "other goods", which include jewellery, stationery, life insurance and doestic insurance, legal fees and funeral expenses (25,1 percent) and medical expenses (23,1 percent)

One result of the new spending patterns is that changes in food prices will have less impact on the consumer price index, while changes in housing, finance charges and transport costs will have a bigger impact

'Buppie' revolution in SA

ARGUS 26/2/88

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The South African Press Association reports from New York

SOUTH Africa's black upwardly mobile professional people — "buppies" — are spearheading a "peaceful but dramatic revolution" in the country, says the American magazine, Time.

In a two-page report from Johannesburg, the magazine says blacks, headed by an "elite", some of whom can boast "his and hers Mercedes, live-in black servants and jacuzzis", are beginning to flex their muscles as earners and consumers.

Even before the lifting of residence and property restrictions, says Time, blacks were beginning to enjoy better wages, job opportunities and employment benefits.

Expanded credit to township home owners and developers, totalling about R60-million a month, had helped catapult large numbers of blacks from low-income to middle-income and even luxury houses.

Today's black business class contributed generously to anti-apartheid organisations "and many militants now accept it as the protagonist in a new form of confrontation with whites that is taking place in the boardroom".

Far from serving as quislings for the white establishment, said the magazine, the new black elite was emerging in its own right as a powerful arm of the "liberation struggle".

SATURDAY MAY 14 1988

Black spending boosts economy

By DEREK TOMMEY

BLACK spending is giving the economy a major and unexpected shot in the arm. Retailers report that sales in black shopping areas throughout the country are soaring, sending the economy into its biggest growth phase for many years

Official figures showing just how fast the economy is growing are not available But Mr Laurie Korsten, executive chairman of Corbank, estimates that some of sectors benefiting from this spending could be growing by as much as 10 percent in real terms

Officially, the economy is expected to grow by only about three percent this year

Black spending has concentrated particularly on clothing and liquor, though there now appears to have been an increase in spending on food

The Cape Town-based Bergers cash clothing chain, which caters mainly for middle and upper income blacks in its 157 stores, reported this week that sales since January were 45 percent ahead of last year.

Sales at one store were 87 percent higher, according to the company's chairman, Mr Howard Mauerberger

He also expects this high level of sales to continue He did no think that the recent credit measures would have much impact on the buying habits of his black customers

SA Breweries, which is targetting its sales efforts on the "mass market", has also experienced a strong increase in sales recently

In the six months ended March it sales were 25 percent above those of last year

As inflation was running at around 15 percent, SAB's sales in real terms during the period were up about 10 percent — giving substance to Mr Korsten's claim

Mr Meyer Kahn, managing director of SA Breweries, is reasonably optimistic that the strong buying trend will continue He announced this week that the group, which includes OK Bazaars, Edgars, Amrel and Afcol, was to spend R1,2-billion on expansion About 60 percent of ~~this~~ money ~~would~~ go on increasing beer production

Another firm to experience sharp increase in sales, particularly to the black market, is Drop-Inn, the biggest independent bottle store group in the country Sales recently had been "frightening highly", according to the manager director, Mr Johan Kotze

Pick 'n Pay, which does not sell specifically to the black market but has a large black clientele, is also finding consumer spending strong

The company's sales in recent months were 30 percent up on last year, according to the group's financial director, Mr Chris Hurst

Mr Wolfgang Thomas, deputy general manager of the Small Business Development Corporation in Cape Town, said he was not surprised by the increase in black spending power The informal sector was highly significant and spending there was much higher than people realised

Higher wages

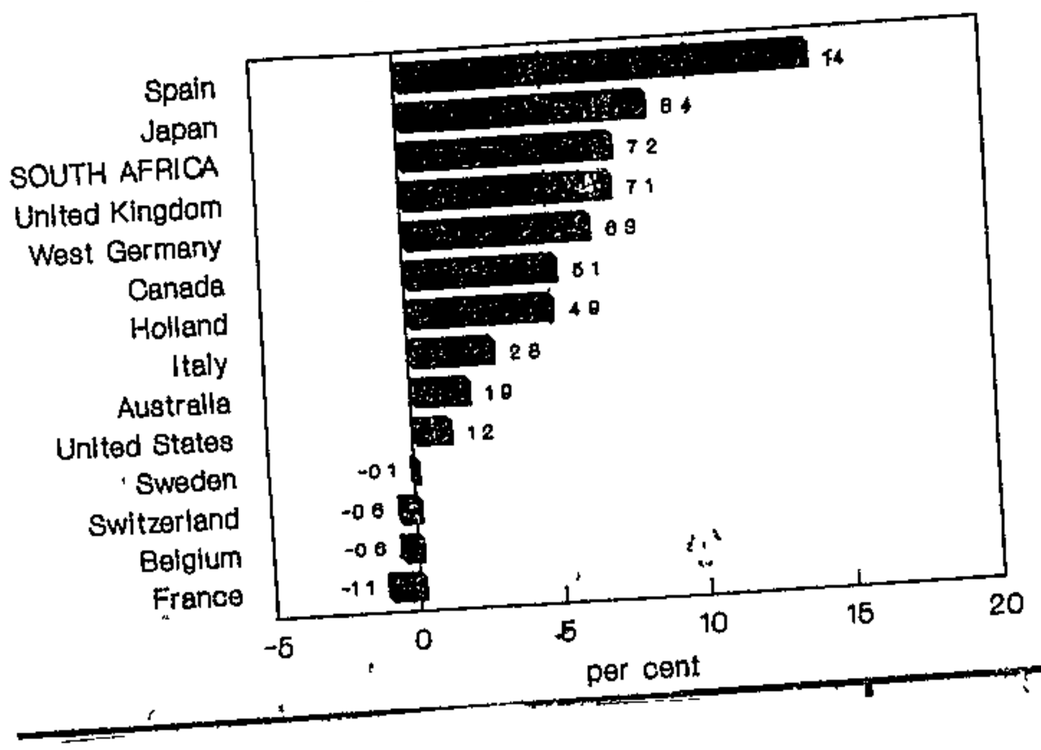
He said the upsurge in black spending stemmed from the upturn in the economy which began about the middle of last year Many firms did not take on additional staff at first, but this had changed Firms were employing more people and paying higher wages and this money was filtering through to the retail sector

Mr Thomas, formerly professor of economics at the University of the Western Cape, believed the upsurge in clothing sales was the result of sales having been postponed in the past two years owing to a lack of spending money

He doubted whether the high level of sales would be maintained once demand was fully met

Retail sales volume

change on last year



Expert tells of dramatic drop in disposable income

Marais 'out of touch with economic realities' in SA

CAPE TOWN — Deputy Finance Minister Org Marais is out of touch with harsh realities if he thinks South Africans are no worse off today than they were 20 years ago, says Stellenbosch University's Bureau for Economic Research director Ockie Stuart

He says Marais's claim is invalidated by hard facts

One way of showing how much worse off the average South African was today, was to look at the dramatic decline in real disposable income, a process which started in the 1970s and had continued unabated

Real disposable income (RDI) was total individual income after tax and allowing for inflation

From 1960 to 1969 RDI increased by 2,2% a year From 1970 to 1979 it increased by only 1,5% a year and from 1980 to 1988 RDI actually decreased by 0,5% a year This meant that from 1976 to 1988 RDI declined by 0,6% a year

Stuart said these figures were based on Reserve Bank statistics.

Another accurate measurement of a country's wealth was its gross domestic product (GDP)

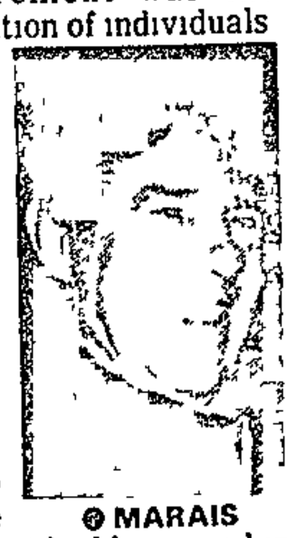
"GDP by definition reflects the wealth of a country If it increases at a rate less than the population growth, this indicates a process of impoverishment"

Stuart said that from 1960 to 1969 the per capita GDP increased by 3,5% a year From 1970 to 1979 if again showed an increase but this time only of 0,8% a year and from 1980 to 1988 it declined by 0,6% a year

From 1982 to 1987 per capita GDP decreased by 1,5% a year

Another measurement was the growth in direct taxation of individuals

In the 1960s the annual growth in taxes was 12,2%, in the 1970s this increased to 16,2% and in the 1980s swelled to 22,8%



MARAIS

Yet another way of illustrating how much worse off South Africans were today compared with 20 years ago was to compare local trends with what had happened in other countries

Since 1983 prices in SA had risen 100% In New Zealand they had increased by 48%, in Great Britain by 27%, in West Germany by 6% and in Japan by 5%

One commentator said that to find price increases comparable to those experienced in this country one would have to go to the banana republics of South America

"South Africans have grown so accustomed to rapidly rising prices that they have stopped asking why this is happening to them However, they should ask questions because the high rate of inflation is keeping them poor and, if continued, could possibly bankrupt them"

In contrast to SA, Britain was becoming one of the cheapest countries in the world, according to a survey published to guide international companies on cost of living allowances for employees sent overseas

The survey by Employment Conditions Abroad Ltd showed that between 1980 and 1988 the cost of purchasing a shopping basket of essential items had increased by about 60% in Great Britain as opposed to 92% in Western Europe as a whole

In SA the cost of food had escalated by 1 000% in the past 17 years Motoring costs were on a par and property and rent were not far behind These figures were based on statistics supplied by the government's Department of Statistics

According to the Automobile Association, it cost 7,3c/km to run the smallest car in 1972 while today it cost 50c/km

While in 1972 there were at least half a dozen cars that sold for less than R2 000, the cheapest car cost a little under R20 000 today — Sapa

ECONOMY

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Black spending dips

By TOM HOOD, Business Editor

SALES of furniture and other big-ticket household goods to black families are beginning to taper off, according a survey by the Stellenbosch Bureau for Economic Research

Furniture dealers have also noticed a dip in sales which they believe was sparked by the higher cost of HP credit and gloomy forecasts of higher food prices

The bureau's report shows black consumers are happier than they were a year ago about their financial position and the general economic situation

But since December their view of prospects has gradually worsened

The March quarter's survey, in fact, suggested that the majority expoected the general economic situation to improve over the next 12 months.

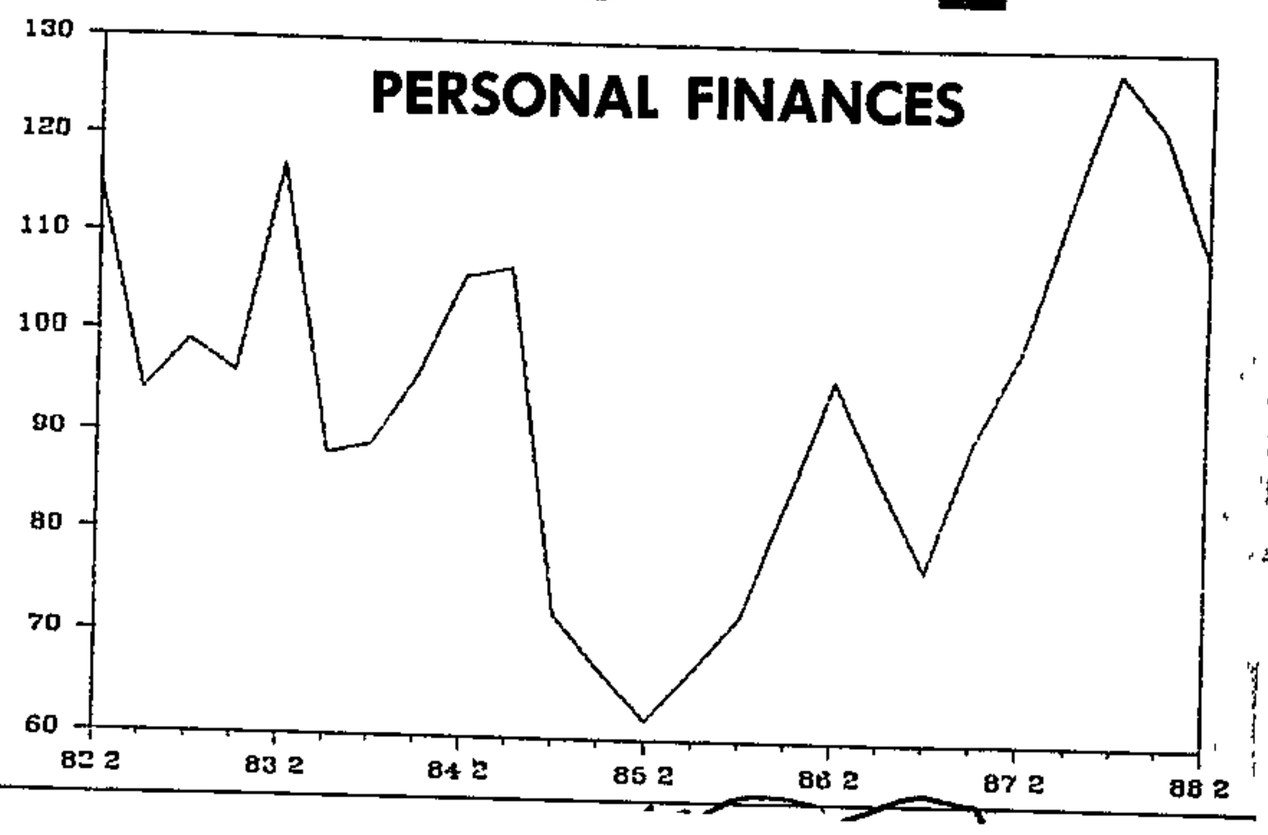
However, the net majority of black consumers polled this quarter said conditions were unfavourable for the acquisition of durable goods — a figure that has been almost static for a year

The index figures, said the bureau today, suggested that the black consumer was again losing faith in the growth potential of the South African economy

"A lack of confidence together with relatively high interest rates and slower growth in income point towards less keen demand for credit," said the bureau. "So the demand for durables in particular will fall away as the year goes by"

Black consumers remain fairly optimistic about their personal finances but they are decidedly less optimistic than in the December and March surveys, the bureau adds (See graph)

On balance they still expect their financial position to ease over the next 12 months but they also expect their finances to be "in a much tighter situation" than anticipated a mere six months ago.



SA 'HOSTAGE TO INEQUALITY OF INCOMES'

ARI JACOBSON

SA WAS a hostage of its inequality of income distribution, Nedbank's latest Economic Review said.

It said: "The unequal distribution of income is a crucial factor in SA in that there is a high propensity to consume durable goods and luxury goods, which have a high import content."

The review said the rise in imports during the past year could have been accommodated if export prices had risen and foreign exchange reserves had been adequate, but this was not the case.

The review also said SA had not experienced a recent boom, but an upsurge in private consumption expenditure on consumer durables, accompanied by fixed investment in the form of a strong upward swing in housing construction.

This had led to large increases in bank credit and money supply, coinciding with an upturn in the inventory cycle, which added to the demand for imports.

Describing interest rates as a "blunt instrument", the review said rates would have some impact on inventory accumulation, but an undesirable effect on capital formation, small business development and economic activity.

However, because of the inequality of income distribution, private consumption exenditures were more obdurate and needed more direct counter-measures.

Lower SA living costs help to boost ranking of executive salaries

Star 24/10/81

By Neil Behrmann

LONDON — South African executive salaries are the third worst of 22 nations surveyed But lower living costs improve the rating to 14th spot in the league tables

In terms of sheer scale of payments, Japanese, Swiss, West German and United States executives are way ahead of the rest of the world

According to a survey by London consultants, Employment Conditions Abroad, gross salaries in Japan range from $104 000 in the lower end to $206 000 at director level, Switzerland $94 000 to $181 000 , West Germany $77 000 to $158 000 and the United States, $71 000 to $131 000

At the bottom of the list, Portuguese executive salaries range from $27 000 to $52 000, Greece $30 000 to $60 000 and South Africa $33 000 to $59 000 (R80 000 to R144 000)

Obviously the sharp depreciation of the rand during the past few years adversely affects South Africa in worldwide comparisons So after taking into account the cost of living, the pay is worth $32 000 to $53 000 (R78 000 to R130 000) which is slightly below average

Still if you want to be paid the most, learn Japanese and fly to Tokyo

But if you want the best value for money, Switzerland and the United States are the best places in which to live

Once living costs are taken into account, Japan is only seventh in the international executive salary stakes

The survey is only a rough indicator, but is still a guideline for employers who want to compare relative international salaries or import key staff from other parts of the world

The survey, which covers a median of senior executives, such as general, area or country managers, is concerned solely with money The payment includes basic salaries plus bonusses No account is taken of deferred pay such as pension contributions, nor of the value of benefits in kind, for example company cars

There are also a variety of perks that boost the total earnings package, says Wendy Greathead, an analyst at Employment Conditions Abroad These include share options, bonuses, housing allowances, medical insurance and company cars

Yet the survey still explains relative differences, she says

Tax reforms are also changing net disposable income of executives

In terms of gross salary, a senior UK executive earns $60 500, four places from the bottom of the table Yet in the latest budget, Chancellor of the Exchequer Nigel Lawson cut the top rate of tax to 40 percent from 60 percent, so that in earnings power a UK executive's fortunes have improved At $44 000, the take home pay is now average in international terms

At $91 000, on the other hand, a Belgian executive receives the fifth largest salary in the world But after huge tax and social security payments, the net pay packet shrinks to the same level as a UK colleague The South African tax bite is also fierce

European and Scandanavian nations, however, have hidden benefits such as top notch health care and unemployment insurance

For example, in the league tables Sweden appears to be a poor performer Yet in that wealthy welfare state, says Ms Greathead, many executives have two houses and a yacht

On the other hand, the survey does explain to some extent why people in Hong Kong are so productive

A senior Hong Kong executive, typically a general or senior manager, receives a gross salary of $67 500

This is below average Yet net payments after tax and any social security payments are $57 000 When cost of living is taken into consideration, the disposable income of a senior Hong Kong manager is worth $61 000 At that level Hong Kong executives are the fifth best off in the world

High earnings explain why the Japanese consumer market is surging and why Japanese tourists are such big spenders

Employees of Japanese companies are also sheltered by their corporate system and receive a wide range of benefits for both themselves and their familes

Yet with pollution, crowded and lengthy commuting, cramped living quarters and astronomical housing costs, some question the Japanese way of life

Group plans R95m expansion this year

Wooltru benefits from black buying

Cape Times 12/11/88 (128)

By AUDREY D'ANGELO
Financial Editor

WOOLTRU, planning a R95m expansion programme this year, is benefiting greatly from black urbanization, executive chairman David Susman said yesterday

Interviewed after the annual general meeting, at which he announced the group would buy Safren's one-third interest in Makro for R18,2m, giving Wooltru complete ownership, Susman said sales by the cash-and-carry chain had soared

It now had two stores in the Western Cape and each was doing more business than the first had done a year ago, when it was the only one

"Ultimately, most of the goods bought by retailers from Makro go to black or coloured end-users A great deal of these goods are bought by hawkers, who seem to be burgeoning like the rest of the informal sector"

Susman said an increasing number of black customers were buying from Woolworths and Truworths "That means the black middle class is growing, and this is a very good trend, which I expect to continue"

At the annual general meeting, Susman said "Makro will become one of the group's important leadins into the burgeoning third world market"

He said capital expenditure would be "at a high level this year and, with the inclusion of the Makro purchase, is expected to reach R95m"

But he reminded shareholders that, as stated in the annual report, the group had raised five year loans amounting to R35m at an average fixed interest of 14,7% — which was "very advantageous with interest rates at their current levels"

'Economy at a watershed'

He said there had been continued momentum in consumer demand in the past few months despite the government's actions to inhibit demand and protect SA's dwindling currency reserves

Sales for the first four months of the current financial year were 24% higher than in the same period last year

"However, the economy is at a watershed Consumers have largely used up their credit capacity and are now faced with rapidly rising interest rates We are also concerned about inflation, which has probably bottomed out

"Price inflation in the clothing sector has, in the past few months, run at approximately 13% above last year, but we expect this figure to rise consistently as the trading year progresses

"The continued weakening of the rand, wage pressures, and the rise in interest rates add to these increases and will obviously impact on trading"

Christmas was expected to be "relatively buoyant We are, however, approaching the New Year, the second half of our financial year, with caution"

"To counter a possible fall-off in sales, the group's operating companies are implementing cost-cutting measures which should ensure their most efficient performance in a weakening economy

"We remain confident that, unless there is a severe drop in consumer confidence, sales and profits for the current year will remain on budget and show a satisfactory increase"

Susman said after the meeting that he expected interest rates to rise further this year

Per capital GDP drops 5,5%

PRETORIA — Per capita GDP declined in recent years because the GDP rates were below the population growth rate, the Minister of Finance, Barend du Plessis, said here yesterday.

He told the Manpower 2000 congress that over the period 1980 to 1987, per capita GDP fell by some 5,5%.

Du Plessis reaffirmed that "on the principle that the labourer is worthy of his hire, a blanket increase will now be granted in the appropriate areas of the public sector, to take effect from January 1, 1989."

He added that the public may rest content that way and means were in fact being found of retaining or extending the country's export markets.

"Whether through unconventional forms of trade or other innovative moves."

Du Plessis said that accusations that the Bank rate was cold-heartedly being manipulated by the authorities were off the mark.

Such changes were essentially the outcome of the operation of market forces.

When the SA economy was considered over the past three or four years, "we can only express astonishment at what has in fact been accomplished in the face of formidable difficulties," he said. — Sapa

FOOD BASKET COMPARISON

ACTUAL PRICES IN RANDS

	Basket of food R	Cost of appliances R	Cost of new car R	Dinner for one R	Hotel stay R
Dublin	650	5470	52080	58	430
Frankfurt	720	5420	26640	46	550
Hong Kong	650	3290	35760	90	370
Houston	620	3700	30720	60	480
Johannesburg	430	5350	31440	31	202
Lagos	700	6890	27840	29	190
Lisbon	550	5160	43200	50	370
London	620	5330	36480	70	960
Los Angeles	550	3770	20400	39	350
Milan	720	5570	39120	75	620
Montreal	670	5060	23280	53	470
Nairobi	410	11140	63360	22	324
New York	816	4250	23280	80	600
Paris	740	7560	31920	50	710
Rio	340	2420	34800	24	350
Sidney	600	5590	35040	58	570
Tel Aviv	620	6940	58560	50	382
Tokyo	2140	10540	35040	260	571
Toronto	720	5040	22300	53	450
Zurich	1150	7100	36240	34	540

Food basket comprised 39 different food and beverage items.

Household appliances: refrigerator, frying pan, electric sewing mahine, color television set, camera (autofocus), electric steam iron, a vacuum cleaner, hair dryer.

Car price:purchase price including sales tax of popular medium-sized four door make.

Price of dinner is for one serving of sirloin or rump steak with one vegetable, potatoes and a dessert, without drinks, including service in a good restaurant.

Hotel price is for a double room with private bath and toilet, including breakfast and service in a first class hotel.

LIVING STANDARDS COMPARISON

Prices, wages and living standards in 20 major cities, Johannesburg equals 100

	General price level	Wages and salaries	Purchasing power
Dublin	165	153	90
Frankfurt	159	244	151
Hong Kong	158	97	80
Houston	141	251	173
Johannesburg	100	100	100
Lagos	106	15	13
Lisbon	117	57	49
London	186	217	128
Los Angeles	143	295	230
Milan	159	197	125
Montreal	146	241	168
Nairobi	117	28	25
New York	196	246	145
Paris	171	180	111
Rio	92	32	35
Sydney	141	183	129
Tel Aviv	139	100	68
Tokyo	410	291	83
Toronto	178	224	157
Zurich	211	415	196

GENERAL price level is based on a basket of moe than 111 goods and services, including three rent categories, weighted by consumer habits

Wage and salary levels based on actual hourly earnings in 12 different occupations, weighted according to occupational distributions Net after tax and social insurance contributions

Purchasing power is the net hourly earnings divided by the costs of the total basket, excluding rent

The cost of city life

Star 26/11/88

128

Its not so expensive to live in Jo'burg

DEREK TOMMEY

STOP complaining about the high cost of living in Johannesburg

Look at a survey of costs and wages in the world's 52 leading cities

The survey — by the Union Bank of Switzerland — found it cost more, sometimes much more, to live in these cities than in Johannesburg

The survey is the seventh in the series of international price and salary comparisons published by the bank

Initially intended as an aid in determining what salaries and living allowances should be paid to employees of the multinational companies, the survey has become a major economic work

True to its original intent, the survey is based on the life-style and living costs of a person with European consumer habits

The bank found only six cities had lower living costs than Johannesburg — Bogota, Beunos Aires, Sao Paulo, Mexico City, Rio and Bombay.

The world's most expensive city is Tokyo with living costs four times higher than in Johannesburg

Other expensive cities to live in are Oslo, Helsinki, Stockholm, Copenhagen, Geneva and Zurich, where costs are at least double those faced by the average resident of Johannesburg

However, the inhabitants of these cities earn high salaries

Earnings in Zurich on average are about four times higher than in Johannesburg while those in Geneva, Copenhagen, Oslo, and Los Angeles are more than three times higher In Sydney, Milan, Vienna, Helsinki, London Amsterdam, Houston, Toronto, Stockholm, Montreal, Chicago, Tokyo, Brussels and New York they are at least double

But in terms of actual purchasing power, which is determined by dividing income by prices, the people of Los Angeles fare the best Their purchasing power is almost two-and-a-half times greater than the average citizen of Johannesburg

Residents of Frankfurt, Houston, Montreal, New York, Toronto and Zurich are also affluent with a purchasing power 50 percent to 100 percent higher than the Joburger

However, the average resident of Dublin, Tokyo, Tel Aviv, Rio and Hong Kong are all a little and in some instances much poorer than the people in Johannesburg while the real poor are to be found in Bombay, Manila, Cairo and Lagos where the average inhabitant has a purchasing power only 6 percent of the inhabitant of Los Angeles

In comparing the cost of food in the 52 cities the bank found Johannesburg was the ninth cheapest The 39 food items it asked its researchers to buy cost R430 This contrasted with R2 140 for the same items in Tokyo, R1 150 in Zurich, R720 in Frankfurt and Milan, and R600 to R620 in London and Sydney

The bank found an airline ticket to Manila can pay for itself if a woman is looking for medium quality clothing at the right price

For $70 (R170) she can buy there a complete outfit of a summer dress, jacket, skirt, panty hose and shoes

This clothing, if bought in Johannesburg will cost $150 (R360), the bank estimates

However, in the fashion capitals of London, Paris and Milan, they will cost between $350 and $410 (R840 and R990)

Similar bargains in women's clothing can be found in Kuala Lumpur, Bombay and Nairobi, and Lagos

Men's wear of medium quality — business suit, sport's jacket, jeans, shirt, socks and shoes — are cheapest in Lagos and Jakarta, costing about $170 (R410). They cost about R800 in Johannesburg and anything between $500 and $630 (R1 200 to R1 500) in Europe.

One area where Johannesburg scores over the rest of the world is in flat rentals In no other city are they as cheap as they are here

Flat rentals in London, Los Angeles, Chicago, Madrid, New York, Paris, Toronto and Zurich are about five times higher than in Johannesburg They are 10 times higher in Hong Kong and 30 times higher in Tokyo

PAY COMPARISON

Annual wages, net after tax and social security payments

	Primary teachers heads $	Mechanics engineers $	Department clerks $	Electrical $	Bank $	Secretaries $
Dublin	16 800	9 100	24 900	19 700	13 900	9 400
Frankfurt	23 700	14 000	50 600	26 900	21 300	16 100
Hong Kong	13 200	9 800	27 900	22 300	9 200	8 600
Houston	17 800	19 100	45 200	34 200	16 400	16 800
Johannesburg	9 000	7 700	13 300	15 800	6 600	8 300
Lagos	700	800	4 000	2 300	1 200	2 000
Lisbon	6 400	3 300	6 000	7 100	7 900	3 600
London	15 300	12 700	25 800	20 200	19 800	14 900
Los Angeles	28 900	24 500	41 300	35 700	18 100	18 100
Milan	13 700	12 700	19 000	21 900	18 800	11 800
Montreal	20 300	16 300	37 200	26 300	12 600	15 500
Nairobi	1 600	2 000	6 800	7 700	3 500	4 200
New York	20 300	20 000	35 500	26 200	14 300	14 400
Paris	14 300	9 000	22 400	26 900	19 600	13 400
Rio	1 400	2 500	9 800	7 400	1 700	2 800
Sydney	15 700	10 800	23 500	16 600	11 800	12 200
Tel Aviv	5 800	8 300	1 600	10 800	6 800	6 400
Tokyo	36 200	17 800	54 600	32 600	41 400	17 500
Toronto	21 500	16 500	22 800	28 800	13 800	13 700
Zurich	40 800	27 500	57 800	47 100	41 000	267 000

THE wage scale for primary teachers is for people who have taught in the public school system for about 10 years, are about 35 years old, and are married with no children

The automobile mechanics wages scacle is for those who have completed their apprenticeship, are aged about 25 with about five years' experience and are ummarried

Department head scales are for technical managers of a production department with more than 100 employees in a sizeable company in the metal working industry and who have completed professional training, have many years' experience, are aged about 40 and are married, no children

The electrical engineers covered are aged about 35, single and have professional and technical qualifications.

The scale for bank tellers is for those who have completed their training, have about 10 years experience, are aged about 35 years and are married with two children

Secretaries covered by the pay scale work for a department manager in an industrial firm, have about five years experience, have shorthand, typing, know a foreign language and are aged about 25 and are single.

The bank measures the cost of buying a packet of household appliances in different cities of the world

A package consisted of a refrigerator, frying pan, electric sewing machine, colour TV, electric iron, vacuum cleaner, hair dryer and camera is cheapest in Rio, costing $1 010 (R2 424), and Sao Paulo $1 130 (R2 712) It costs $2 230 (R5 352) in Johannesburg, $4 640 (R11 140) in Nairobi and $4 390 (R10 540) in Tokyo

Cheapest cars are to bought in Los Angeles, Seoul, Jeddah, Toronto and Luxembourg Cars are most expensive in Helsinki, Nairobi, Oslo and Singapore

Johannesburg car prices are a little below the average world price

Lagos, Johannesburg and Kuala Lumpur have the lowest-priced hotel accommodation It costs almost three times more to stay in Stockholm, Paris, Jakarta and London

Eating out is reasonable in Johannesburg, the bank found. It put the cost of a dinner for one — consisting of sirloin or rump steak with two vegetables and a dessert (including service but not drinks) — at R31 against the equivalent of R70 in London, R80 in New York and R260 in Tokyo

Depending on the job the highest gross salaries are paid in Geneva, Zurich, Los Angeles, Copenhagen Frankfurt and New York

The shortest working year was recorded in Brussels, followed by Oslo and Dusseldorf (approximately 1 700 hours) and the longest time on the job (approximately 2 200 hours) was spent by workers in Hong Kong, Istanbul, Manila, Luala Lu,pur, Mexico City, Seoul, Nairobi and Bangkok, where the workweek often exceeded five days

The working year in Johannesburg falls midway between these, with 1 997 hours worked

Year-end bonus splurge expected to boost sales

By Michael Chester

Forecasts that consumer spending in the current Christmas buying spree might easily hit new records have been reinforced by predictions that the vast majority of companies plan a splurge with end-of-year bonuses

PE Corporate Services, which runs a regular nationwide check on pay trends, predicts that as many as nine out of every 10 employees will receive a Christmas bonus equal to a one-month pay packet.

Miss Naomi Brehm, manager of the remuneration division, says "quite reasonable" bonuses can be expected by the rest of the labour force

The Association of Chambers of Commerce and Industry is sticking by forecasts that overall Christmas retail sales in November and December will break all records at R10 billion or more.

"There should be bonuses in nearly all pay packets," says Miss Brehm "It's been a good year for most companies.

"All in all, about 90 percent of employees look likely to be handed a 13th cheque — and even if that has not been negotiated in advance, workers can expect a good bonus

"More and more, bonuses are being judged on individual work performance, which means they are being spread over the whole year rather than coming in one big lump

"But perhaps the bulk of the labour force should be alerted that the scenario is almost certain to change in 1989

"Pay increases in 1988 in general beat the rate of inflation for the first time in five years Next year, the trend might well dip" she says

Black spending power puts on more muscle

Star 10/12/88

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MAGNUS HEYSTEK

WHITE spending power as a percentage of total household expenditure is falling rapidly, while black spending power is growing and in some sectors surpasses that of whites

Figures released by the Bureau of Market Research at the University of South Africa show whites at the end of 1985 were responsible for two-thirds of the R55,5 billion spent by private households on goods and services in metropolitan areas

This was down from the 77 percent in 1970

However, in some of the major metropolitan areas, white spending power was substantially higher than the national average

In Pretoria and Bloemfontein, white spending power accounted for 83 percent of all expenditure by private households

The share of black spending, however, rose markedly over the same period — from 14 percent of total expenditure in 1970 to 22,2 percent at the end of 1985

In certain areas, such as the OFS goldfields, blacks were responsible for over half of the money (56 percent) spent

These figures, economists say, are bound to be outdated because black spending power is currently at a much higher level

After increasing from 1970 to 1975, the share of coloureds fell to 6,3 percent in 1985 But the Asian share rose steadily during the period — up from 4,6 percent in 1975 to 5,2 percent at end-1985

Although whites had a two-thirds share in total household expenditure, they accounted for less than half of total private household expenditure in metropolitan areas on food, clothing, footwear, washing and cleaning materials, dry-cleaning and laundry services, alcoholic beverages, stationery and reading matter

On the other hand, whites were responsible for 94 percent of the R794,6 million paid to domestic servants and gardeners in 1985 and for 90 percent of the R5,5 billion paid in personal income tax

A surprise finding of the survey was that of the R12,3 billion spent by blacks in metropolitan areas in 1985, 56 percent was spent by black households, ie, persons not living in a family context, 62 percent of whom were accommodated in hostels and compounds

Food, housing, insurance, clothing and footwear were the main items of expenditure

The survey found that the area described as the Rest of the Witwatersrand (the East and the West Rand) was responsible for the major portion, ie, 24 percent of total household expenditure

Second in importance was Johannesburg, followed by the Cape Peninsula, with Kimberley in last place

A comparison over time shows that for the consumer, the five fat years from 1970 to 1975 were followed by 10 lean ones

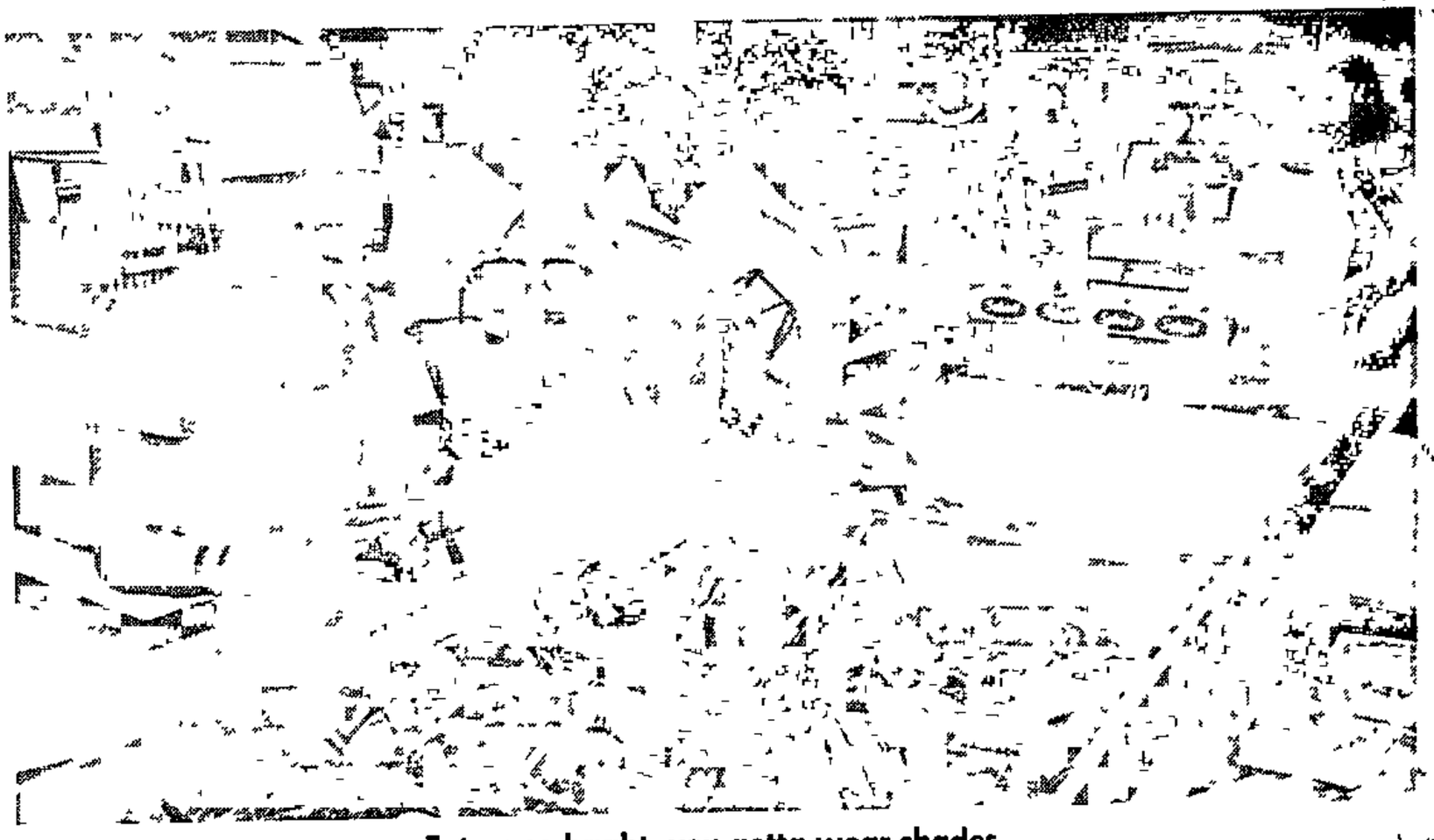
Growth in total real expenditure by whites in metropolitan areas fell from 4,9 percent per annum between 1970 and 1975 to 1,7 percent in the decade to 1985.

Bearing in mind that the white population in these areas increased by 1,5 percent over the past ten years, real expenditure per person only rose by 0,2 percent per annum

If income tax is subtracted, it reveals a slight drop in real expenditure per person

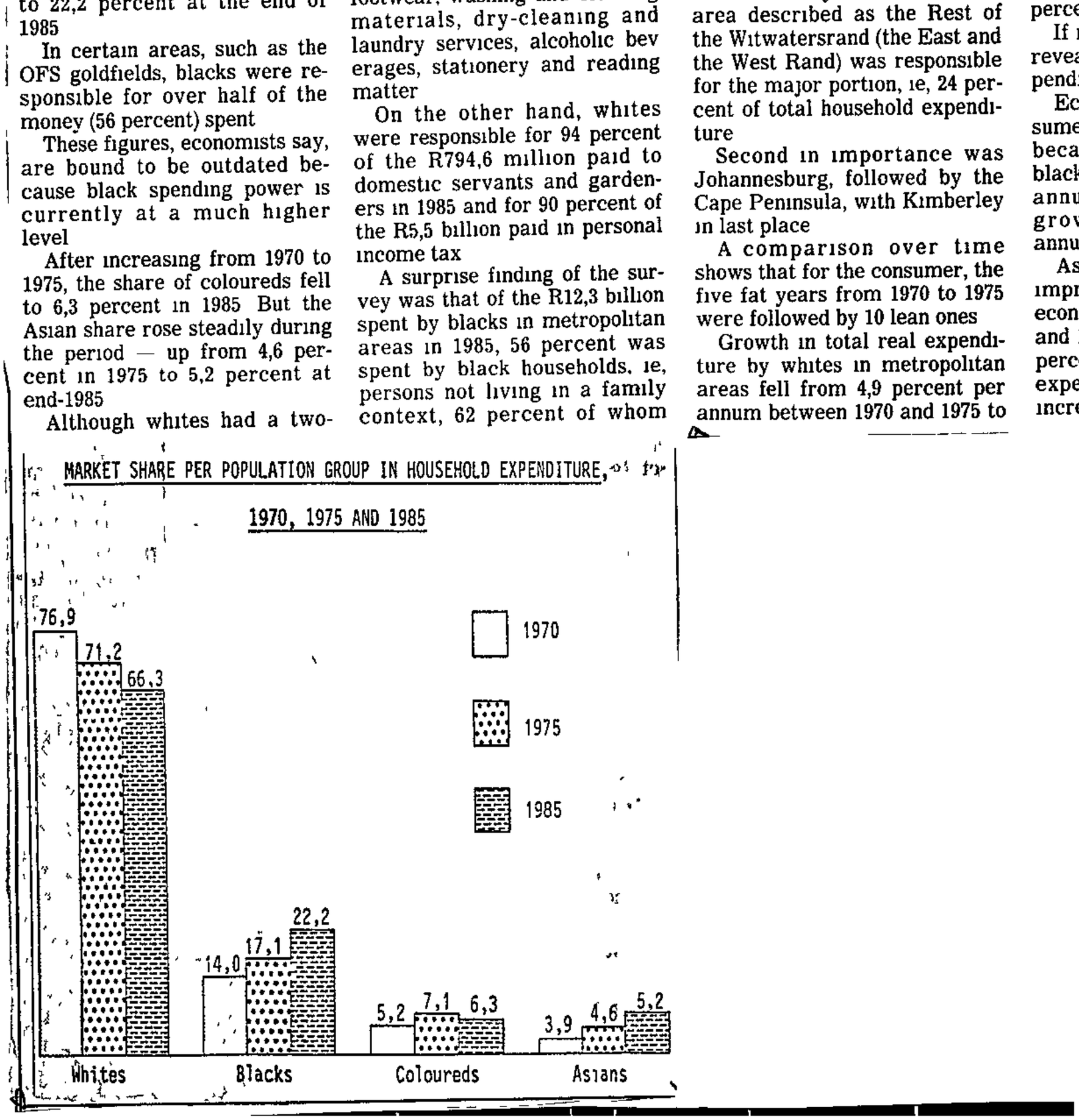
Economically, the black consumer was in a stronger position because real expenditure by blacks rose by 4,2 percent per annum against a population growth of 3,6 percent per annum

Asians enjoyed the biggest improvement in their relative economic position between 1975 and 1985, with an increase of 4,2 percent per annum in total real expenditure and a 2,6 percent increase in population



Future so bright, you gotta wear shades

MARKET SHARE PER POPULATION GROUP IN HOUSEHOLD EXPENDITURE, 1970, 1975 AND 1985



Sowetan 15/12/88

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THE urban black consumer is becoming increasingly sophisticated in his choice of stores and products, according to a survey conducted by the Bureau of Market Research of the University of South Africa.

The survey, on urban black attitudes towards shops and shopping, was carried out simultaneously in Soweto, Johannesburg, and Kwa-Mashu and Umlazi townships in Durban

Quick service, good quality, clearly marked prices and competitive prices emerged as the most important store characteristics among black consumers in Soweto. In Durban, quick service topped the list, followed by clearly marked prices, competitive prices and a fast delivery service

The survey also found that more and more blacks preferred self-service to service by assistants.

White cash power big, but dipping

WHITE consumers were responsible for two-thirds of the R55,5 billion in private household expenditure on goods and services in 1985 in metropolitan areas, according to a study by the Bureau of Market Research of the University of South Africa.

Blacks spent 22 percent, coloureds 6 percent and Asians 5 percent

However, white consumer's share declined from 77 percent in 1970 to 66 percent in 1985 The black share rose eight percent

Though Whites had a two-thirds share over all, they commanded less than half the metro household spend on food, clothing, footwear, washing and cleaning materials, dry-cleaning and laundry services, alcoholic beverages, stationery and reading matter

But whites were responsible for 94 percent of the R794,6 million paid to domestics/gardeners in 1985 and for 90 percent of the R5,5 billion in income tax

Of the R12,3 billion metro black spend, 56 percent was accounted for by black single households (people not living in a family context, 62 percent of whom live in hostels and compounds)

According to Unisa, items on which most was spent by blacks were food (R3,7 billion), housing (R1,3 billion), insurance and funds (R1,1 billion) and clothing and footwear (R1,0 billion).

Consumers on the East and West Rand were responsible for 24 percent of the total household expenditure Second in importance was Johannesburg, followed by the Cape Peninsula, with Kimberley last

Market share per population group in the respective areas shows that the white share was biggest in Pretoria and Bloemfontein

Blacks were responsible for 56 percent of money spent on the OFS goldfields, Asians for a third of the spending in the Durban complex, and coloureds made up 27 percent of the Cape Peninsula household spend

Growth in total real expenditure by whites in metropolitan areas fell from 4,9 percent a year between 1970 and 1975 to 1,7 percent between 1975 and 1985

White population in these areas rose by 1,5 percent over the past 10 years, so real expenditure per person rose by only 0,2 percent a year. If income tax is subtracted, there was a slight dip in real expenditure

Coloureds in metro areas were even worse off their total expenditure increased in real terms by 1,4 percent a year from 1975 to 1985, but population growth was at 2,3 percent

Unisa says real expenditure by blacks rose 4,2 percent a year against popultion growth of 3,6 percent a year.

In 1985, however, average expenditure by a black consumer represented only 9,5 percent of average expenditure

Asian consumers enjoyed the biggest improvement between 1975 and 1985, with a 4,2 percent yearly rise in total real expenditure and a 2,6 percent population rise

CHRIS MOERDYK

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Black buying power benefits Cape firms

By Dick Usher

CAPE TOWN — The growing strength of black buying power has proved a major benefit for companies in the health and housing sectors

Macmed Health Care has seen profits surge in the past two years from R15 000 to R1,6 million and turnover rise from R2,5 million to R14 million and a big factor in this has been the growing demand in the black community for health care, according to chief executive Don McArthur

Mr McArthur said after last week's annual meeting that the demand stemmed from the urban drift of people from rural areas and was expected to help underpin the group in the coming year

Mr McArthur forecast that the year ahead would probably be more difficult than 1988

For the year ending July 31, Macmed showed a 294 percent increase in turnover to R14 million, with after-tax profits rising 327 percent to R1,6 million

The company, which was listed on the Development Capital sector of the JSE in November 1987, paid a maiden dividend of 3,2c a share after the board decided to conserve capital resources for future development

Disa Homes, in spite of the increased interest rates which had seen the company off to a tougher start for 1988/89 than in previous years, also saw the black market as an important factor for the future

Chairman Theo Stergianos said that rising interest rates had affected sales levels, but developments in the Eastern Cape for the black market, which the company did not have last year, should have a levelling effect

He said there was a great demand for housing from civil servants with government subsidies and because they were not as severely affected by increased interest rates he expected sales to be unaffected

Demand for white housing had definitely gone off, a result of the interest rate rises, and there was in any event an over-supply of housing

Increased costs and changes to the first-time home owners scheme were also likely to depress the property market

But the black market was generally doing well

The developments are at Motherwell, Port Elizabeth (350 units), Gompo Town, East London (137 units) and Ginsburg, King William's Town (66 units)

Disa, which was listed on the JSE in October 1987, had after-tax profits of R3,8-million and paid a dividend of 4c a share

Retailers expect slowdown in durable goods spending

B1 Day 2 18/1/89 128

RETAILERS are preparing for tougher times, but most are optimistic consumer spending will be maintained at 1988 levels.

This view ties in with the lastest BER trade and commerce survey which expects total consumer spending to grow by 0,3% in 1989 This is down significantly from the 3,3% advance last year

Durable goods should be the hardest hit, says the BER survey, and this seems to be happening already Ellerine's chairman Eric Ellerine says sales of electrical appliances, TVs and audio equipment have suffered through import surcharges

During the past year, lounge furniture, bedroom and dining room suites have been popular and he expects demand to continue for at least the next six months

Regarding group prospects, he admits turnover should be down while increased competition could put the squeeze on margins Ellerine's will concentrate on asset management and maintaining market share In spite of the tough year ahead, Ellerine's has no plans to enter the white market at present, though Ellerine says he will not turn down a good acquisition prospect The BER survey says blacks are more optimistic than whites Since growth in black spending is expected to outpace that for the white consumer, Ellerine can afford to take his time looking for a suitable opportunity



● ELLERINE

Earnings for financial 1989 should be around 300c with the dividend rising to 75c This compares with EPS of 203c and a 50c dividend which the group reported for the eight months to end-August 1988

With the rise in black spending power, Pick 'n Pay is also beginning to pay more attention to this sector MD Hugh Herman says the retailer is entering this market segment more strongly Two or three Price Clubs will open this year, while a Pick 'n Pay is planned for the Johannesburg CBD Smaller module stores are appearing in the black areas

Herman agrees that consumer spending should be maintained at a reasonable pace

ANALYSIS: STEPHEN RICHTER

He does not see any specific spending pattern developing this year but thinks demand for large-ticket items will decline

It appears Pick 'n Pay's recent strong performance will continue as 1989 results should maintain their steady growth Earnings could rise by 26% to reach 85c (67,2c) with the dividend advancing by a similar percentage to 42c (32,9c)

Over at Edgars, management seems to share a similar view Group financial director Kevin Brewer says the group is expecting sales to slow down during the coming year, "especially when they (customers) see the bills coming in"

On future consumer trends, Brewer says 45% of sales are derived from blacks But over time the black segment will grow faster, thereby closing the gap on white consumers Therefore, although management does not plan on changing marketing strategy, Brewer says, each of the group's operating divisions will experience a steady shift in their sales mix

Edgars should again produce strong growth with earnings and dividends rising by roughly 40% to 200c (141,7c) and 75c (53,5c) respectively The convertible debentures will automatically be converted in July

Quality

CNA Gallo MD Doug Band says retailers must have the right product in stock if they are to be successful He says the consumer has money to spend and is concentrating on quality, but expects sales of discretionary items such as toys, records, tapes and videos to decline

Nevertheless, he is not expecting any dramatic slowdown CNA Gallo would prefer not to categorise its sales into population groups but has noticed increasing support from blacks who have stepped up purchases of stationery, photographic supplies and greeting cards

CNA Gallo does not have any plans to move into the townships yet, but Band says the group is investigating other options to increase exposure to blacks Band does not feel sales can be adequately measured on racial lines, but on income and education considerations The average black is becoming more educated and this, coupled with increased spending power, makes this population group a prime growth area

Earnings a share could jump by 36% to 100c (73,6c) for 1989 which would allow for a 38% dividend rise to 40c (29c)

It seems the informal sector does not play a major role in any of the above companies, and the same holds true for Metro Cash and Carry Marketing director Andrew Reitzer gives the impression Metro will handle 1989 in fine fashion

It appears blacks account for between 70% and 80% of Metro's business Reitzer feels the average customer is mildly optimistic and is adopting a wait-and-see attitude

During times of tighter credit and higher interest rates, Reitzer believes, Metro is in a strong position



● BAND

But as interest rates increase, and conditions become more uncertain, there is a natural tendency to use cash and carry outlets

Market projections indicate earnings should grow by 30% and reach 60c (46c) with dividends advancing 33% to 28c (21c)

It is important to note that with most companies expecting business to either remain fairly steady or taper off towards the end of the year, this will only show up on income statements for 1990 Investors should therefore adopt a cautious attitude towards retailing shares and look for opportunities which are clearly undervalued when compared with the sector as a whole

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B/Day 23/11/89

Income transfer changes

KAY TURVEY

FUTURE income transfers to emigrants should be dealt with on the basis of a fiscal year instead of a calendar year, the SA Institute of Chartered Accountants said last week.

This agreement has been reached after regular meetings between the institute and the Reserve Bank

Institute technical director Graham Terry sees this as one of the initial benefits arising from these meetings to clarify some of the uncertainty involving exchange control

Previously, emigrants were permitted to transfer out of the country up to R300 000 a calendar year in commercial rands This frequently caused administrative problems, as the fiscal year-end and many financial year-ends are in February.

To accommodate this change-over, the present limit of R300 000 in commercial rand income transfers will be supplemented by an additional R50 000 in respect of the period January 1, 1988; through to February 28, 1989, provided the R50 000 is in fact earned during this period.

As from March 1, 1989, the reporting year for exchange control purposes will end on February 28, 1990, to which the present commercial rand limit of R300 000 per annum will continue to apply.

Professional advisers, whose emigrant clients may be in receipt of income arising in SA and exceeding R300 000 a year, are advised by the institute to take particular note of this transitory provision.

HOME IMPROVEMENTS

Buying power grows

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Sowetan 26/11/89

WHITES were responsible for two-thirds of the R55 000 million private households spent on goods and services in 1985 in the metropolitan areas of South Africa (excluding the homelands). Blacks contributed 22% of this sum, coloureds 6% and Asians 5 percent

Figure 1 illustrates the decline in the whites' share of total household expenditure from 77 percent in 1970 to 66 percent in 1985 and the increase from 14 percent to 22 percent in the blacks' share After increasing from 1970 to 1975 the share of coloureds fell to 6 percent in 1985 but the share of Asians rose steadily in the period

Although whites had a two-thirds share in total household expenditure, they commanded less than half of total private household expenditure in metropolitan areas on food, clothing and footwear, washing and cleaning materials, dry-cleaning and laundry services, alcoholic beverages, and stationery and reading matter

On the other hand whites were responsible for 94 percent of the R794,6 million paid to domestic servants and gardeners in 1985 and for 90 percent of the R55 000 million paid in income tax

Of the R123 000 million spent by blacks in metropolitan areas in 1985, 56 percent was spent by black single households, i.e persons not living in a family context, 62 percent of whom are accommodated in hostels and compounds Some of the expenditure items on which most was spent by blacks were food (R37 000-m), housing (R13 000-m), insurance and funds (R11 000-m) and clothing and footwear (R1 100-m)

Figure 2 depicts the share of the inhabitants of the various metropolitan areas in total expenditure The inhabitants of the rest of the Witwatersrand (i e East and West Rand) were responsible for 24 percent of the total household expenditure Second in importance was Johannesburg, followed by the Cape Peninsula, with Kimberley last The market share per population group in the respective areas shows that the white share was biggest in Pretoria and Bloemfontein where they accounted for 83 percent of all expenditure by private households in the areas

Expenditure by the inhabitants of adjacent areas, like Mabopane and Garankuwa near Pretoria, was left out of account Blacks were responsible for over half (56 percent) of the money spent in the OFS Goldfields Asians for one-third of the spending in the Durban complex, and coloureds made up 27 percent of the household spending in the Cape Peninsula

A comparison over time shows that for the consumer, the five fat years from 1970 to 1975 were followed by 10 lean years Growth in total real expenditure by whites in metropolitan areas fell from 4,9 percent per annum between 1970 and 1975 to 1,7 percent between 1975 and 1985 Bearing in mind that the white population in these areas increased by 1,5 percent over the past 10 years, real expenditure per person rose by only 0,2 percent per annum If income tax is subtracted, there was a slight decrease in real expenditure per person Coloureds in metropolitan areas were even worse off their total expenditure increased in real terms by 1,4 percent p a from 1975 to 1985 but their population growth rate was 2,3 per cent Economically the black consumer was in a stronger position because real expenditure by blacks rose by 4,2 percent p a as against a population growth rate of 3,0 percent p a

In 1985 however average expenditure by a black consumer represented only 9,5 percent of average expenditure by a white consumer even in a metropolitan area Asian consumers experienced the biggest improvement in their relative economic position between 1975 and 1985 with a 4,2 percent increase per annum in their total real expenditure and a 2,6 percent increase in their population numbers in metropolitan areas

The decline in whites' share

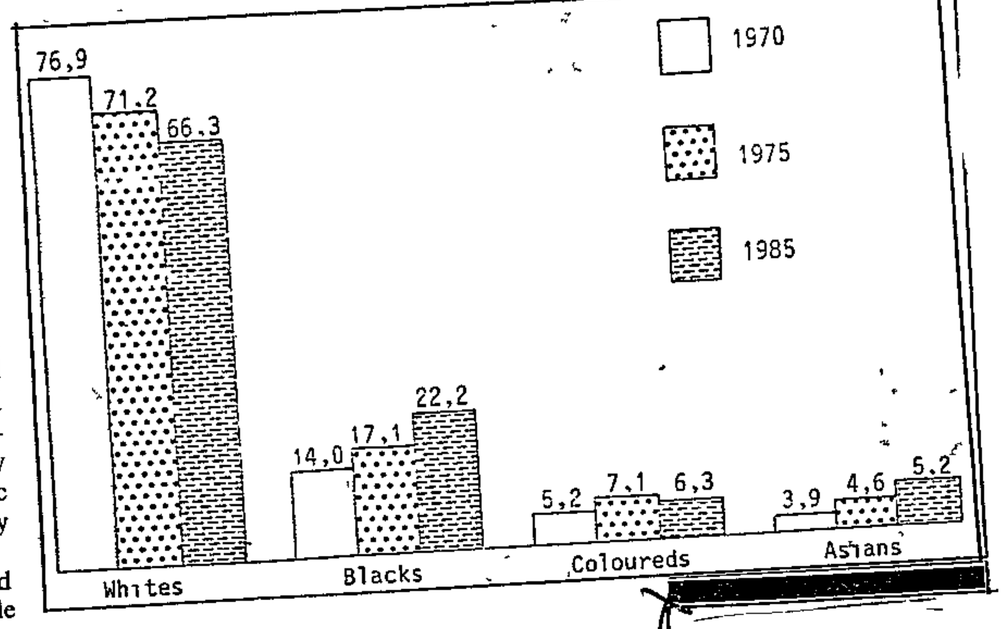
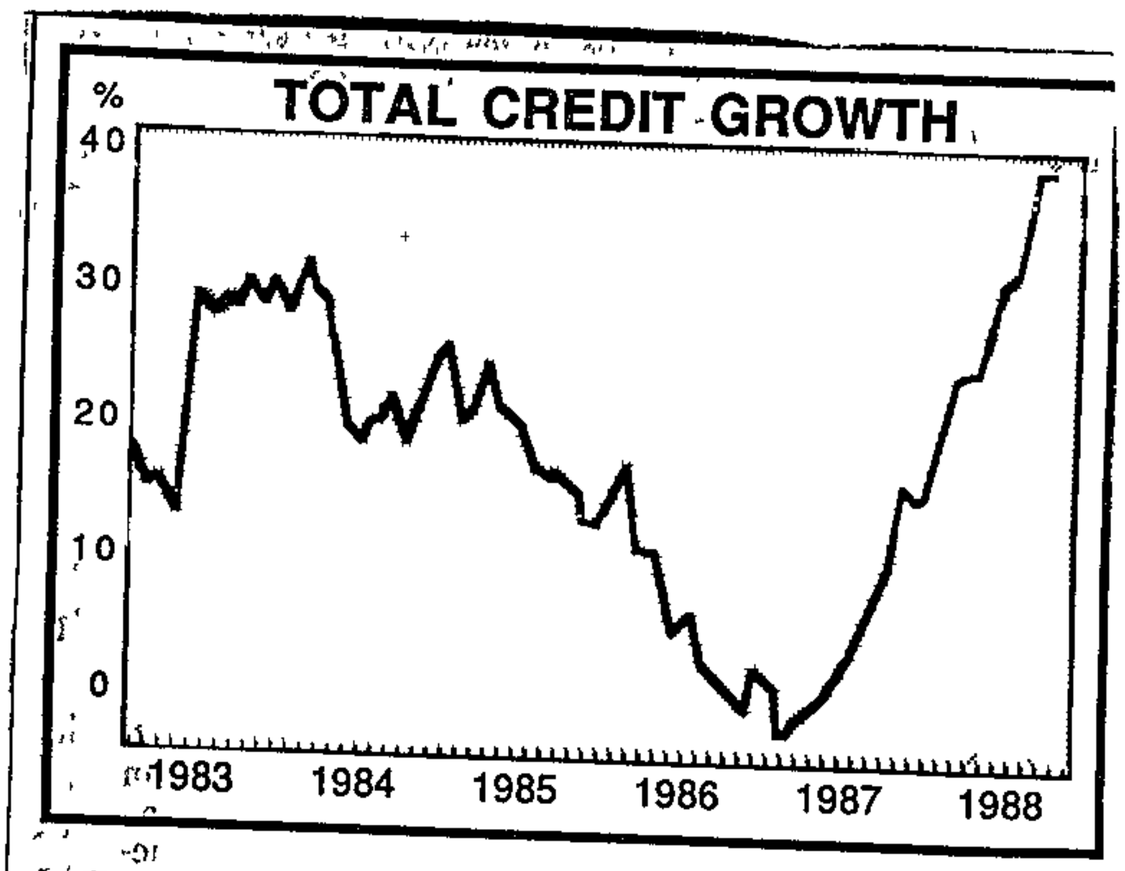


FIGURE 1 (above) indicates a decline in the whites' share of total household expenditure from 77 percent in 1970 to 66 percent in 1985 and the increase in black peoples' share from 14 percent to 22 percent. After an initial increase, the share of coloureds fell to around six percent, while that of Asians rose steadily during the period.



Consumers still on a spending spree, despite restrictions

By Sven Forssman

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

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

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

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

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

Disposable income

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

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

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

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

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

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

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

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

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

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

Inflation rate

Mr Daly says December's surprisingly low inflation rate of 12,5 percent will be the beginning of a new upward cycle, lasting at least until the third quarter of this year, whereafter it could ease somewhat

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

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

Blacks' economic power 'taken'

Sowetan 13/2/89

By JOSHUA RABOROKO

APARTHEID has disempowered blacks economically, the chief executive of the African Bank, Mr Gaby Magomola, told delegates at a conference in Johannesburg last week.

Addressing a conference called by the Institute of Retail Studies of the University of Cape Town's Graduate School of Business, he said decades of racial discrimination have marginalised black control over economic resources and severely restricted the entry of blacks into business

He said blacks have been shut out of critical areas such as agriculture, mining, finance and manufacturing, he told the conference called to study trends in the retail market in the '90s

He said the greatest potential for reform and change in South Africa rested with black economic empowerment Blacks were not waiting for the Government to take the initiative and decide what was good for them

"There had been a tragic history of paternalism and benign neglect — and blacks now wanted to ensure that future generations would be equal-partners with whites in the economic mainstream

"Black buying power was already a potent force in the economy, and black trade was now critical for the viability of several industries"

He said there was a growing awareness that the black entrepreneur was not solely stereotype general dealer, hawker, or trader that he or she was often made out to be

Blacks were now looking into all opportunities in the economy — from retail outlets to the manufacturing sector

Squatters seen as spenders

TANIA LEVY

SQUATTERS are seen by Markinor as a market estimated to be worth many millions of rands a year

Director Arthur Mzozoyana, quoting Amps figures at the Window on the Third World seminar in Johannesburg last week, said urban development efforts were neither extensive nor fast enough to cater for the estimated 3,7-million squatters in and around major cities and towns (~~250~~ 128)

He added about 250 000 people would continue to flock into urban areas each year until rural living standards improved and there were more jobs BIDam 14/3/89.

Mzozoyana said 33% of squatters were well-off by black standards and most earned a living

He said the demand was there and marketers should not ignored it

Many sectors already appeared to be benefiting from squatters

Mzozoyana said if government could be persuaded to grant residential rights to informal settlements the building and ancillary industries would be the most likely to benefit

Star 16/3/89 128

Soweto's wealth pours into Johannesburg

Joint tax base vital for 'apartheid city'

By Jo-Anne Collinge

The establishment of a single tax base for Johannesburg and Soweto is the only long term basis for the sound development of South Africa's largest township, according to a detailed report on the Soweto rent boycott.

The report was prepared by a private planning consultancy, Planact, and was commissioned by the Soweto Delegation, a collection of high-profile community and church leaders who have sought to negotiate a solution to the rent crisis with the township authorities

The report says the three-year-old Soweto rent boycott took hold largely for economic reasons and it is therefore not reasonable to think that boycotting households will contribute financially to the resolution of Soweto's debt crisis

The debt of the township is estimated to be at least R701 million, of which at least R200 million can be ascribed to arrear rent and service charges

This debt and the totally inadequate provision of infrastructure in Soweto are viewed in the report as symptoms of the "apartheid city" pattern, where townships are cut off from the business centres where residents earn and spend most of their money.

The report notes "Approximately 283 000 Sowetans, who worked in Johannesburg, earned over R2 billion in 1987 Sowetans spent about R1 billion in Johannesburg's CBD in 1987

Income

"However, because Soweto is defined as a separate city, Sowetans do not benefit from the economic development of Johannesburg

"The healthy economic base of Johannesburg generates an enormous income for the Johannesburg City Council (JCC) which, in turn, has a sufficiently large surplus to subsidise white ratepayers None of the JCC's income finds its way back into Soweto"

The report says that regional service councils, which impose levies on businesses to fund township development, are an attempt to deal with the negative consequences of the "apartheid city" syndrome

Not only are they an added bureaucracy, but they do not get to the root of the problem, it claims

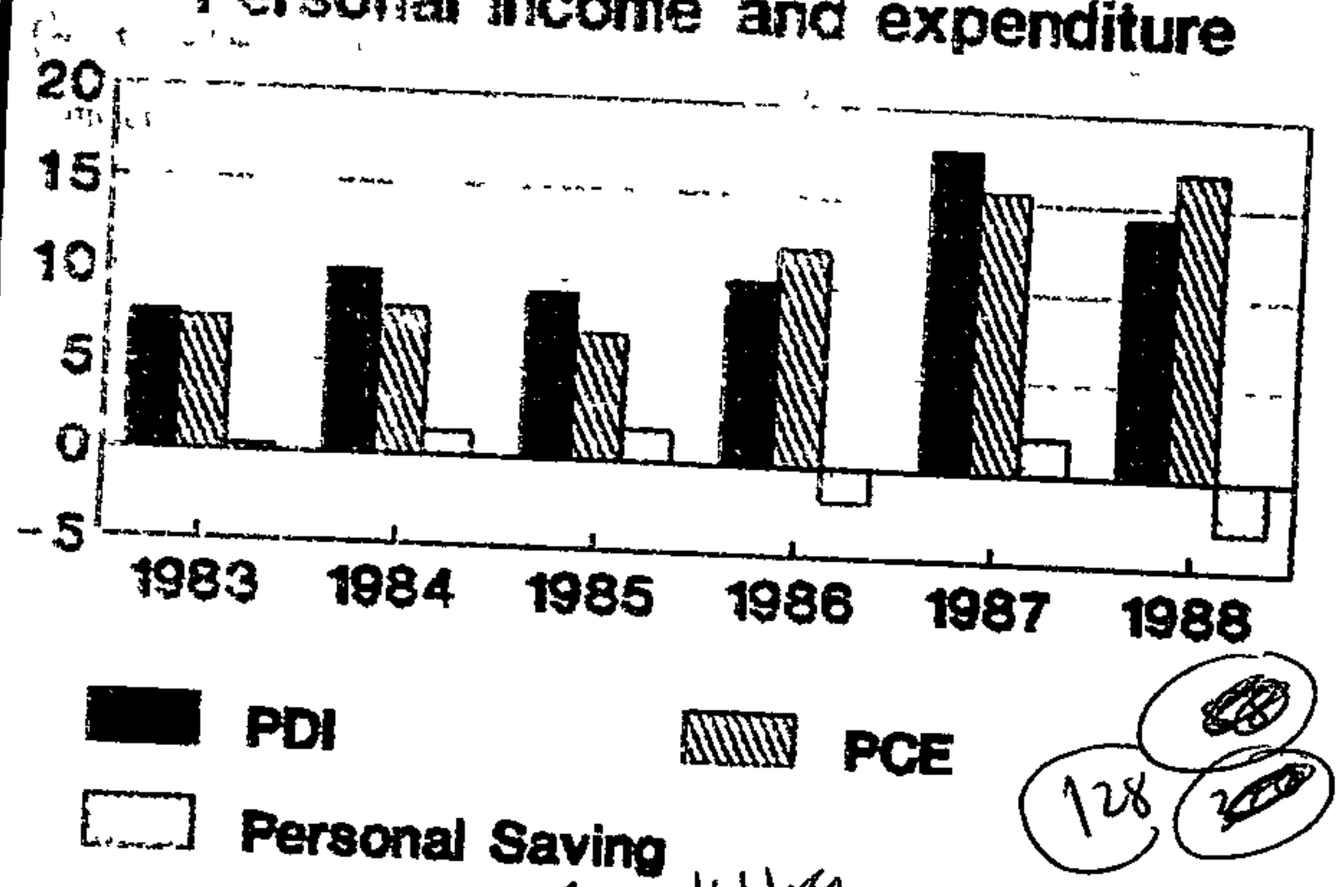
"They ameliorate the consequences of Johannesburg's exploitation of Soweto (but) do not eliminate the structural foundations of a system that transfers wealth from the poorest to the richest sectors of the city

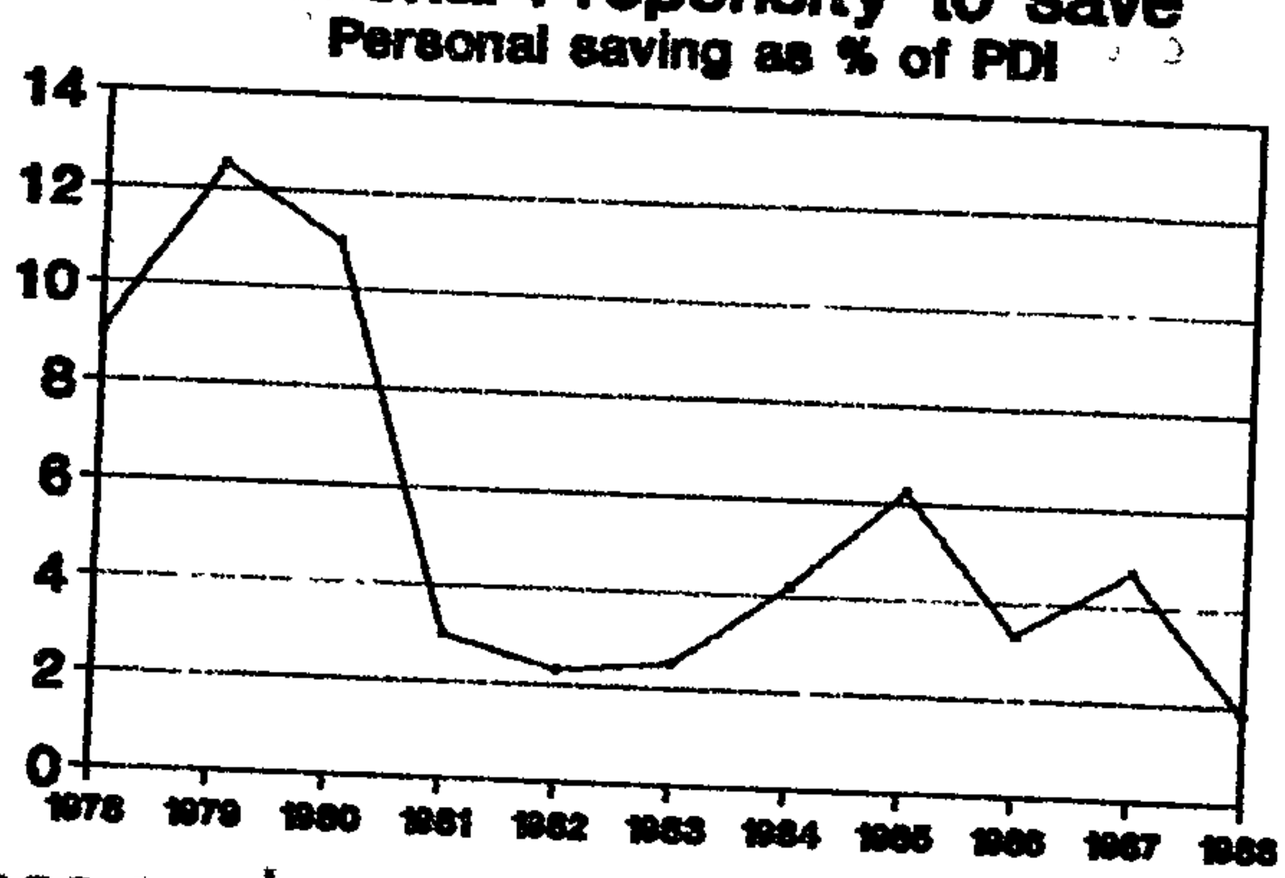
"It follows that no development policy for Soweto will succeed until Johannesburg and Soweto are treated as one urban economy"

Other major policy recommendations to resolve the rent boycott and develop Soweto are

- The arrear amounts owed by householders must be written off. The "bridging finance", presently paid by the province to keep the Soweto Council going should be treated as a non-recoverable loan or as a grant
- The housing stock must be transferred to the ownership of the residents of Soweto on terms to be negotiated It is recommended that a democratic and accountable Community Housing Trust be established for the purpose
- Soweto's infrastructural services must be upgraded to an acceptable standard
- An affordable service charge formula must be worked out so that the population of Soweto can pay what is demanded of them

This would seem to rest on cross-subsidisation between Johannesburg and Soweto, the report observes





Tax burden has a role in decline in savings

Finance Staff Star 16/3/89

The sharp decline in personal savings to record lows in recent times was most probably caused in part by the increase in personal taxes

This reluctant acknowledgement was made in the *Statistical/Economic Review* which is released annually on the eve of the Budget speech

"Over the past few years, direct taxes on individuals as a percentage of their current income increased from 6,2 percent in 1980 to 11,3 percent in 1986 There was then a moderate decline to 10,4 percent in 1988 During the same period, individuals' propensity to save declined from 11 percent of disposable income in 1980 to only 1,7 percent last year

"Though there are various factors that contributed to this decline, for example interest rates, inflation and inflationary expectations, and the availability of credit, the increase in the tax burden has probably also played a role

"While the increase in corporate savings during this period partly compensated for the decline in personal savings, the sum of corporate and personal savings, expressed as a percentage of the gross domestic product, nevertheless declined from 10 percent in 1979 and 17,5 percent in 1980 to only 5,9 percent last year

"At the same time the central Government absorbed a larger part of these savings, as evidenced by the increase in the Government's deficit before borrowings as a percentage of private savings (excluding provisions for depreciation) from an average of 37,1 percent in the Seventies to to 46,3 percent in the Eighties This ratio amounted to 78,1 percent in 1988," says the *Review*

Specialists refine draft Vat bill

Political Staff

A DRAFT Vat (Value Added Tax) bill had been prepared and was in the process of refinement, the Minister of Finance, Mr Barend du Plessis, told the new session of the Gazankulu Legislative Assembly yesterday

However, he gave no indication of when the final bill would be submitted to Parliament

The refinement of the draft bill was being done in consultation with the tax advisory committee of the Minister of Finance and a team of Vat specialists

Mr Du Plessis said that after the Vat Act had been passed, a period would be allowed to ensure that vendors had sufficient time to adjust to the new system

Govt committed to wealth distribution

Political Staff

THE government had for some time been firmly committed to a better distribution of income and opportunity, not merely via the gradual process found in many countries, but also by more direct means, the Minister of Finance, Mr Barend du Plessis, said yesterday.

"Particularly in the fields of education, health and welfare, tremendous strides are being taken in rectifying the imbalances that have existed among the several population groups.

"Significant progress has also been made in narrowing the wage gap between the groups," he said when he opened the Gazankulu Legislative Assembly.

The economic challenge facing South Africa was to attain a better balance in the distribution of growth and wealth between the developed sector of the economy and the other.

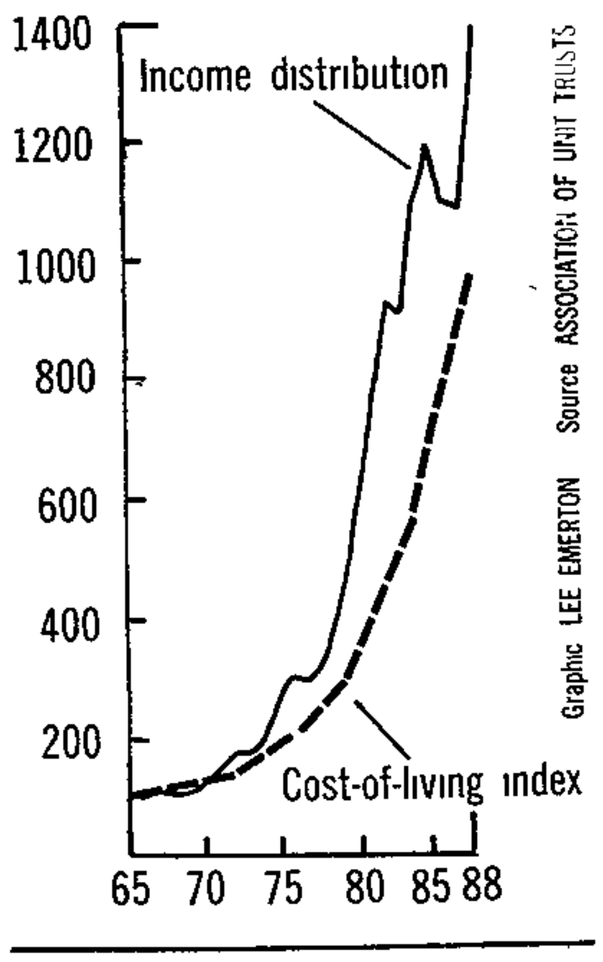
"Redistribution to this end will be of no avail if the segment of the economy on which such a burden is placed, finds that the burden is too heavy to bear, while on the other hand the reallocation of resources will hold no advantage if it is not directed to the maximisation of economic development.

"If applied in this way it will also ultimately assist the recipient state to move nearer to the goal of economic independence."

It had to be recognised that the social infrastructure could scarcely be raised to a more acceptable degree of parity overnight because the wealth and job-creating ability of the modern sector, on which this process ultimately depended, should clearly not be torpedoed by intolerable levels of taxation.

"The very future of this country relies on the private sector as the generator of growth to provide for people's basic needs," Mr Du Plessis said

Unit trust income index vs cost-of-living index



Rates will do 'permanent damage'

MERVYN HARRIS

AS A developing country, SA cannot not sustain the current very high interest rate pattern for any meaningful period without creating permanent damage to the economy, says Association of Unit Trusts chairman Roy McAlpine

It is to be hoped the economy will cool off sufficiently to enable interest rates to be lowered during the middle or latter half of the year, he says in a statement in the Association's 1989 yearbook

But in a likely economic climate of low growth, high inflation and a declining currency, unit trusts will continue to provide the best available avenue to protect the savings of the general public

McAlpine emphasised that unit trusts were not recommended for the short-term investor

The price of gold, on which the country's export revenue is so dependent, has not yet shown signs of emerging from its historic downtrend Other precious metals and certain base metals performed very strongly in 1988 and there is every possibility of further improvement in 1989

Good rains have fallen throughout the Republic in recent months and an excellent contribution from the agricultural sector can therefore be expected

'No real growth until South Africans learn to save more'

FINANCE STAFF

IT has become imperative that South Africans save more so that capital can be generated for the economic growth of the country, says Mr R B (Roy) Justus, general manager investments at Santam Insurance.

In his quarterly economic review he draws attention to the many uncertain factors prevailing at present and affecting decision-making These include the question of an early election and the leadership of Government, expected tax reforms flowing from the Margo proposals and the uncertainty surrounding the abolition of prescribed assets In the midst of these uncertainties he highlights the need for private individuals to save far more than is the case at present.

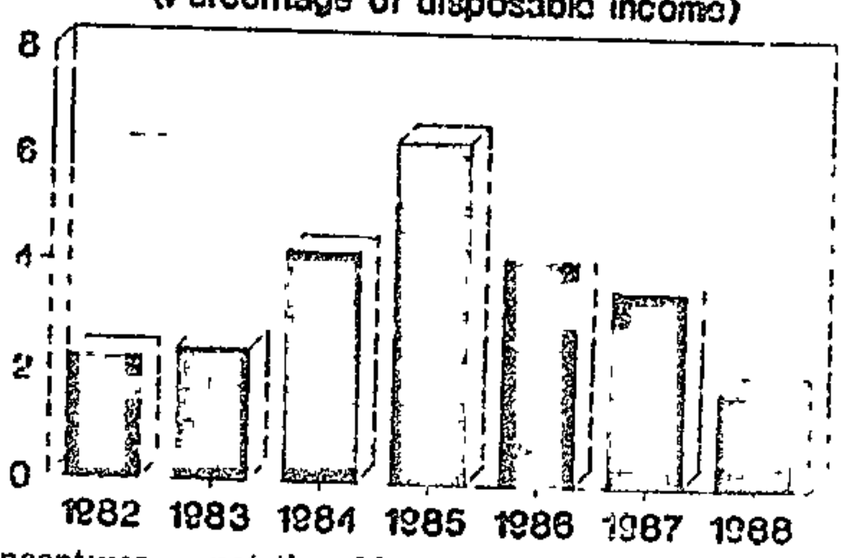
"The country as a whole has to make more effective use of its capital, and top priority should be given to encourage individuals to save The current ratio of personal saving to personal disposable income is far too low and in sharp contrast with the economics of the rising nations in the Far East where savings are four or five times higher than in South Africa

Real growth

"In South Africa we need a savings ratio of at least 6 to 7 percent of disposable income to ensure some measure or real growth Even the 4,5 or 5 percent savings ratio which was achieved in the first half of the 1980s would be more acceptable than the present situation," said Mr Justus

It had now become essential, he said, that individuals and the country as a whole must learn they cannot have everything. Mr Justus acknowledged that the only people who could spend less and save were those who had enough to spend on semi-luxury items The majority of the population only had enough money for the purchase of essentials such as food

"It is imperative that we persuade the relatively wealthy with discretionary disposable incomes to accept a realistic standard of living and save more Incentives must also be introduced to encourage these people to save These could include tax-free



incentives — not the old post office and building society system which is falling away — but something superior A way must also be found whereby the investor is assured of a real rate of return," said Mr Justus

He acknowledged that with the current rate of inflation at an expected 15 percent or more, and tax at a marginal rate of 45 percent it was difficult to achieve an after-tax real rate of return from savings There had already been a move towards the freeing of the capital market with the announcement in the Budget speech that the need for financial insitutions to hold prescribed assets was to be abolished

There was, however, still considerable confusion regarding this since subsequent to the Budget speech, the deputy registrar of financial institutions, Mr Piet Badenhorst, issued a statement which implied that there would still be some form of control over the investment of funds by certain types of institutions and that these controls had still to be negotiated This of course was not necessarily a bad thing but at the moment it was creating uncertainty "Uncertainty again inhibits decision-making all round," said Mr Justus

Regarding the foreign exchange vaue of the rand, Mr Justus said that during the course of 1989, the rand was likely to fall further and could be priced between R2,75 and R3,00 to the dollar by the year end

Women are the top black earners

Star 8/4/89

CHRIS MOERDYK

THE TOP income group in South Africa's burgeoning black market is dominated by women

Not only that, but the majority of the country's R9,8 billion a year A income black salary earners don't live in the Transvaal as might have been expected, but in Natal.

A recent study by local advertising agency Grey Perspectives showed that the vast number of black women entering the economy as highly paid credit controllers and computer operators, for example, now dominated the A income group of the black market

And even more surprising was the revelation that the incidence of A income group blacks was highest in Natal followed by the Cape and with the Transvaal only third

The A income group is defined as those blacks who have a monthly income in excess of R2 000. The group is made up of 407 000 consumers — a mere 2,8 percent of the total black population.

The study concluded that as advertisers and marketers geared themselves for entry into the burgeoning black market, they should be aware of the dynamic and diversified nature of the market and be careful not to fall into the trap of generalisation

With regard to motor vehicle ownership, for example, the study showed that 3,6 percent of the total black population bought their cars new, compared to 40,1 percent of the A income group.

The percentage of secondhand cars bought was also higher among this income group

The study suggested that consumers in the A income group could therefore afford to shop anywhere

M-Net launches business link-up

AN EXCITING — and totally secure — conferencing facility that enables you to address a select audience in all major centres in South Africa — or even further afield — without you having to move from behind your desk has just been launched by independent pay-TV station M-Net

The service is called M-Net Business Broadcast and promises to revolutionise corporate communication sytems in this country. Using the powerful medium of television, Business Broadcast puts you in touch with desired target markets nationally using M-Net's

Year of the big squeeze

STV 15/4/87 128

DEREK TOMMEY

THIS IS the year of the big squeeze for middle class South Africans The Government's refusal to adjust the income tax rates for fiscal drag together with the steep increase in mortgage repayments has drastically reduced middle class purchasing power

With inflation running between 12 percent and 15 percent before taking the new petrol price increases into account, a rough rule of thumb suggests that the ordinary South African will need about 15 percent more spending money this year to maintain his living standards

But calculations of the impact of the higher tax and mortgage bond rates on personal incomes indicates that a great many people will not have this extra cash

In fact, there is evidence that after meeting their tax and mortgage payments a great many South Africans this year may have to cut their spending by possibly up to 10 percent in real terms

For many the major deciding factor will be whether they splurged on a new house last year and took out the biggest bond they could get

As an example of what is happening let us look at the case of a man who a year ago was earning R2 500 a month

At that time interest rates on mortgage bonds were 13 percent and he borrowed the largest mortgage bond he was entitled to get on salary — one for R53 000 on which the monthly repayments were R621

After paying his tax of R447 (worked out on the basic tax rates) and his mortgage payment of R621 he had R1432 left for other expenses

Now let us look at his finances this year He was one of the fortunate ones who received a 15 percent pay rise at Christmas so his monthly income is R2 875, or R375 more than a year ago

However, because the tax tables were not adjusted for fiscal drag his monthly tax has risen 29,6 percent to R573 leaving him with R2302 after tax against R2053 a year ago

Mortgage rates

But at the same time, the jump in mortgage rates from 13 percent to 18,75 percent has resulted in his monthly repayment rising 36,7 percent from R621 to R849 The upshot is that his net pay is R1453 which is only 1,5 percent more than the R1432 he had a year ago

With food prices, insurance, transport and everything else having risen by between 10 percent and 33 percent (such as in the case of petrol) in the past 12 months, it is fairly obvious that he is not going to able to buy the same amount of goods as he was able to do a year ago

Those people in the R40 000 a year income group last year and who got the biggest mortgage they could, will have about R1741 left to spend after tax and mortgage repayments against R1738 a year ago

And for people in higher income groups where the marginal tax rate rises strongly, the situation gets progressively worse

It seems that for the first time the Government is determined to curb inflation and the squeeze is an intrinsic part of its plan

The squeeze is enabling the Minister of Finance, Mr Barend du Plessis, to sterilise some R1 billion this year After taking the multiplier factor into account this means that total demand may be cut by anything between R3 billion and R5 billion

This will greatly lessen inflationary pressures Less demand will also help the balance of payments and could lead to a firmer rand and to less imported inflation It could even result in a rise in the gold reserves and, with a little luck, to a higher gold price

The squeeze will be hard on many people, but it should enable them to look for improved economic conditions and greater prosperity in the coming years

— Sapa

CAPE TIMES 25/4/89 (12)

SA per capita output declines

PRETORIA — There was an "alarming trend" that more and more job opportunities in SA were being created in the public sector instead of the private sector, the National Productivity Institute (NPI) has warned in a report, "Productivity Focus," published in yesterday.

The NPI said that between 1980 and 1987, 304 000 more people had been employed in the government sector and 67 000 fewer people in manufacturing.

"This is a cause for concern as manufacturing is the single largest sector in the SA economy and serves as the main engine of growth."

South Africans had become poorer by as much as 1,7% per annum between 1981 and 1987, because the country's economic growth rate had been insufficient to ensure an improvement in the standard of living.

Among its major trading competitors, SA was the only country that registered a per capita output decline, in that her economic growth rate was the lowest, whilst the population growth rate exceeded those of other countries. — Sapa

A gloomy '89 forecast for SA consumers

B1 Day 26/4/89

128

GRETA STEYN

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

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

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

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

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

Discipline

Nonetheless, consumption spending would still grow in real terms this year — but at a slower rate than the 4,8% recorded last year. Next year could see negative growth.

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

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

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

Spending curbs still needed, says OM

Star 26/4/89

128

By Sven Lunsche

Short-term interest rates are likely to remain at current high levels throughout the year and the authorities cannot afford to relax economic restraints until foreign exchange reserves are rebuilt, says Old Mutual's chief economist David Mohr

In the latest *Old Mutual Economic Monitor* Mr Mohr says recently released economic data indicate that a considerable amount of buoyancy is still prevalent in the economy.

He says, however "Certain underlying trends suggest the forces that will bring about a slowdown are already taking hold"

Mr Mohr says a large part of the expansion in real private consumption expenditure (PCE) had been financed through increased use of credit facilities.

"Against the background of an expected decline in real disposable income and the higher cost of credit this year, the increased debt burden of consumers should therefore further restrict the scope for another sharp rise in PCE from current levels.

"Overall, PCE could still record a positive growth figure for 1989 as a whole, but is likely to be less than the 4,8 percent growth recorded in 1988," Old Mutual says.

Against this, real gross domestic fixed investment (GDFI), which is responsible for one fifth of total domestic spendng, registered its first increase in seven years last year. Given the current momentum of GDFI and high levels of confidence, this type of domestic spending is expected to rise even further this year.

Overall it would thus appear that the growth rate in real domestic spending could more than halve from the increase recorded last year and the underlying momentum should taper off during the course of the year, Mr Mohr says

However, domestic spending should still register its fourth consecutive year of growth, with the result that some short-term pressure on interest rates is still evident

Mr Mohr predicts another rise in the prime rate in the second quarter, given the sustained increase in general money market rates, but a further rise in rates can only be avoided if budget estimates are strictly adhered to, ensuring a slowdown in the economy.

"If this restrictive fiscal policy is adhered to, we believe that short-term interest rates have come close to their cyclical peak

"However, in the absence of such fiscal discipline, a further significant rise in interest rates cannot be discounted"

The need for strict control of government spending was highlighted by the fact that two of the largest components of total government expenditure — the wage bill and interest payments on outstanding debts — were estimated to have expanded by more than the 15 percent budgeted increase.

'Doctors earn R68 500 pa'

JOHANNESBURG — The average annual net income of a South African medical practitioner, or partner in a medical practice, amounts to R68 500, the Central Statistical Service showed in its recently published report based on the 1987 census of medical, dental and other health services

According to the figures, the average annual income per medical practice is about R120 000, with a total annual net profit of R644 million for the 5 380 practices in the country

There were 27 000 people working in medical practices in February 1987 and about 7 250 people working in dental practices — Sapa

Shareholders' body probes CPI accuracy

W/F 6/5/87 NKGS 128

By TREVOR WALKER
Business Staff

THE accuracy of the official inflation figure as measured by the Consumer Price Index (CPI) and computed by the Department of Statistics has been under investigation by the Shareholders' Association of South Africa

Chairman Mr Issy Goldberg said at the Association's annual meeting this week that the results of the study would be published soon.

He said "there is much questioning among thousands of families as to whether the plus/minus 14 percent official inflation rate reflects the true picture."

To this end several women under the aegis of the Association had been recording on a regular basis the prices of food and commodities used in running the household.

Their figures suggested that the inflation rate, certainly as far as average families were concerned, far exceeded the official figure, perhaps running up to 30 percent a year.

The association is quite right to attempt a more "domestic" inflation figure than than the homogenised one produced the Department of Statistics.

The official figure includes a wide range of household goods ranging across a spending spectrum encompassing food, fuel, transport, housing and the like

The department is always quick to argue the swings and roundabout theory. This is that some commodities might increase dramatically (due to drought or flood, for example) and that at the end of the day the average figure that it releases is accurate.

This is quite true. But Mr Average Householder, who bought his house car, fridge, TV, stove, bed, lawnmower — whatever years ago, disbelieves the official figure.

This to Mr Average is the nub of the conundrum. Replacement values might be sky high, but they do not all apply at once.

Yet his monthly spend on "living" in relation to his overall monthly pay continues to push him into a worse position when compared with any period or month in the past.

If one's pay increase is less than the inflation in the country and the tax man continues to use the same tax scale as the taxpayer moves up this scale due to salary increases, then Mr Average falls quickly behind.

Mean for

Cape Times 12/5/89

Blacks paid R3,5bn tax last year

128

Political Staff

TOTAL taxable earnings of blacks in SA grew by 18,3% last year to R3,5bn, Finance Minister Mr Barend du Plessis said yesterday

Mr Du Plessis said in reply to a question from Mr Harry Schwarz (DP Yeoville) that taxable earnings of whites grew by 10,8% to R35,6bn, Indians by 10% to R1,9bn and coloureds by 15,9% to R3,1bn.

He said that 1 421 711 whites, 236 519 coloureds, 124 603 Indians and 305 518 blacks paid direct tax in 1987/88

A total of 901 whites, 3 coloureds, 11 Indians and 5 blacks paid tax on incomes of more than R250 000

Replying to a question from Mr Roger Hulley (DP Constantia), the fiance minister said R479,7m was collected in excise duties on petroleum products in 1988/89

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Labour Update

16/5/89 Sowetan

Annual defines 'standard' wage

AN average household income of about R870 was needed to support "a modestly low" standard of living for a black family of five, but many black workers earned less than half the figure.

This is according to the South African Township Annual, a research document edited by Mr Stuart Pennington of the Industrial Relations Information Surveys

Writing in the annual, Pennington says "Wage negotiations are sometimes based on theoretical assumptions about living costs which take little account of actual living conditions in particular townships and the income required by a household to sustain a modestly low standard of living

"The purpose of the annual is to provide 'live' data, based on interviews which will assist employers and employees negotiate on the basis of empirically based information rather than emotive threat," he says.

Data for the annual was garnered from 1 400 interviews in 28 townships, with the average size of family being 5,3 members

The annual aims at providing those involved in wage negotiations with empirical data about expenditure, earnings and costs by township and by region.

In the last year, the average income required for a family of five had risen to R860,56 from R809,72 in at least 60 percent of the households, according to Pennington. There were, at least, two contributors to the "pot" at these households.

"The relatively low increase in the past year



MR PENNINGTON

By LEN MASEKO

is proof that 'belt tightening' is not merely an economist's favourite exhortatioin in inflationary times", he adds

Regional surveys showed that different average household incomes were needed to sustain a "modestly low" standard of living· Pretoria - Witwatersrand -Vaal (R1 041,27), Eastern Cape (R746,23), Western Cape (R909,35), Natal (R825,63) and Free State (R828,54).

The survey also showed that Bekkersdal was inhabited by a population poorer than other communities in the Pretoria-Witwatersrand-Vaal areas with an unemployment rate of 57 percent. The average cost of living figure for the area was found to be R847,95.

Meanwhile Pennington predicts that housing will be the "hot topic" in employer-union negotiations in the next 18 months.

"Many current employer housing schemes are not yet meeting the needs of black workers. They tend to be based on inappropriate assumptions about financing and don't address the particular problem related to township conditions". For example financing is often based on remuneration calculations which include overtime".

The growing momentum of urbanisation had created further housing needs and pressure to upgrade existing homes.

PARLIAMENT

Whites 'not worse off' — Nat MP

Argus 19/5/89 (128)

By MICHAEL MORRIS, Parliamentary Staff

ECONOMIC and political reform, partition and the Group Areas Act controversy were among the themes of a wide-ranging second reading debate on the Budget

Looking to the election, Dr Boy Geldenhuys (NP, indirectly elected) noted that leaders on the two extremes — one of the DP co-leaders and AWB leader Mr Eugene Terre'Blanche — both had the same desire for a "hung" Parliament.

The election "is not about who will run the country, but about who will be the official Opposition".

Standard of living

Dr Ferdi Hartzenberg (CP Lichtenberg) said National Party-supporting newspapers reflected "uncertainty and tension" within the National Party over its future constitutional strategy. Voters were uncertain and were rejecting the party and this was reflected in two recent municipal by-elections in which NP candidates lost.

The uncertainty had arisen over the conflicting approaches of the retiring Minister of Constitutional Development and Planning, Mr Chris Heunis, and the party leader, Mr F W de Klerk, over the importance of the group concept.

The Deputy Minister of Finance, Dr Org Marais, said that contrary to opposition claims, whites were not worse off than in the past, but that the standard of living of the average white person had been maintained

Between 1975 and 1988, the real income of a member of a white household, after tax, had risen by 5,5 percent.

Mr John Malcomess (DP Port Elizabeth Central) said that while he believed a process of negotiation with genuine leaders for a new constitution could be achieved within the lifetime of the next Parliament, economic reform "cannot wait five years". State expenditure had to be reduced, non-essential jobs should be cut and the "bureaucratic machine" reduced by at least 30 percent within five years.

Mr I Kathrada, Minister of the Budget in the House of Delegates, said he saw no distinction between the CP's policy of partition and the foundation of the National Party's Group Areas Act. The same principle applied in both cases.

Mr Pat Poovalingam (DP Reservoir Hills) blamed unenlightened members of the National Party for holding back Ministers like Mr Heunis and Finance Minister Mr Barend du Plessis "who have a vision of what the future South Africa should be".

He said government by the consent of the majority was the only sound form of government and if that meant black majority government, it should be accepted. However, he believed South Africa would be more likely to end up with a mixed government.



Mr C R Redcliffe

'Stripped' Nat rhetoric

STRIPPING recent speeches of National Party leader Mr F W de Klerk of all semantics, one sadly found there had been no fundamental change in party philosophy, Mr C R Redcliffe (DP Schauderville) said in the Budget debate.

"The rhetoric that is used could create unjustified expectations This is what the NP has been doing for years, and this is what has caused deep frustrations as well The rhetoric does not match the deed. The intentions are not translated into action", he said. — Sapa.

Kemol

Average white person 'is no poorer'

Star 19/5/89

The average white person had not become any poorer over the past 20 years, the **Deputy Minister of Finance, Dr Org Marais,** said in Parliament yesterday

He said in the second-reading debate on the Budget that the country had been through difficult times

There were people who had suffered because of the economy and the drought, but the position of the average white person had been maintained.

Notwithstanding all the problems, the real income after tax per member of a white household had risen by 5,5 percent between 1975 and 1988

When one took sales tax into account there had basically been no increase over that period, but neither had there been a decline Since 1988 there had been an appreciable increase



He said also that direct subsidies to whites, such as Government subsidies on education, amounted to 3,6 percent of GDP today — the same percentage as in 1960

Referring to claims by a Natal professor that the inflation rate ws running at 30 percent, he said that if living costs were in fact rising at this rate, this showed what a good monetary policy the Government was pursuing because the monetary supply would have in fact declined in real terms

What worried him was that the production price index, or the wholesale price index, rose by only 13,2 percent in 1988

Retail sales prices rose nominally by 22,5 percent and the real increase was 7,2 percent

According to this figure inflation was 15,3 percent

If it had been 30 percent, retail costs would have risen by 37,5 percent In addition, the Chamber of Mines would then owe their workers a 30 percent increase — Sapa.

Whites are poorer — CP

PARLIAMENT — This week's statement by the Deputy Minister of Finance, Dr Org Marais, that white South Africans were better off now than they were 20 years ago was reminiscent of Dr Lapa Munnik's claim that pensioners could live off R20 a month, Mr Frank le Roux (CP Brakpan) said yesterday.

He said in the Second Reading debate on the Budget that Dr Marais' reasoning came down to an argument that whites were better off because they had fewer children

He was saying that although pay packets were smaller, and bond and hire-purchase payments up, people were not poorer — Sapa

WE ARE WORSE OFF

Economists, politicians lash out at Nat Minister

Weekend Argus Political Staff

ALL South Africans — including whites — are worse off today than before.

This is the sharp rejoinder that Deputy Minister of Finance Dr Org Marais has drawn from a cross-section of people for claiming that whites specifically were on average no worse off today than they were 20 years ago.

It has set the scene for an election in which money matters will become one of the hottest issue. And that amid signs that the drop in the gold price, rising interest rates and the declining rand could make matters far worse by the time the voters go to the polls on September 6.

Dr Marais has stuck his head into a hornet's nest with his claim, to the disdain of some Nationalist colleagues who complain privately that it could complicate the uphill battle they are already fighting on the economic front.

It is even being likened to Dr L A P A Munnik's assertion in 1981 that pensioners could live on R20 a month — a claim for which the government paid dearly at the election booth.

Widespread criticism

Criticism has come from economists, consumer bodies and from opposition politicians, who make no bones about wanting to turn the parlous economic situation into a major election assault on the government.

Dr Marais justified his claim in Parliament this week on the basis that more women were now working, while families were smaller, and there had been an increase in fringe benefits

He also said black income on average was rising and in the process of rapidly overhauling incomes among the coloured community

However, it flies in the face of the warning by Stellenbosch economist Professor Jan Sadie, in a statement from the University's Bureau for Economic Research only days before, that the country's continual process of impoverishment during the past 14 years could not be stopped unless an economic growth rate of 2,5 percent was maintained.

He warned also that the required growth rate could not be maintained while government policy was inhibiting the economy The policy of the monetary authorities had the effect of "smothering" the economy by treating a sound growth rate as though it was a problem, he said

A spokesman for the authoritative bureau said that Dr Marais's claim was "something I can't believe". The bureau's analyses indeed showed the contrary — that not only whites but all South Africans had become poorer over the years.

A point had been reached where the average South Afri-

(Continued on page 3)

Org Marais

buy in better times
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o to the second-hand
nd others who used to
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Mr Harry Schwarz, the Democratic Party's spokesman on finance, said that Dr Marais' speech was "a major blunder which shows insensitivity to the plight of people in an extremely difficult economic era".

"Dr Marais is saying that for families to make ends meet, they need more breadwinners to support smaller families."

The average person was no longer able to buy what they

(Continued from page 1)

Guns turn

can was in fact living on credit.

Saving patterns were among the factors bearing this out In 1979 the average South African saved 12,6 percent of income By last year it had dropped to 1,6 percent and this year to only 0,6 percent And projections showed that by next year it could be a negative minus 0,4 percent

Another factor pointing to impoverishment was the tax rate of the individual coupled with the inflation rate In 1979 the average person paid 7,5 percent of income in personal and indirect tax. By last year this figure had grown to 12,5 percent.

Even when the real income of whites alone was considered

Low income group faces bond squeeze

Stow 26/3/89

128

FRANK JEANS

WHILE there could be some hardship for low-income homeowners in the wake of the rising bond rate and the current austerity measures, the building societies do not expect any large-scale bond defaults and only a slight increase in the number of repossessions of properties.

Nevertheless, the "freeze" may eventually have an adverse effect on lower-income borrowers.

This fear was voiced this week by Mr Mike de Blanche, managing director of the United, who said there was concern about the risk attached to lending to the black community

Mr de Blanche, speaking at the National Association of Home Builders conference in Pretoria, urged the Government to take responsibility for lower-income housing

Intimidation

"Financial institutions have no control over the political situation, and unless the position is stabilised by Government, political agitation and intimidation against property-owners paying monthly instalments will increase," he said

Mr David Waugh, general manager of the corporate housing division of Allied Building Society, believes the repossession problem should be viewed in the context of a lack of understanding of loans among lower-income groups

Most of the Allied's lending to blacks is through the selling of housing schemes to companies

Under this plan, a housing scheme is sold to a company, while the bond on a property is in the name of individual owners Bond payments are collected by way of wage deductions by the company's personnel department

The Allied expects a slight rise in arrears among black borrowers following the bond rate rise

Mr Bob Tucker, managing director of the Perm, said "Black people are keen to share in the benefits of home ownership and have proved to be responsible borrowers"

Mr Tucker believes statistics on arrears can be misleading If, in any month, an instalment of say, R195 is paid where an instalment of R200 is due, the account is statistically noted as being in arrears

He added "There is excessive red tape in the implementation of subsidies on black home loans Frequently, the introduction of the subsidy is delayed for months The account will be technically in arrears, even though the borrower has regularly paid the full instalment due

"Also, black homeowners have never previously experienced an increase in the bond rate and the consequential rise in the instalment rate"

In fact, said Mr Tucker, the Perm's experience of losses on its black home loan portfolio was signficantly lower than its experience of losses on its white portfolio

Guarantees

The Perm controls more than 200 000 mortgage loans, of which just over 2 000 white loans and 2 000 blacks loans are significantly in arrears

Of these, a number are subject to subsidies or guarantees of some sort and Mr Tucker emphasised that this situation was "certainly no cause for alarm"

Mr Brian Short, of the Natal Building Society, Durban, said there was a higher incidence of arrears among black home-buyers than their white counterparts

"But we're not too concerned For various reasons we understand the position For many of them it is a new concept, being first-time homeowners"

He did not anticipate any decrease in loans to black homeowners "Fifteen percent of our monthly quota is to black homeowners If anything, we see the figure increasing"

Help over home loans pledged

CAPE TOWN — The Government had a scheme to help home owners through the current difficulties caused by rising interest rates, the Minister of Finance, Mr Barend du Plessis, said today.

He spoke at the end of a three-day debate on the Budget's Second Reading

Dealing with rising interest rates and the effect of corrective measures on the market, he said "We have an attractive scheme to help homeowners through these difficult times and the details will be announced shortly."

The Government had devised a scheme to prevent homeowners from losing their houses due to rising interest rates The scheme, which would be very attractive, would remove some of the pressures being placed on homeowners by fluctuations in interest rates — Sapa

Org speaks out on costs



Dr Org Marais

Dr

the past 15 years against tremendous onslaughts

The fact that the income of each member of a household had not collapsed amid the adverse conditions of the past few years and that there had not been an inflation rate of 1 000 percent was the achievement of a good government

Dr Marais was reacting to criticism of his remark in parliament that whites had, on average, not become poorer in the past 20 years

Gold price blow

He said his speech in parliament had to be seen against the background that the gold price had dropped from a high of 870 dollars a fine ounce to the present 350 dollars

This was a bad blow as gold represented 40 to 45 percent of South Africa's exports

It should also be remembered that the country had to contend with two oil crises, that the price of the country's minerals and agricultural products had dropped on the international markets, that sanctions had damaged the economy, that the country for seven years had to struggle against drought conditions and that the governmemt had to help the farmers with subsidies of R2,4-billion

The subsidies to whites had also been maintained in relation to the gross domestic product At the same time the government had to ensure that the country remained militarily prepared

Dr Marais said that, according to figures of the statistical service after a survey of 5 000 households, the direct income of the head of the family had gone down in the period 1975 to

(Turn to page 3, col 1)

Tonight.

By TOS WENTZEL
Political Correspondent

DR ORG MARAIS, Deputy Minister of Finance, has conceded that his remarks on white South Africans being on average no worse off than they were 20 years ago were poorly timed

He also conceded that pensioners who did not have fringe benefits had experienced a drop in real income and that they were suffering

He committed himself to try to better their pensions and their circumstances if the government had any money available

While defending his remarks in Parliament last week that white South Africans had on average not become poorer in the past 20 years, he said today it was a bad time to make a speech like that because people were not interested in the economics of the situation, which were too complex

Economic facts

People were at present finding it difficult to cope as the government was cooling down the economy because of balance of payments problems People were sensitive in the cooling-off period and did not want to hear the hard facts from an economist

It was a miracle that the government was able to keep the country up to standard in

He's out of touch, says bureau

By DAVID YUTAR, Staff Reporter

DR Org Marais, Deputy-Minister of Finance, is out of touch with harsh realities if he thinks South Africans are no worse off than they were 20 years ago, according to Dr Ockie Stuart, director of the Bureau for Economic Research at Stellenbosch University.

He said Dr Marais's claim was invalidated by hard facts

INFLATION

One way of showing how much worse off the average South African was today, said Dr Stuart, was to look at the dramatic decline in real disposable income, a process which started in the 1970s and had continued unabated.

Real disposable income (RDI) was total individual income after tax and allowing for inflation

From 1960 to 1969 RDI increased by 2,2 percent a year From 1970 to 1979 it increased by only 1,5 percent a year and from 1980 to 1988 RDI actually decreased by 0,5 percent a year.

This meant that from 1976 to 1988 RDI declined by 0,6 percent a year.

Dr Stuart said these figures were based on statistics supplied by the Reserve Bank

Another accurate measurement of a country's wealth was its gross domestic product (GDP)

"Gross domestic product by definition reflects the wealth of a country. If it increases at a rate less than the population growth, this indicates a process of impoverishment"

TAXATION

Dr Stuart said that from 1960 to 1969 the per capita GDP increased by 3,5 percent a year. From 1970 to 1979 it again showed an increase but this time only of 0,8 percent a year and from 1980 to 1988 it declined by 0,6 percent a year.

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(128)
25/5/89

'We're far poorer than 20 years ago'

By BRUCE WILLAN

CITY tax expert Mr David Clegg yesterday repudiated statements by the Deputy Minister of Finance and said the average employee was much worse off than in 1970 and would be in an even worse situation next year

He was responding to recent statements made by Deputy Minister Dr Org Marais

Figures released by the Cape Town Chamber of Commerce show that using 1970 as a base year and the official consumer price index (CPI) personal disposable income in 1990 will not keep up with inflation

As Dr Marais yesterday tried to defend his statements, Mr Clegg who is chairman of the chamber s tax committee repudiated the comments and said the average employee was much worse off now than in 1970 and will be in an even worse situation next year

Before the budget announcement the chamber had written an open letter to the Minister of Finance Mr Barend du Plessis appealing for relief from fiscal drag

The chamber wrote that if no adjustment was made the standard of living would be worse in the coming year

Now Mr Clegg has shown that the situation has become even worse than before, with the higher inflation rate and higher interest rates

The individual's salary which may have kept up with the official inflation figure does not allow for fiscal drag and the person is consequently much poorer

Attempts by the government to allow for fiscal drag have not managed to keep the average taxpayer abreast of inflation

According to Mr Clegg any reduction made by the government to the individ uals tax bill will have to be made up elsewhere and this compensatory revenue will eventually lead to higher prices

That remedy is no solution at all he says The time has come for the govern ment to tighten its belt, since the man in the street has done so for long enough

EFFECT of fiscal drag on personal incomes

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Pensions a national scandal, says CP

Political Correspondent

THE Conservative Party last night said it was ' a national scandal" that white social pension ers would have to survive on "the monthly pittance ' which the government allotted them

The CP's health spokes man, Dr Willie Sny man said his party de plored the NP's "callous disregard" of South Africa's elderly citizens

"R250 is not enough to feed a single human being for one month, to say nothing of the other necessities of life such as medicines, a roof over one s head, clothing and transport," he said

"So many people in South Africa today talk of human rights The CP believes that a priority human right is the right of an old per son to be looked after by the community he has served all his life"

Dr Snyman said the gov ernment s financial credibility was at "rock bottom"

"Tales of corruption, high state spending, golden handshakes to disgraced officials and the pumping of money into political bottom less pits make the amount given to our old people much more shameful," he said

Dr Snyman called on the government to stop adding to South Afri ca's growing number of poor whites, "who will no doubt show their disgust in the forthcoming election"

SA economy: 'Govt doesn't give a damn'

Political Correspondent

THE government had become so obsessed with power that it no longer "gives a damn' about the economic harships being suffered by millions of ordinary people, the MP for Sea Point Mr Colin Eglin, said last night.

Mr Eglin said the ' tortuous explanation ' offered by the Deputy Minister of Finance Dr Org Marais, about why South Africans were no worse off than 20 years ago "will convince nobody"

Dr Marais yesterday accused opposition parties of using the alleged poverty of whites as a propaganda ploy ahead of the election

He said the government opponents were incorrectly stating he had claimed the average South African had become wealthier over the past two decades

However, Mr Eglin said last night the government was so hopelessly out of touch that it no longer cared about the economic hardship of ordinary people, particularly pensioners

'Cold, aloof, callous'

"The fact is that galloping inflation and the rising prices of food, clothing, rentals and other basic necessities of life are destroying the financial se curity of many older people and placing them under tremendous emotional strain '

Addressing the annual meeting of the DP's Sea Point constituency committee Mr Eglin said the government was adopting a 'cold, aloof and cal lous" attitude to the economic problems faced by many citizens

"This is the direct consequence of years of waste ful government policies combined with the government's chronic inability to cut its own expenditure," he said

Mr Eglin said the government's insensitivity was illustrated by

- The introduction of the new system of metering of local telephone calls.
- The fact that there was no provision in the budget for an increase of old age or war veteran pensions during the current financial year
- The way rent control was being lifted or being applied, with the result that many elderly tenants were being squeezed out of their flats without alternative accommodation being made available to them

Schwarz: Reasons for public anger at govt

Political Correspondent

THERE are nine major reasons why consumers taxpayers, pensioners and the public in general were angry with the government, the Democratic Party s spokesman on finance, Mr Harry Schwarz, said yesterday

Speaking during the Income Tax Bill in Parliament, Mr Schwarz said the chief grounds for anger from these groups were that they were

- Furious at being told that they are not worse off than they were 20 years ago — when so many were struggling to maintain reasonable standards
- Overtaxed
- Convinced that inadequate measures had been adopted to control the inflation which, to a considerable extent, was due to the mismanagement of the economy last year
- Unhappy about ideological expenditure on apartheid institutions that in any case would over time, no longer exist.
- Angry about the duplication of services
- Not satisfied that their money was being used for purposes they regarded in all cases as being necessary
- Confused about the government s priorities for expenditure
- Frustrated about the implementation of tax re form and ad hoc action in respect of new revenue
- Dissatisfied with the degree of inefficiency in administration

Individual tax payments 'have doubled'

Political Correspondent

THE man in the street's tax contributions to the state had doubled in the past 10 years, the Democratic Party's spokesman on finance, Mr Harry Schwarz, said last night

Mr Schwarz said indi vidual income tax had contributed 15% to the State Treasury 10 years ago, but had climbed to 30% last year

Ten years ago general sales tax had amounted to 12% of the tax base, but this had rocketed to 30% last year.

Cost of living

It is true that salaries have risen The official figures show the national average salary in 1969 as R104 a month, and as R1 018 in 1987, the latest figure available

But most salary increases have been eaten up by inflation What each rand will buy has fallen from 100c worth in 1970 to 12c worth in 1988, according to the official figure calculated by the government's own Central Statistical Service.

And the contribution of the individual to the national coffers in the form of income tax is also taking bigger and bigger bites out of gross salaries In the 1960s this amount was increasing at 12 2% a year, while in the 1980s it has been growing at 22 8%

Despite the remark of Dr Marais last week that whites were no worse off than they were 20 years ago, many families are finding it increasingly difficult to make ends meet.

The CSS's figures show that

- The Consumer Price Index, which was increasing at 5% a year in 1969, is now increasing at almost 14% — which means prices are rising almost three times faster than in 1969
- A hypothetical basket of household goods and services which cost R17,60 in 1969 cost R170,90 in 1988

The cost of food, housing and transport have all risen dramatically in the last 10 years Food makes up 22,7% of the household budget, according to the CSS

Lower income families spend an even bigger per centage on food, which means poorer people are hurt even more by this rise

- A major indicator of the economic plight of most families is that personal savings have reached the lowest ever level in 20 years

According to the BER, savings have declined from 9,7% of disposable income in 1969 to a mere 1 6% last year The bureau forecasts that this will fall to 0 6% this year as budgets are further stretched

Another sure indicator of the seeping poverty which besets the average family is that gross domestic product (GDP) has fallen from 3,5% a year in 1969 to 0,6% a year in 1980-88

According to Dr Ockie Stuart, director of the BER, if this falls to below the population growth rate, the simple conclusion is impoverishment

The national figure for the population growth rate of all races is currently above 2%

The worst news, though, is that disposable income is still falling by almost 1% a year — so the average South African is going to get even poorer

Marais is 'out of touch'

(Cont from page 1)

From 1982 to 1987 per capita GDP decreased by 1,5 percent a year.

Another measurement was the growth in direct taxation of individuals

In the 1960s the annual growth in taxes was 12,2 per cent, in the 1970s this increased to 16,2 percent and in the 1980s swelled to 22,8 percent

Yet another way of illustrating how much worse off South Africans were today compared to 20 years ago was to compare local trends with what had happened in other countries.

Since 1983 prices in South Africa had risen 100 percent. In New Zealand they had increased by 48 percent, in Great Britain by 27 percent, in West Germany by 6 percent and in Japan by 5 percent.

QUESTIONS

One commentator said that to find price increases comparable to those experienced in this country one would have to go to the banana republics of South America.

"South Africans have grown so accustomed to rapidly rising prices that they have stopped asking why this is happening to them. However, they should ask questions because the high rate of inflation is keeping them poor and, if continued, could possibly bankrupt them," he said.

In contrast to South Africa, Britain was becoming one of the cheapest countries in the world, according to a survey published to guide international companies on cost of living allowances for employees sent overseas.

The survey by Employment Conditions Abroad Ltd showed that between 1980 and 1988 the cost of a shopping basket of essential items had increased by

COST OF LIVING CRISIS

about 60 percent in Britain, opposed to 92 percent in Western Europe as a whole.

In South Africa the cost of food had escalated by 1 000 percent in 17 years. Motoring costs were on a par and property and rent were not far behind. These figures were based on statistics supplied by the government's Department of Statistics.

According to the Automobile Association, in 1972 it cost 7,3c a kilometre to run the smallest car. Today it costs 50c a kilometre.

While in 1972 there were at least half a dozen cars that sold for less than R2 000, today the cheapest car cost a little under R20 000.

BREAD

A few basic statistics supplied by the Central Statistics Services illustrate again how much the cost of living has rocketed.

According to the CSS the basket of essential food that cost R53,01c in 1980 cost R170,90 in 1988, an increase of 222 percent.

White bread cost 29,7c in 1980, 77c in 1987 and now costs 85c, an increase of 186 percent.

Ninety-three octane petrol was 55,6c a litre in February 1984, jumped to 96c by February 1989 and was recently increased again to R1,03c, representing an increase of about 85 percent in five years.

Org concedes poor timing

(Cont from page 1)

1985, but his indirect income, largely through fringe benefits such as company cars, house subsidies and better contributions to pensions and medical aid funds and other benefits, had on average increased by 71,8 percent

The basic point he wanted to make in his speech was that the average South African had not gone under as a result of the onslaughts against the country, but that he was in fact still keeping his head above water

He described the way in which his recent remarks about the economy had been quoted in some cases as a transparent stunt aimed at the election

Dr Marais said there were opposition-minded critics who tried to create the impression that he had said that the average South African had become richer in the past 20 years while this was not what he had said

'We're far poorer than 20 years ago'

By BRUCE WILLAN

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Lower income families spend an even bigger percentage on food, which means poorer people are hurt even more by this rise

- A major indicator of the economic plight of most families is that personal savings have reached the lowest-ever level in 20 years

According to the BER, savings have declined from 9,7% of disposable income in 1969 to a mere 1,6% last year The bureau forecasts that this will fall to 0,6% this year as budgets are further stretched

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Individual tax payments 'have doubled'

Political Correspondent

THE man in-the street's tax contributions to the state had doubled in the past 10 years, the Democratic Party's spokesman on finance, Mr Harry Schwarz, said last night

Mr Schwarz said individual income tax had contributed 15% to the State Treasury 10 years ago, but had climbed to 30% last year

Ten years ago general sales tax had amounted to 12% of the tax base, but this had rocketed to 30% last year.

'South Africans no worse off than 20 years ago'

Marais is right about SA prosperity — economist

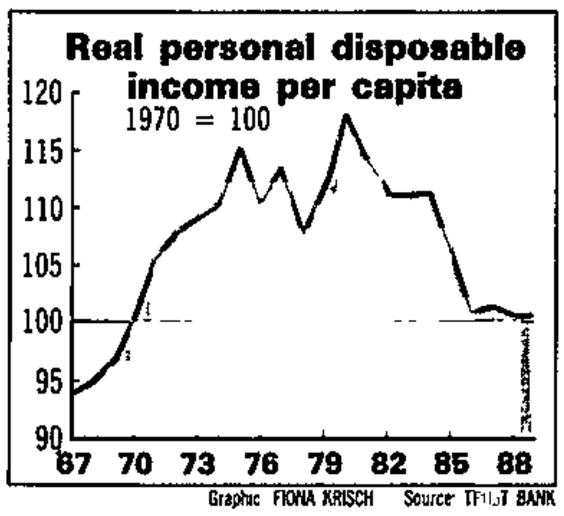
GRETA STEYN

DEPUTY Finance Minister Org Marais's statement that South Africans are no worse off today than they were 20 years ago was "absolutely correct", Trust Bank economist Nick Barnardt said yesterday.

To dispute Marais's assertion would be to display an inability to make accurate calculations and interpretations of basic economic data, Barnardt said, drawing attention to the graph above

Barnardt objected to isolating periods of negative growth when arguing South Africans were worse off now compared with 1970

"While there has been a decline in wealth during the eighties, comparisons with 1980 — an artificial boom year — give a distorted impression Incomes in 1980 were boosted by spinoffs from the gold price surge"



The declines in the eighties which followed the boom years were mainly due to financial sanctions, drought, high tax and poor terms of trade Nonetheless, the average South African is not worse off now than in 1970, as shown by real personal consumption per capita

Real consumption was considerably higher now than in 1970 — and one had only to think of purchases of television sets and video cassette recorders as an example of greater consumption spending

He said per capita income figures should also be analysed in the light of the poor financial position of farmers, which depresses the average

"The real per capita income of the urban population is higher now than in 1970" He added that the situation might be better than official figures suggest

"Rapid growth of the informal sector suggest incomes actually improved more than official statistics suggest"

● Comment Page 6

Play safe until market improves

STAR 27/3/89 (128)

Money Matters

Magnus Heystek



THE SHARP downward correction on the Johannesburg Stock Exchange has again underlined the very fragile and volatile investment environment in South Africa And any look in a crystal ball suggests that this situation is bound to be fraught with extreme movements in the stock market

Since April 27, when the present bull market in equities, and particularly in industrial shares, came to and end, the overall market has dropped by more than 10 percent as investors, large and small, starting converting some of their profits into cash and near-cash

While the decline in prices was initially welcomed by most analysts, Monday's sell-off during which the Overall Index dropped by 66 points, raised spectres of a repeat of the Great Crash of '87 This sell-off was prompted by the drop in the gold price to below $360 an ounce on Monday Since then the gold price and the market have recovered somewhat, but the mood is still very fragile Any further declines in the gold price are bound to lead to further downward moves

The weak gold price is particularly worrying for most analysts Not only is it reducing the vitally needed supply of foreign exchange, but it also has severe implications for the local economomy, especially growth and job creation

There is no doubt that a lower gold price reduces the Gross Domestic Product (GDP), albeit with a time-lag If the gold price does not recover, it could lead to further lay-offs at gold mines as is now threatened at ERPM in Boksburg and Durban Roodepoort Deep on the West Rand

So what should one's investment strategy be in such in precarious investment environment? Should one continue buying unit trusts or shares, or should one sit and wait on the sidelines until the market gives a clearer indication of where it is heading?

Anybody with an ongoing unit-trust purchasing programme should continue buying, as this is is not only a disciplined form of savings, but also offers the investor the advantages of rand cost-averaging Technically speaking, the bull-market is still intact and is currently undergoing a healthy correction

But if one prefers some kind of safety in these uncertain times, it might be prudent to switch some (or all of one's funds) from a general equity fund to one of the fixed-income unit trust funds While this might entail some cost, roughly between 2 and 5 percent of the total value of the investment, it does offer the peace of mind that one's capital will remain intact should the market correction be more severe than most expect

When the correction is over, it would be advisable to switch back into some general equity fund or into one the of the specialised equity funds

Some life institutions, like the Standard Bank, Old Mutual and Sanlam, allow investors to switch money between one of the "family" of unit trusts at a very small fee Perhaps this is not a bad idea considering the current state of the market.

It is debatable whether it is a good thing to suspend one's monthly investments in unit trusts and rather place the money on call until the situation improves

Many people might not be disciplined enough to maintain this form of discretionary saving and might spend the money on non-essential goods But, if you are convinced that you do have the necessary discipline, suspend your monthly debit order and rather build the money up elsewhere in a special savings account, and re-enter the market when it is at lower levels.

For investors who prefer to manage their equity investments on their own, it is not a good time to start a large-scale equity-purchasing programme Many analysts expect the market to drop by another 10 to 25 percent as the recessionary conditions spread throughout the economy.

Rather place the money on call, which will earn interest of about 16 to 17 percent a year, and wait for the market to sort itself out. A further weakening in the gold price will definitely be detrimental to share prices, but a steady improvement in the gold price will be the signal to re-enter the market

● Stock Market Solutions, yet another stock market training school, has recently opened its doors for business in Johannesburg. Here are some general investment guidelines offered by SMS for successful investing on the JSE

1 Look for a rising index
2. Compare shares within the sector
3 Look for weekly volume greater than 20 000
4 Look for increasing earnings per share
5. A good sign is return on assets greater than 15 percent
6 Be cautious of a debt/equity ratio of greater than 1
7 Calculate the potential market price
8 Always implement a stop-loss strategy

(128) (129) 26/4/89

World living standards put SA in the poorhouse

Argus-

By MICHAEL CHESTER

RENEWED alarm over the chronic decline in the average standard of living in South Africa in the 1980s has been voiced by the National Productivity Institute in a penetrating new review of global trends

WEALTH

Living standards dropped by an average of 1,7 percent a year between 1981 and 1987 — while most overseas countries recorded fresh advances

A new NPI publication, "Productivity Focus", released this week, shows that living standards in Switzerland now stand no less than eight times higher than in South Africa when overall economic output is broken down to a head count of total population

The yardstick used to measure the gap is gross domestic product per capita, with prices and exchange rates all fixed in 1980 terms The formula aims to iron out distortions caused by inflation, count the toll of unemployment, and come down to true averages in comparisons

On that basis, average living standards are in turn six times higher in both the United States and Germany and five times higher in Japan and Britain

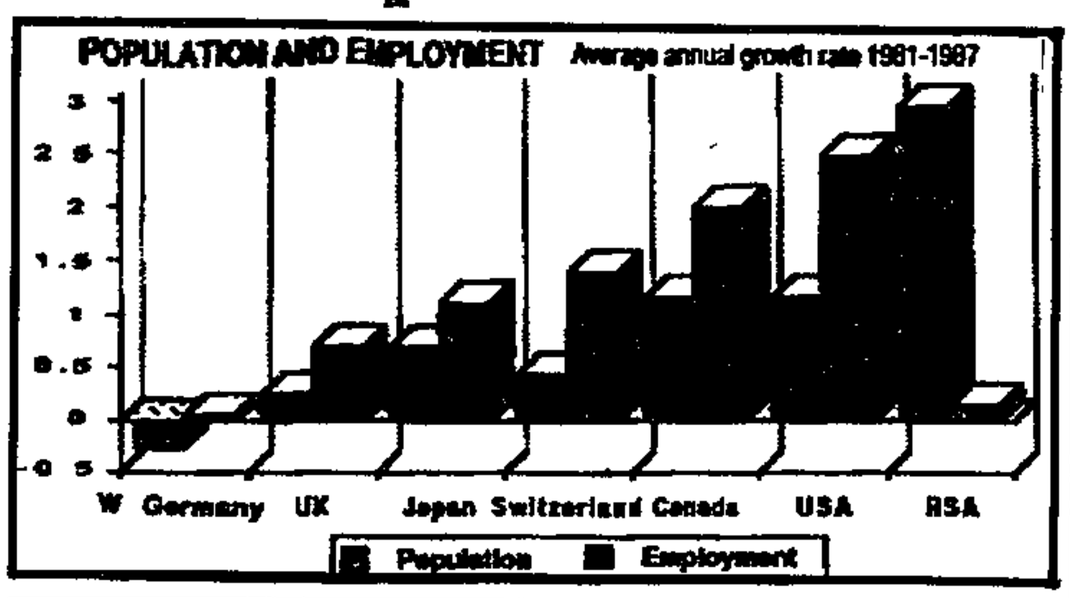
Starting from still lower levels in 1981, Taiwan and Korea have both overtaken South Africa

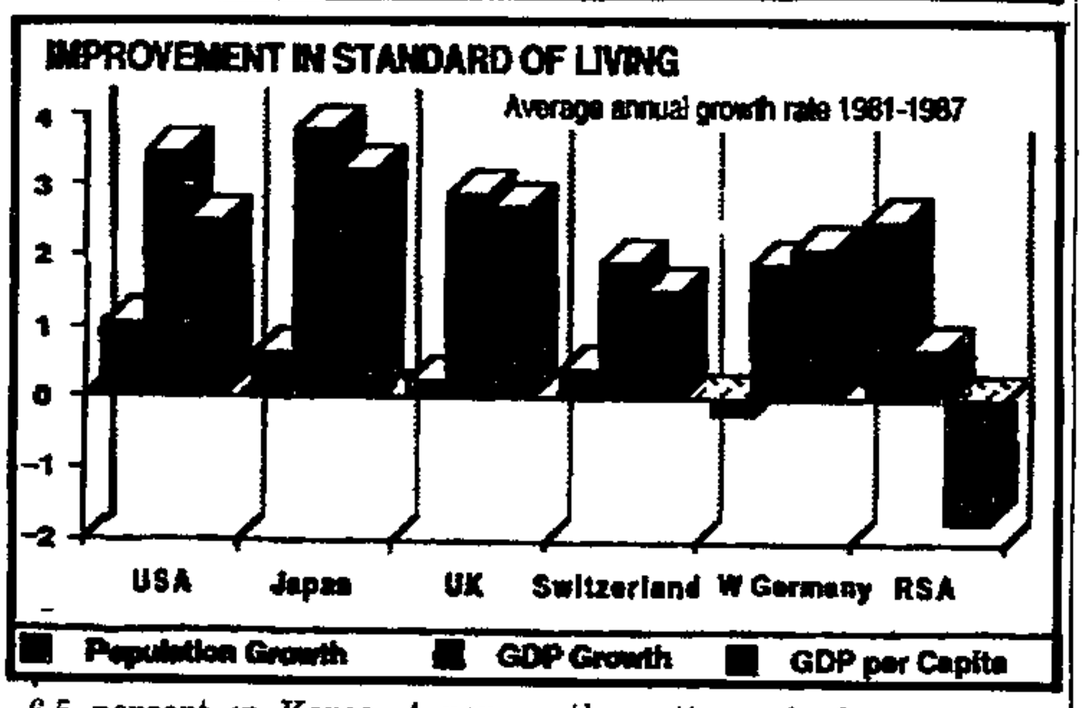
The NPI studies also underscore the massive damage suffered by the South African economy as a result of the population explosion that steadily worsens an already critical unemployment dilemma

When the researchers measure the patterns of gross domestic product on a head count of actual labour forces, they find South Africa made at least a little headway

It was the size of the unemployment problem that wrecked progress and caused the overall average to topple downhill

But even with the count confined strictly to workers with jobs, South Africa managed to push ahead by no more than an average 1,1 percent a year — compared with





6,5 percent in Korea, 4 percent in Taiwan, almost 3 percent in Japan and 2 percent or better in Germany and Britain

And problems were compounded by inflation — especially when surges in wages intended to keep abreast of the cost of living index were not matched by improvements in productivity

It emerges that while pay packets in the manufacturing sector in South Africa bounded more than 440 percent higher between 1975 and 1987, productivity advances dawdled behind at only 31 percent

In the sharpest contrast of all, while pay packets in Japan swelled by no more than a modest 91 percent, the increases were more than matched by productivity gains of nearly 95 percent

The repercussions on the labour cost of every product turned out was disastrous In South Africa costs soared by 312 percent In Japan, costs per unit actually declined — shaved down almost 2 percent

The NPI underlines the severity of the inevitable adverse impact on the competitiveness of South African products on the home and international markets

Alarm is also voiced over the pattern of job creation in recent years The study shows that the government sector increased its labour force by a stunning 304 000 employees between 1980 and 1987 — while the manufacturing sector slashed 67 000 jobs from its labour pool

The researchers also deliver warning on temptations to juggle with weak exchange rates to try to find a competitive edge in export markets - rather than grasp the productivity nettle

They note that while the rand stayed stable between 1975 and 1979, non-gold exports galloped ahead at 9,8 percent a year When the rand began its slide, exports dropped 6,6 percent a year from 1980 to 1983

The weak rand appeared to have helped exports since then, but the depreciation of the rand had in turn had a hand in increasing South Africa's foreign debt burden to more than 22 billion dollars — meaning more handicaps for the chances of economic growth

And as living standards shrank, so did the level of personal savings vitally needed for new investment and expansion down from around 12 percent of disposable income at the start of the 1980s to a mere 3 percent in 1987

Spending on the wane

THE senior vice-president of the Reserve Bank, Dr Japie Jacobs, says there is a definite levelling-out in consumer spending after the comprehensive measures taken earlier this year to cool off the economy. He said that private spending, which constituted about 60 percent of total domestic expenditure, was declining at all levels. Dr Jacobs said that not only was less being spent on food and household products, but that the demand for consumer credit for the purchase of bigger and luxury goods had decreased markedly over the past few weeks.— Sapa.

Only fear can stem the spending spree

S/Times 11/6/89 (128)

REX

Cees Bruggemans reviews the local and world scene



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

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

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

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

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

NEGATIVE

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

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

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

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

Like never before, the name of the consumer game is maximisation of lifestyle under all circumstances, and this process is intensifying

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

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

These last two features in essence imply protection against government policies

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

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

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

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

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

All these features stress the never-ending race between access to resources and need, the will and the compulsion of modern individuals to spend and consume For the average consumer, there is no such thing as voluntarily cutting the cloth to fit the coat

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

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

UNABATED

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

But the total borrowing and spending tends to continue unabated

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

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

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

Economic unrest has a similar effect on consumers

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

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

MESSAGE

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

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

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

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

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

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

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

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

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

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

Believe it, consumers know best

Star 17/6/87

STAN KENNEDY

COUNTRIES, like South Africa, which are heavily dependent on a single commodity, are the first to be subjected to world vibrations or world synergisms, says Professor Ken Greenwood, former head of the department of communications, Tulsa University, Oklahoma.

"It is fascinating that what happens in Beijing these days reacts immediately in Johannesburg and a few hours later in New York.

"The computer has a lot to do with it because it has provided the world with a common language. It is a great equaliser. It has taken away our guns and our spears and any superiority we might have enjoyed and made us all very much equal because we get the same number of bytes from different machines.

"I think that in being nationally competitive with ourselves, we have become internationally competitive, in a business sense."

In the past, he says, the areas of marketing, promotion and advertising — these are his specialties — were highly structured as they attempted to move goods in the world economy But now these structures are being challenged.

Take daily newspapers. They are up against specialist publications which cover solely business, entertainment, computers, electronics and even automobiles This is a reflection of the changes in the marketplace to meet the individual needs of consumers

Professor Greenwood is in South Africa at the invitation of the Forum of Business Expertise and Radio 702 to talk to the advertising fraternity, marketers and salespeople on understanding human behaviour and on the shifts that have taken place in the marketplace over the past 20 years.

Customised selling

"If the 1950s and 1960s were periods of mass marketing, when we tried to sell one thing to everybody, the 1980s is a more customised marketplace where the customer wants a product or service that is designed for him," he says.

A major change has been the move from the traditionally top-down type of operation when companies developed the strategy first and the sales team were told to go out and implement the strategy

If management wanted to sell a product because the profit margin was higher the salespeople were instructed to sell the product whether or not the consumer wanted to buy it.

"That is not true today It's a bottom-up market and companies have to find a niche and see whether their product or service can satisfy a need or benefit to a buyer

"In many instances, management today is using its field force as an antenna to the rapid changes taking place. In the past, it was the manufacturer who dictated what the consumer should buy, today the consumer is making his own decisions."

"This is particularly true in the field of fashion. Fashion houses have had their fingers burnt, believing that they knew best and that women wanted shorter or longer skirts when they didn't."

Professor Greenwood says the sales force should understand when they go out to see potential clients that "these people buy for their own reasons, not yours".

Salespeople must get into the minds of customers and be sensitive to their preferences and not be so ego-driven, thinking they know all the answers.

Face-to-face meetings are better than the impersonal thrusts of direct mail and advertising"

Another adaptation in business is that autocratic decisions are becoming less and less and more people are taking part in decision-making

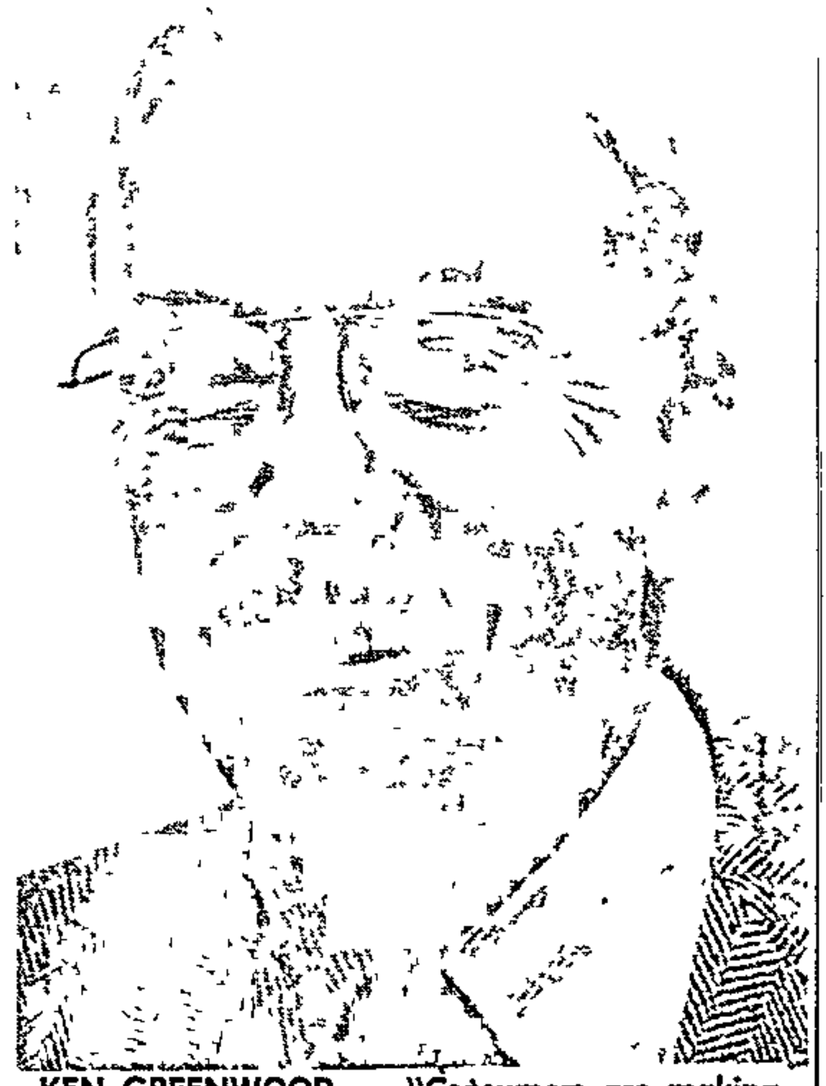
"I understand that it is still a rather autocratic form of management style in South Africa

"Companies which practise it feel that if they can teach their salespeople about their product, how to present it and how to close sales, that is all they have to do

"That was effective 20 years ago Today it is not working They now have to go in and ask what the customer needs, what he wants and why he is buying"

A notable change has been that one person no longer makes the buying decisions A group of people study a product and look at a number of different makes, although there may not be much difference between them, such as computers.

A system, a concept is bought because the salesperson makes it fit the needs of a company and not because some whizz-kid came and presented all the facts and features of a particular machine.



KEN GREENWOOD — "Consumers are making their own decisions".

City execs earn less

CAPETONIANS earn about a third less than Johannesburgers, according to comparative figures.

The figures show a 15% discrepancy between the two cities. Surveys of top salary-earners show Joburg executives earn twice as much as those in Cape Town.

The Cape Times conducted its own survey of salary scales in Cape Town and Johannesburg and spoke to several personnel consultancies in each city.

What was revealed was that Capetonians might have the mountains and the sea, but they are second-best in the job market

And they pay more for housing, according to an independent property market researcher.

● Full report — Page 6

Growth rate slows as financial curbs bite

Star 29/6/89

By Sven Lunsche

Financial curbs have succeeded in restricting growth in consumer expenditure, but have been partially undermined by a rise in Government spending

The Reserve Bank's *Quarterly Bulletin* shows the growth rate declined from three percent in 1988 to 1,5 percent in the first quarter of this year

But the rate of real gross domestic expenditure, after dropping in the last three quarters of 1988, grew at a rate of six percent in the first three months of this year.

"The return to a relatively rapid rise in real gross domestic expenditure in the first quarter of 1989 reflected essentially a spurt in real government consumption expenditure in the final quarter of the fiscal year 1988/89," the Reserve Bank says

The surge in government spending was due mainly to a large rise in expenditure on goods and services, but can also be ascribed to a rise in outlays on salaries and wages

The consumer, however, has been hard hit by the measures and the Reserve Bank sees the steady decline in consumer spending in the first quarter as indicative of an imminent longer-term cutback in household spending

Real private consumption expenditure increased by only two percent over the quarter, with consumer durables taking the brunt of the cutback

Real household spending on consumer durables, which had risen by 14,5 percent in the fourth quarter of 1988, declined by about two percent in the first quarter

Spending on new vehicles fell by almost 15 percent, but there was little change in real outlays on furniture and household appliances

The Reserve Bank says that after rising by seven percent in the fourth quarter of last year, spending on semi-durable goods rose only marginally in the first quarter of 1989.

The main area where the cutbacks took place were in clothing and footwear

On the balance of payments, the bank says the surplus on the current account fell to its lowest level for nine months

The annualised surplus for the quarter was R2,7 billion, compared with annualised surpluses ofR4,6 billion and R5,4 billion in the last two quarters of 1988

The bank says this shrinkage was as a result of a significant decline in the value of merchandise exports, a moderate decline in the value of net gold exports and continuing merchandise imports.

The outflow of non-reserve-related capital was significantly higher

The outflow in the last three months of 1988 was R1 billion, but surged to R1,9 billion in the first quarter of this year

Confidence lowest since 1986

Consumers pessimistic on economy

SYLVIA DU PLESSIS

CONSUMER confidence has taken a nosedive from a relatively neutral position a few months ago, with white consumers in particular expressing concern about the near-term future of the economy

This is the finding of the Stellenbosch University-based Bureau for Economic Research (BER) in its latest quarterly analysis of consumer activity and trends in the retail, wholesale and motor trades

The BER said the confidence index of white consumers had tumbled 12% to 88 — only marginally higher than the previous low of 81 in the first quarter of 1986

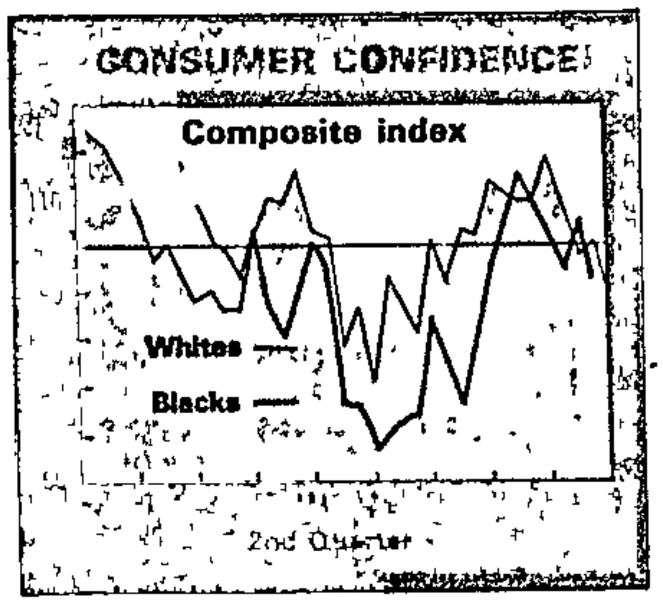
Blacks, too, had lost confidence, but in their case the level was still "well above" the previous trough in the confidence cycle

This deterioration in consumer confidence would negatively affect spending on durable goods in particular, and might boost savings, provided that the existing credit repayments allowed for it, the bureau said

The survey showed nearly a quarter of white consumers — 22,8% — expected a considerable deterioration in the economy.

Black consumers, canvassed a month earlier, had also been more pessimistic about economic prospects than before, but the BER said it suspected this index level would have been lower had the survey been conducted at the same time as that of white consumers

In spite of expected slackening in the tempo of activity, white consumers did not expect a substantial deterioration in their financial situation.



Black consumers, on the other hand, expected an improvement, but this could be based on the buoyant economic conditions at the time of the poll, the bureau said.

In conclusion, the BER said consumer spending was expected to perform better during 1989 than originally thought because of an improved financial situation during the first half of the year in particular, and confidence levels that had remained high for longer than expected.

"Our analyses suggest — and the results of the latest surveys substantiate this — that consumer spending could run out of steam during the second half of this year.

"The durable goods sector in particular is likely to experience sluggish demand."

The BER also expected this weaker consumer demand to spill over into the semi-durable goods sector next year, and forecast the possibility of a difficult 1990 for many retailers and manufacturers.

● See Page 3

Sharp deterioration in consumer confidence

Consumer confidence has deteriorated sharply and white consumers, in particular, were worried about the short term future of the SA economy, the Bureau for Economic Research at Stellenbosch University discloses in its latest quarterly analysis of consumer activity and trends in the retail, wholesale and motor trade.

Although white consumers have now become "very pessimistic" about the short-term future of the economy they did not anticipate a substantial deterioration in their financial situation. Likewise, black consumers were also pessimistic about the economy but they actually anticipated an improvement in their finances.

The wholesale sector enjoyed "fairly vigorous sales" but anticipated much slower growth during the third quarter.

Sales volumes exceeded expectations. The demand for consumer goods was keener than for non-consumer goods and, according to respondents, the demand for consumer goods will continue to remain lively during the third quarter, while sales of non-consumer goods were not expected to improve compared with the third quarter of last year.

Although retailers reported second quarter sales were well above those of a year ago, they have indicated that growth in sales was levelling off — particularly in the durables sector, with the majority reporting unsatisfactory business conditions.

The vast net majority of retailers anticipated a quickening in the rate at which purchase prices were increasing — and they hold similar views in respect of selling prices.

"The implication of this is simply that the inflation rate may increase at a faster rate"

Motor dealers have indicated that the demand for vehicles — especially used vehicles — was tapering off and confidence was lower than a quarter ago.

However, dealers in spare parts again enjoyed vigorous sales and were "brimming with confidence," although this was expected to level off during the third quarter

Most dealers placed fewer orders for new vehicles during the second quarter and indications were "that this is the start of a cyclical downturn," the Bureau said. — Sapa

The Star Finance

Star 13/7/87

Businessmen starting to act on importance of black consumers

By Ann Crotty

The growing sense of socio-political awareness on the part of businessmen has little to do with altruism and lots to do with the realisation that blacks are an increasingly important segment of most consumer markets

On the production side there is an awareness of the importance of blacks in the workforce and the need to avoid an antagonistic environment if production is to run smoothly and profitably

On a wider front, hostility towards the socio-political situation has made trading with the international market a difficult task, both in terms of sourcing raw materials and selling locally produced goods

The absence of foreign capital has also placed constraints on growth potential

Only executives with a corporate death wish would dare to ignore developments on the socio-political and economic fronts.

Keeping tabs

But attempting to keep tabs on trends is far from easy. Few political analysts, let alone businessmen, would have predicted the recent meeting between PW Botha and Nelson Mandela, a meeting that seems bound to have some impact on sentiment both within SA and towards SA

Like so many other developments, it may not have an enormous or immediate impact, but it helps form attitudes

Sankorp chief Marinus Daling accepts the need for businessmen to look beyond their own economic environment at socio-political issues, but stresses the need for executives to be flexible about strategic planning



Marinus Daling

"The world is changing so fast it is impossible to make accurate predictions"

He questions the extent to which predictions made by chief executives five years ago have materialised and suggests that the most appropriate approach for businessmen should be "informed opportunism".

This requires businessmen to be well informed on a broad range of issues and "be able to act and react in a flexible manner and without delay".

As Mr Daling sees it: "The better informed businessmen are, the better the quality of the decisions they make."

But he warns about the danger of making assumptions because of the extreme unlikelihood of these assumptions being on target ."Businessmen must always keep their minds open and not fall into the trap of believing their assumptions."

Having acknowledged these pitfalls, he says his own broad view about the future is optimistic "Privatisation is a fact, deregulation will happen sooner or later, the informal sector will become increasingly important, but there will be a continuing need for big corporations so that large investments projects can be undertaken"

At Anglo Vaal Industries, Bill Keen, executive director of finance and planning, says AVI's strategic plans are based on the following assumptions the industrial relations environment will remain positive, privatisation will continue at an increasing rate, there will be a continuation of the freeing of the economy to all population groups and a more market-related economy with reduced government intervention will be achieved.

Demographic trends

Jan Pickard of Picbel stresses the importance of blacks in consumer markets and the need for awareness of demographic trends

He highlights the need for greater participation of blacks in the economy· "It is not acceptable for blacks to be used as fronts for white businessmen Greater real participation by blacks at ownership/control level will lead to far greater acceptance by the black community."

Next week's Mega-Trends conference will bring together speakers from a wide variety of social, political and economic backgrounds, including Aggrey Klaaste, editor of Sowetan, Dr CJ van der Merwe, Minister of Information, Frank le Roux chief whip of the Conservative Party, Mark Orkin, director of the Community Agency for Social Inquiry and Bob Tucker, managing director of the Perm

It will provide delegates with opinions on issues that are crucial to strategic planning

Ouch! That petrol price rise will hurt

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DEREK TOMMEY

FOR MANY South Africans 1989 is turning into the year of the big squeeze Big increases in taxes, mortgage payments, petrol prices and almost everything else is drastically reducing the average South African's living standards

Many families, after meeting their essential payments, are finding that they have anything up to 10 percent less cash to spend in real terms than at this time last year

And as the year wears on and prices continue rising following the latest petrol price increase, their spending power is likely to diminish even further

The hardships many South Africans are facing can be illustrated by the case of someone we will call John Smith

This time last year he was earning R4000 a month and had just bought a R76 000 house with a 100 percent bond at 15 percent — the maximum he could afford

As he had not performed any exceptional business feats during the year and was not considered for promotion his pay rise at Christmas was the average 15 percent pushing his monthly income up to R4600 a month, which at the time he thought adequate although not particularly generous

However, this turns out to be the only bright spot in 12 months of successively increasing demands on his paypacket as a result of inflation, increases in income tax and more recently the rise in the petrol price

Comparing his financial situation with that of a year ago demonstrates why this is so

- His income tax (married rate) is up 20,4 percent from R1131 to R1362.
- Monthly net income after tax is up only 12,9 percent from R2869 to R3238
- Mortgage repayments shoot up 27,4 percent from R1000 to R1274 a month
- Assuming he buys 80 litres of petrol a month his bill rises 40,2 percent from R65,60 to R92,00
- Money left for other household expenses — R1872 against R1804, a meagre 3,7 percent increase compared with the 15 percent he started off with

But in the past 12 months most prices have risen by at least 15 percent. Therefore to buy the same amount of goods as he did a year ago he needs R1804 plus 15 percent. This is R2074,60 But he has only R1872 This is a shortfall of more than R200 or roughly 10 percent. This means he will have to cut his purchases by 10 percent compared with last year or go into debt or use up his savings.

Not all families will be affected to this extent. Families where the wife works are benefiting from the introduction of SITE Many other families will have more behind them or are not living on such tight margins so that the effects of the squeeze will be much less than in the example quoted.

None the less, it is evident that a great many South African families will have less to spend this year than they did last year

So far, however, retailers report that the downturn in sales has not been particularly noticeable

Although sales of television sets and similar "brown goods" are reported to have slumped in the past few weeks (which explains the sharp increase in TV and radio advertising) sales of white goods (refrigerators, stoves) are holding up

Mr Chris de Bruin, managing director of Sharp Electronics, said that business conditions had become harder but sales were being maintained

Buyers were far more price conscious, which was a great pity They were buying "expensively" as it was difficult to get spare parts for many of the cheaper items they were buying, and after-sales service was also lacking

One way people have been maintaining their living standards has been to increase the size of their mortgage bond where this has been possible

A consultant for one of the major banks said she had been extremely busy arranging larger bonds for clients

People with houses worth, say, R100 000 and with a bond for only R50 000 were borrowing an additional R10 000 or R20 000 against their house

This was enabling them to pay off their debts and still afford their foreign holiday

One of the strange aspects of the present squeeze is that it is taking place immediately before a general election Usually ruling political parties try to arrange for economies to be in an expansionary stage before going to the electorate

The question is Does this reflect great confidence on the part of the Government in their policies, or is it because the economy is in such a mess they could not avoid putting the squeeze on the electorate?

Sanctions and unrest undercut prosperity

By Jabulani Sikhakhane

Economic sanctions and labour unrest have impacted negatively on the economic welfare of various population groups, says a report published by Unisa's Bureau for Market Research.

It says the economic welfare of all population groups, more especially of blacks, coloureds and Indians, rose at a faster rate between 1970 and 1975.

Black household income rose 6,2 percent per annum between 1970 and 1975 (1,7 percent between 1975 and 1985). Coloured and Indian household income rose 5,2 percent per annum between 1970 and 1975 and from 1975 to 1985 rose 0,7 percent for Indians and 0,6 percent for coloureds

That of white households increased 2,5 percent from 1966 to 1975, against 0,3 percent in the ten years to 1985.

In 1985, whites spent one-fifth of their total income on housing, four percent more than in 1975. Insurance and pension funds accounted for 14 percent of their budget, followed by income tax and food, each taking 13 percent

Blacks spent 31 percent of their income on food and 13 percent on housing Food, housing and transport were the main items for Indians and coloureds.

Expenditure by blacks in metropolitan areas was one-third of white expenditure.

OM call for better medicaid schemes

Star 18/7/87 (128)

By Michael Chester

The Government is under pressure to sweep away all red tape that hinders the launch of radical new medical aid schemes aimed at improved health care services in the face of spiralling costs

The pressure stemmed from the insurance and pension fund giant Old Mutual in a new review of employee benefit schemes

"Seemingly uncontrollable cost escalations in health care — in most cases in excess of the inflation rate — have been the subject of widespread public concern and much controversy," says the review

"We believe that amendments to legislation, permitting greater flexibility in respect of the type of products which health care schemes are allowed to develop, such as cover for major medical expenses, is urgently needed"

New schemes were needed to set aim on a combination of incentives and disincentives to make them both affordable and more effective

Scanning the scenario of benefits from medical aid to retirement schemes, especially from the angle of industrial relations, the review underscores a trend toward more negotiation between employers and employers, "rather than paternalistic hand-outs or unrealistic demands backed up by threats"

It adds. "There are growing signs of a new awareness of broader employee benefit options in the ranks of many long-established trade unions and staff associations

"This emerging mood follows the considerable successes in recent years of a new generation of vociferous unions and union federations in negotiating more appropriate employee benefits for their members

"We are entering a phase where employees generally, not only low-income industrialised workers, are beginning to question existing benefit structures, realising that their voices can effect meaningful change

"It is being recognised that no employee benefit fund is 'given' any longer.

"More and more lower-income workers are looking for arrangements that will give them access to their job savings in the form of loans for housing, education and a variety of life crisis needs Higher income workers, on the other hand, are looking for benefit arrangements offering tax deferment

"Many workers are beginning to realise that their retirement fund savings may amount to an asset as large in value as their homes The question being asked is how this asset can best be utilised, not only at retirement, but also before"

Black consumers are now driving white business

MIKE PERRY

THE STRONG and winning companies of the 1990's are being made right now by the black consumer The purchasing power of the black consumer is reshaping the fortunes of companies competing in markets as diverse as groceries, clothing, electrical appliances, minibuses, second-hand motor cars, petrol, building materials, personal financial services, entertainment and travel

This increasing power can offset a major strategic issue for many business executives — how to get real growth

A view of the growth in turnover of many companies quoted on the Johannesburg Stock Exchange shows that, in the period since 1985 onwards, they have not grown in real terms

Acquisitions aside, one finds that — after deflating the numbers to remove the masking affect of inflation — despite at least 18-months of up-swing, sales have not yet returned to 1984 levels

But some companies are the exception and have grown Why?

The business strategist searching for opportunity gets some hints from a survey of the characteristics of leading brands

Be it footwear, clothing, soft drinks or alcoholic beverages it is pretty well accepted by marketers that it is the strength of appeal to black consumers that has got the brands to where they are

Investigating companies that have grown well in real terms in the period from 1985 onwards, we have found the black consumer to be the cause — despite retrenchments

Apart from the jubilation this causes in the marketing and sales department, strong growth at a time when others are standing still has a profound effect on the structure of an industry, the strategies, organisational designs and fortunes of the players in that industry

Positive changes in market share which can result from the correct strategies in a restructuring industry are the portents of future improved profit

Let's take a high profile example and consider the eventual repercussion for the players and the people who work in the industry.

The spaza store — an informal grocery shop operating out of homes in the black townships — phenomenon is now receiving wide publicity.

Spaza stores, of which there could be about 40 000 in southern Africa, received a boost during 1985 and 1986 because of political unrest and economic uncertainty

At a time when boycotts of white-owned businesses were the vogue and retrenchments were rife it made sense to use one's severence pay to stock a spaza store at home

Each new spaza store which opened was an example and inspiration for another entrepreneur De-



☐ **PERRY ... "Each spaza store which opened was an inspiration for another entrepreneur"**

spite greater political stability, the spaza stores established that they had a viable economic niche as convenience stores

Rapid urbanisation — for example Durban, with its reputation for growing faster than any other city except Mexico city, which can be confirmed by aerial observation — is reinforcing the need and economic viability of the spaza store Shoppers spend at least R3bn in spaza stores each year; R2bn of this is purchased from wholesalers

This purchasing power has resulted in a change in the relative growth prospects for the formal retail grocery industry and those of wholesalers

As can be seen from the chart, the market shares of these two sectors of the distribution channel changed dramatically in the period from 1985 to 1988 and it can be predicted that this trend will continue until 1993

THE GROWING IMPORTANCE OF WHOLESALERS/MARKET SHARE

	1985 %	1988 %	1993 %
Retail	78 8	74 9	73,3
Wholesale	21,2	25 1	26,7

SOURCE Trade Opinion Panel

The implications of this change for the food distribution business are extensive

The era of rapid growth in the wholesale sector is attracting new entrants, so it is likely that there will be a battle for market share and some form of shake-out or rationalisation of the players by 1993

In the low growth sectors of the market — including the retail sector — only the most efficient and fiercely competitive will be among the winners

The informal trader purchasing from the wholesaler tends to be black and might have lower levels of literacy This makes for communications problems which can best be offset by increasing the proportion of staff and managers in these outlets who speak a relevant black language

Once you have got more black managers in the stores it makes sense to have more black salesmen from the manufacturer making the calls on their wholesalers and retailers Better communication makes better sales

As we realise that more and more of our sales are coming from the distribution channels dominated by black people, we will see more black executives in the marketing functions

Not only will this increase the demand for black executives in service industries — such as marketing research and advertising — but it means that there will be more real black managers doing a real managerial job in retail, wholesale and manufacturing companies

Only then will we rid ourselves of the mistaken concept of "the black market" and have strategies, organisational structures and marketing programmes which are based on the reality of "the market"

This will be to the benefit of business in general, because this should coincide with an era of sustained real growth

☐ **Perry is MD of Perry & Associates.**

'Dangerous balance' of many poor, few rich

PILANESBERG — There could be no liberation if South Africa had so many poor people and so few rich people — it was an "Unjust and dangerous imbalance", the chairman of the Premier Group, Peter Wrighton, said yesterday

Speaking at a conference of Nafcoc (National African Federated Chambers of Commerce) at Sun City, he said it would be unjust because of the discrimination it entailed and dangerous because, if the imbalance remained, instability would follow — "even under a majority government"

"If the presently privileged think that they can maintain their privilege in the new South Africa, they are wrong There ought not to be any privileged citizens

"But equally it needs to be understood that those of us who oppose the simplistic notion of redistribution (of wealth) do not do so for selfish reasons or because we wish to deny the very real income disparities in the country Far from it.

"It is precisely because we care that we oppose this notion We oppose it because it is not the best, the most efficient way of aiding the poor and disadvantaged

"We would argue instead for a redistribution which can take place in a stable society, spending less on so-called defence and more on education and housing, for instance "

Mr Wrighton said this was an issue on which black and white businessmen needed to get together, to share thoughts and to help in planning for a better, richer future for all citizens

What he would like in a new South Africa, Mr Wrighton said, was that it should be a country in which the essential principle was fairness to all

". . In fact, a just society in which all men and women have the same rights, the same opportunities, a society in which there is no discrimination on any grounds whatsoever " — Sapa

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Black spending—name of the game for Beares

By David Carte

BEARES, the Durban-based retailing chain which was delisted last year, continues to flourish on "a tidal wave" of black spending

Terry Rosenberg, 40, and his partner in last year's leveraged buyout, 42-year-old Ian Deetlefs, hope for turnover of R620-million this year They have ambitious plans for the group and could well relist parts of it in a year or two

The name Beares now signifies only one of the furniture chains Prefcor is the holding company for 174 furniture outlets, 11 Game domestic goods stores, 50 BeeGee clothing retail outlets, and a property portfolio valued recently at R85-million

Under the new regime there has been a drive to decentralise the constituent parts of the group

Before they made their bid Mr Rosenberg and Mr Deetlefs realised the share was undervalued at 250c

There seemed little prospect of the share's rising to its real value in any hurry

Aaron Beare, a major holder, was prepared to sell his biggest single stake at the right price

After arranging finance with banks and with a little help from Jonathan Beare, another important family shareholder, and Corbank, the partners bid 400c a share Together they had to come up with R50-million, most of it borrowed

Senior

The offer was extended to the Beares minority and Prefcor ended with 100% of Beares Prefcor is owned by certain Beare family charitable trusts, Mr Rosenberg and Mr Deetlefs

Before bidding for Beares, Mr Rosenberg was chief executive of accounting firm Arthur Andersen SA A Wits MBA specialising in computer systems, he was the only non-accountant at senior level While he headed the Durban office of Arthur Andersen he met and started working with entrepreneur Deetlefs

Mr Rosenberg says Prefcor personnel are in good shape in spite of the departure of former top men Jeff Austin and Alec Rogoff Mr Rosenberg is pleased that Hymie Sybul, formerly chief executive of Game's chief rival Dion — "a fantastic trader" — has joined the group as head of Transvaal operations

Mr Rosenberg knows the black market is vital for success — and he is aware that he needs good relationships with his suppliers and his customers So he is something of an appeaser

"We are all too adversarial in this country We have so much to gain, but we need to work together"

Prefcor subsidiaries are making an effort in the social arena

Frank Luckin, who came up through the furniture chain, is running Game, identified as the high-growth part of the group

A valuable property portfolio will also receive a shove Apart from prime sites in many centres, Prefcor owns the better part of western West Street, Durban With partners, it wishes to build a mega-project to vie as a development node with developments, such as the Workshop, on the eastern side of Durban Prefcor has 300 outside tenants in its extensive property portfolio

Jonathan Beare is advising on the property side Mr Rosenberg says Mr Beare "has done well in property internationally and is one of the best brains in property in the world"

Mr Luckin says Game, the first of the warehouse discount stores, has 11 stores, four in the Transvaal and seven in Natal, turning over more than R250-million a year They are trading well. Some were in terrible shape, reflecting past management problems

Revamped

Sales growth was about 25% in the past year Some shops showed increases of more than 30%

Mr Luckin says Game will redouble its efforts in the Transvaal The Bruma Lake store in Johannesburg has great potential

All Game branches are being revamped The West Street shop, Game's biggest, is undergoing a facelift

An important strategic change is to make room in Game stores for other non-competitive stores to act as drawcards For example, Spar is to open a large supermarket at Bruma Lake

Hardware

Game will not touch food Its product range encompasses broadly the same non-food range as Pick 'n Pay's hypers — kitchenware, sports equipment, small to medium appliances, electronic goods, do-it-yourself and hardware

A new shop is proposed for Bloemfontein next year

Mr Luckin says "In many areas, we can buy as well as Pick 'n Pay and the OK Our prices are seen as low Nobody can exist on keen prices alone, however

"We offer an unusually wide range of merchandise Our customer service is also highly rated We want to be known for good quality at fine prices Our team is small enough to produce service excellence"

Mr Rosenberg is satisfied with the furniture operation, which aims at sales of R300-million a year Thanks to good credit granting and monitoring, the quality of the debtors book is high That could be important while the economy slows

"Debt collection and repossession are bad for one's image We would rather be careful when we make the sale"

Because of the debtors book, furniture is a cash-absorbing business — but Game is a cash cow The furniture debtors book contains the names and addresses of 600 000 customers who pay on time and is thus invaluable to the group as a whole

Mr Rosenberg says that because of rising black disposable income, there should be continued growth in high-quality clothing — BeeGee's niche

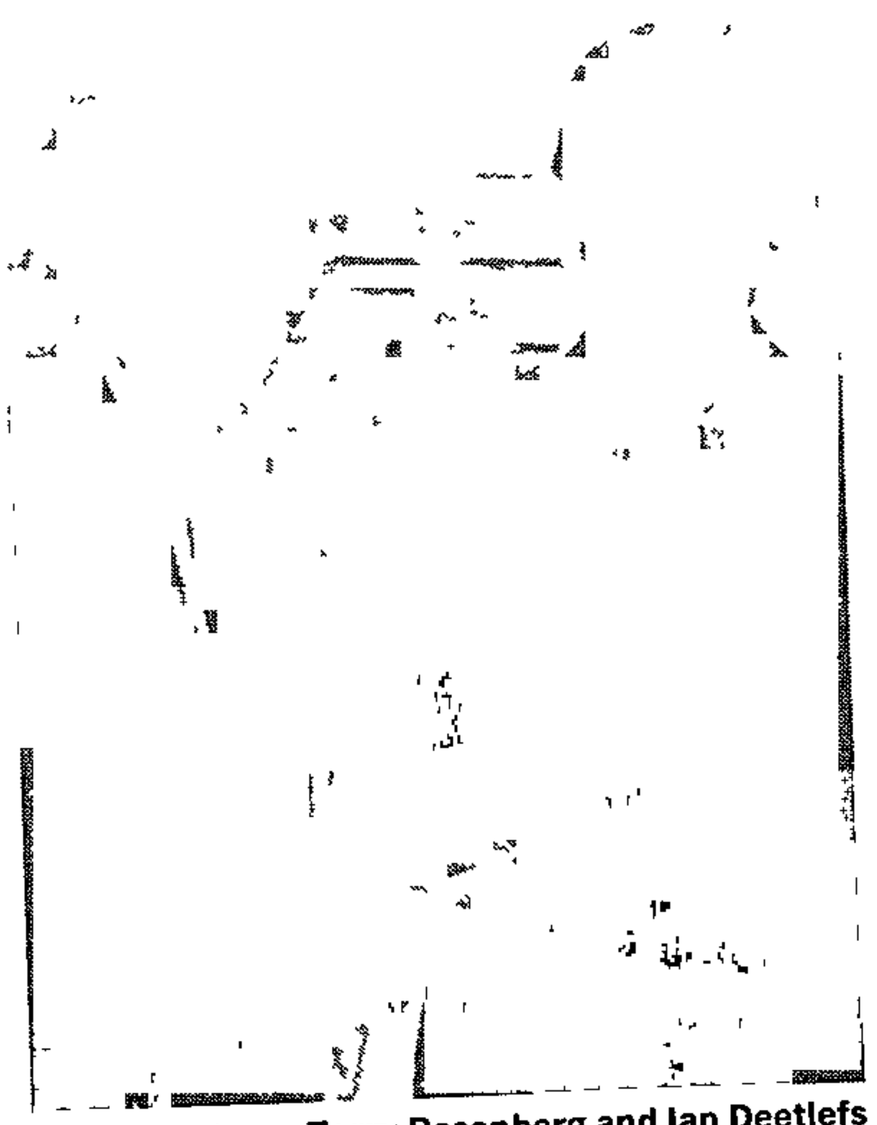
Another goal is to turn cost centres into profit centres The data-processing department has launched Prefdata, which sells computer stationery Preftech, the 1 200-vehicle transport fleet, is being put to better use

It has come up with a trailer for transport of high-bulk, low-weight goods, such as furniture The trailer, which attaches to the back of a one- or two-ton Nissan or Toyota bakkie, has the capacity of a five-tonner Prefcor wants a partner to develop it

Prefcor also owns Country Club Golf Equipment, which makes the Avenger golf club It is a top-quality product made in SA and attempts are being made to market it internationally

Mr Rosenberg's target for Prefcor is pre-tax profit of R35-million Assuming a full tax rate, which is not a prospect for some years, that would be R17,5-million after tax Apply a PE of six and one is looking at a value of R105-million Net asset value is about R140-million

The buyout men paid effectively R95-million, so their investment is still looking good



Buyout partners Terry Rosenberg and Ian Deetlefs

The forgotten customers

(128)

LOWER-INCOME communities will increasingly reject business unless it meets their needs, says Gillam Brunquel & Associates managing director Dave Gillam

He says lower-income workers have huge buying power and disposable income, but are neglected and underestimated by many sellers of products and services

Mini-bus taxis and roadside hawkers are examples of business forms that more adequately meet the needs of millions of customers

Mr Gillam believes that manpower succession planning is critical if traditional business is to hold its own and flourish as the Third-World element of SA's economy flexes its muscles

This means much greater reliance on upgrading and training of workers and less reliance on imported skills

"We cannot afford to wait for people to naturally emerge within the job situation before ensuring their advancement, but must be pushing the advancement process by way of education, training and development programmes

"More people may fall by the wayside than succeed in the initial stages, but there is no alternative"

He believes that the more responsibility and incentive workers are given, the more likely they are to support businesses similar to those in which they are directly involved

The opposite applies to workers who believe they are exploited, neglected or are unable to identify with their employers

Mr Gillam says traditional employers must take into account the realities of a fast-changing SA, and this means providing for the aspirations of their employees and the desires of consumers S/Times 17/9/89

Because most employees and consumers are black, and most traditional employers are white, the challenge is to bridge the gap between the two cultures

He believes companies that do not take up the challenge may find it difficult to survive, let alone prosper, and will have only themselves to blame

Black income tips economic balance

BIDem 25/9/87

GERALD REILLY

PRETORIA — The rising income of blacks is reshaping the economic balance in SA in their favour and steadily increasing their economic empowerment, says Economic Advisory Council member Hohale Mahanyele.

Speaking at a Pretoria University Graduate School of Business function last week, he also warned that SA was heading for a management crisis if the country persisted in recruiting managers mainly from the white population

Currently whites constituted 90% of the managerial corps

On earnings, Mahanyele said black incomes had grown faster than white incomes since 1973

Between 1986 and 2000 earnings growth was projected to average 50% for blacks, against only 10% for whites

Disposable incomes showed an even faster increasing trend

Other projections were that blacks would constitute 84,1% of the economically active population by the end of the century

It was accepted that growth of 3% a year was the absolute minimum if SA was to stave off massive unemployment which could result in serious socio-political upheavals

Managerial pool

On the looming managerial crisis, Mahanyele said in excess of 210 000 additional managers would be needed by the year 2000, according to authoritative estimates, with whites only able to contribute a maximum of 40 000

Everything pointed to the need for blacks to be drawn into the managerial pool, especially as the black population would total over 80% by 2020

The ratio of workers to managers was 50 to 1 in SA, compared with 12 to 1 in Japan, 14 to 1 in Australia and 16 to 1 in the US

Some estimates claimed the SA ratio would deteriorate to 76 to 1 by the turn of the century

Some companies tended to rationalise away the need to appoint black managers because of their educational and experience background, said Mahanyele

Others advanced blacks into management because they saw a new political and economic order with a different distribution of power

Most blacks occupying or aspiring to managerial jobs cited racial discrimination as the main cause of their inferior status in the organisation

Existing black company employees rarely got promoted to managerial level

It was obvious that although advancement of blacks to managerial jobs had become an economic necessity, companies still held back, he said

B1Day 28/9/89

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New consumer survey shows downward spiral

WHITE consumer confidence continued on its downward spiral in the third quarter, but the confidence of black consumers held up well, according to the Stellenbosch University-based Bureau for Economic Research (BER)

But while the combined confidence of both is "fairly neutral", the confidence of whites — more operative in the durable goods sector — is likely to have a greater impact on spending behaviour, the bureau says

In its latest quarterly analysis of consumer activity and trends in the retail, wholesale and motor trade, the BER says 40% of white consumers expected a "no-change" situation to develop in the economy over the next year

However, as many as 23,6% foresaw considerable deterioration

The overall confidence level of white households has remained unchanged over the past six months, with the index measuring this attitude as "well into the pessimistic zone"

By contrast, 23,7% of black consum-

SYLVIA DU PLESSIS

ers polled anticipated a considerable improvement in the near-term future of the economy, with the index measuring their perception and outlook up 16 points from the previous reading

But despite the bleak perception of some, all consumers — black and white — anticipated an improvement in their short-term financial situation

According to the BER, it appears as if the expected improvement in consumer finances could be a function of cutbacks on spending, rather than an expectation of higher incomes

Buoyancy

Wholesalers continued to enjoy lively business conditions, with the majority reporting sales volumes exceeding those of a year ago

This buoyancy — expected to continue in the fourth quarter — was due mainly to a keen demand for non-consumer goods, the BER says

Despite better sales, most wholesalers said business conditions had deteriorated and would continue to do so

Retailers, too, reported growing sales volumes in all sectors except for durable goods

Those polled pointed to a deterioration in business conditions over the past year in all main trading areas, excluding non-durable goods, and said they expected these conditions to worsen further before the end of the year

Motor dealers reported a drop in sales in real terms of both new and used vehicles and projected further declines However, spare parts sales remained vigorous and were expected to continue on this trend

The BER reports a deterioration in business conditions in both the new and used vehicle markets over the past year But while the majority of dealers were nevertheless satisfied with prevailing conditions, they expected them to worsen

On the other hand, 90% of spare part dealers expressed satisfaction with their present circumstances and looked to an improvement in the last quarter

1600 Fri Mon Tue Wed Thu 2730 Fri Mon Tue Wed Thu Fri Mon Tue Wed Thu Fri Mon

AHI slaps down call by civil service for 20 percent pay rise

By Derek Tommey

The call by the Public Service Association for a 20 percent pay rise has sent ripples of alarm through business circles

This is both on account of the effect it could have on business pay rolls and because it would presage another spending spree by the Government at the expense of hard-pressed companies and individual taxpayers

The public sector's pay demand comes at a time when much of business is already being squeezed by the Government's measures to curb consumer spending

Business would not like to have go through a repeat performance of the squeeze this time next year because the Government has undone all the beneficial effects achieved so far by handing out over-generous pay rises to the public sector

It is no surprise, therefore, that the public service's pay call has drawn a sharp response from the Afrikaanse Handeslinstituut (AHI), which represents most Afrikaans businessmen

AHI vice-president Tom de Beer said yesterday that between now and the end of the year the Government and the private sector must expect to be confronted by a flood of claims for salary and wage increases

But it was neceesary, in the national interest, that restraint be exercised since large increases in wages and salaries could damage the balance of payments and seriously harm the fight against inflation

The call by the Public Service Association for a 20 percent rise in basic salaries and wages would have far-reaching implications for the whole of the economy, he said.

He pointed out that even given the rises in consumer prices in the past 15 months, the figure of 20 percent looked on the high side when one took into account that public sector increases also resulted in an additional increase in the wage scales

He said the ultimate measure (of public service wages and salaries) ought to be the total salary and wages account of the state, considered in relation to the number of employees

Although the private sector's profitability automatically disciplined its salary and wage increases, Mr de Beer said the AHI still called on its members to exercise the same restraint it was requesting from the public sector

He said that the AHI was perturbed at the Public Service Association's call for wage and salary parity with the private sector, while at the same time expressing reservations over privatisation because it could possibly affect the security which, so far, has been inherent in state service.

Mr de Beer said the AHI welcomed the high priority being given to curbing inflation, together with the emphasis on greater efficiency and discipline in the public sector

Mr de Beer said that although the economy was cooling down, this was not happening as quickly as desired

Consumer spending was still high, despite the level of interest rates

Demand for credit remained strong, especially from the corporate sector

Imports, so far, showed little sign of falling and money supply remained alarmingly high

If the gold price remained at $350 or higher, the AHI believed that further measures to cool the economy would not be needed.

At the same time, there was no room for any relaxation in the existing measures, Mr de Beer said.

have recently purchased a new car and going to hear reference to

Less to spend for bosses

ST Times 1/10/89 (128)

SOUTH African executives have lost their leadership in terms of discretionary income which they enjoyed in the late 1970s and early 1980s.

A salary survey by P-E Remuneration Services shows that SA executives are now on a par with those in the Netherlands They are followed only by their counterparts in Australia and the United Kindom

The survey was conducted by looking at the buying power of net disposable income That means net disposable income as a proportion of essential living costs

The survey identifies American executives as having the greatest discretionary income, followed by those in West Germany, France and Belgium SA has the highest inflation rate when compared with the other seven countries

MARGINAL

Contrary to the trend identified in recent news reports, the survey says there has been no significant narrowing of pay differentials between white and non-white employees

"Over the past year the wage gap has narrowed only marginally in the unskilled and skilled job categories for Asian, black and coloured employees

"The wage gap at the semi-skilled levels has in fact worsened with a widening of between 1% and 5% when compared to the 1988 figures The wage gap between males and females of all races has increased slightly since last year"

Analysing staff turnover, the report says it can cost the employer as much as 33% to 50% of an incumbent's annual salary The figure for 1988 was 16%, and went up to 18% this year

The mining sector was hardest hit with a staff turnover rate of 25%, followed by construction at 24% and distribution at 22% The biggest drop came in financial institutions where turnover rates fell from 25% in 1988 to 15% this year

Retrenchment figures increased to 3% this year from 2% in 1988, and 14% of companies foresee retrenchments in the coming year

ECONOMY

Even the taxman can't take gilt off being a star earner

Don't let the rat race get you down

Inflation and high taxes may be lying in wait, but the rewards that come with success in the company hierarchy are still huge

A new nationwide survey into salary trends shows that a senior executive in South Africa can still take home 10 times more than a humdrum clerk — plus a bundle of perks that makes the mind boggle

To demonstrate the sort of pay package likely to be collected as you climb the corporate ladder, Hay Management Consultants have drawn a profile that fits the average senior executive running a division inside a large group or a managing director in the smaller-scale league.

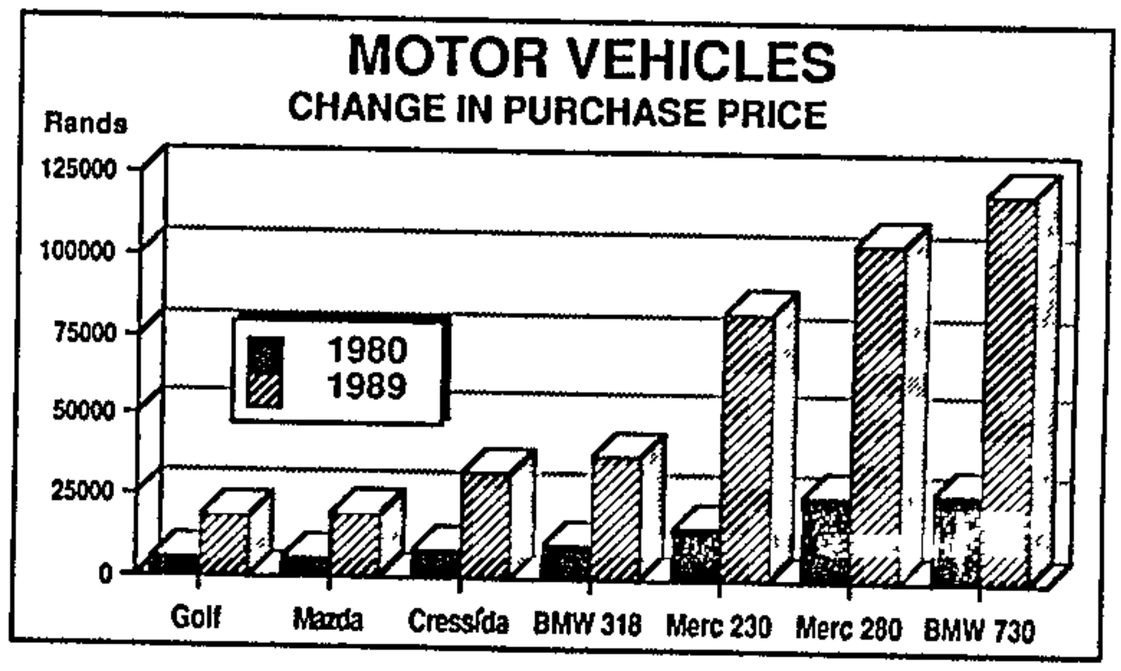
An average basic salary of R141 816 a year turns out to be only a start. First, add to that a 13th cheque at Christmas (R7 238), a R1 254 entertainment allowance and other odds and ends That pushes what the Hay team calls the base salary to R153 688

Next come incentive bonuses, likely to be linked to individual and company performance. That, say the researchers, can be expected by 60 percent of executives and works out at an average of R21 379 — swelling the pay package to R175 067

Standard benefits at that level — the company's contributions to pension and medical aid schemes — add an average of R17 894

Yet to be counted are the perks. All executives in the profile enjoy a company car deal — nowadays worth R28 264 a year on average

(Hay puts the value of a company car in perspective by showing what has happened to the purchase price of cars



since 1980 — along with comparisons of what it costs the company every year to keep them on the road, following the AA formula of combining the vehicle's value with total running expenses. *(See tables)*

The majority of executives also dip into company housing schemes, worth about R5 577 on average

There is also scope for executives to put their club fees on the company bill — worth another R436 a year. There may be about R500 to cover telephone costs too.

It all brings the guaranteed package to an average R208 719 If the executive picks and chooses a really clever mix of perks, the average total remuneration climbs to R230 000 a year

And if he is not flagging in the rat race and aims to move up, as chief executive of a R1 billion group in command of a labour force of around 4 000, he can expect a package worth on average R320 000 or more

And that's not all. The Hay team find it hard to persuade the top brass to divulge the details of what they may pick up in the way of options to take bundles of shares in the company. But they believe share packages can sometimes be worth more than an entire year's salary in the inner sanctum of the boardroom

There's always a sting in the tail somewhere, though Almost everyone's pay packet has been stung by inflation It is only the lowest income groups — at labourer or unskilled level — that have seen their base earnings climbing faster than inflation since 1982, largely due to efforts to close the black/white wage gap

Middle to senior executives need brace themselves for the taxman snatching no less than 42 percent of 1989 earnings of R123 000.

Oddly enough, the tax burden has actually eased a little for the big guns at the helm of really large corporations A group managing director whose basic earnings were R84 600 in 1982 saw no less than 48,6 percent swiped by tax At least, by a reshuffle in marginal tax rates, the tax bill on the R204 700 in base earnings in 1989 will be nipped back a notch — to 44,9 percent

The taxman has not managed to snitch all the glamour of star status

MICHAEL CHESTER

MOTOR VEHICLES

Business Report

Growing wealth in black townships

Capt Times 2/11/89

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Financial Editor

ABOUT 3 000 more people are coming to live in Khayelitsha and Crossroads every month, and wealth is being created in the squatter townships, Theo Rudman, director of the Self Employment Institute, told the National Wholesale Drug Association conference in Somerset West

"The size and importance of this wealth is demonstrated by the R20 214 389 worth of bids received from local businessmen for 11 business and industrial sites put out to tender by the Lingelethu West Town committee which controls Khayelitsha"

Rudman said the rapid rate of urbanisation presented "marketers of all products with increased opportunities"

It made it easier to reach millions of potential customers than when they were scattered throughout the rural areas

Advising delegates to the conference to develop this market, Rudman said "In just five years Khayelitsha alone has reached an estimated population of around 600 000 people

"Yet there is not one formal pharmacy in the township There are two doctors that I know of in private practice — probably dispensing practitioners

"There are a few 'chemists' selling over the counter patent and traditional medicines Dozens of sphaza or house shops stock patent medicines, as is done by many supermarkets throughout the country

"Few wholesalers or manufacturers are doing anything about developing this market"

Rudman said Durban held just as much opportunity "Kwa Macha alone, just one of the black townships there, is almost the same size as Soweto

"Because this growth has happened quickly, in the last five years or so, it has been overlooked by many marketers who still believe that Soweto is the centre and in some cases the only viable way of reaching the black consumer"

Pointing out that "SA is a black country, much more African than European in tradition and standards," Rudman continued "Learn to work with this market and that is where you will find your greatest prosperity yet"

MANUFACTURING

Clothing markets now equal racially, convention told

From TOM HOOD,
Business Editor

SUN CITY — The traditional pattern in which the black retail market plunged in a downturn is over, says Mr Donald Etheridge, managing director of Edgars' Group's R330 million Sales House retail chain of 100 stores.

"A greater share of good jobs is now in black hands There are far more blacks than ever with good incomes and the prospect of getting them," he said at the National Clothing Federation convention

Equally

"In the current downturn the white and black sectors will go down more equally than before, but the black retail market will hold up better than before"

For years business men treated the black market as an export market or as alien from another planet But there was no such thing as a black market any more than there was a French or Italian market

Most black people now wanted to shop in a decent part of town served by good transport facilities, with informed friendly service and a choice of stores conveniently clustered together

Mr David Shirley, president of the International Apparel Federation said South African clothing manufacturers now had a tremendous advantage to export because labour costs in overseas countries had rocketed

The price a minute for clothing labour in the United States was 20 US cents This compared with 10 US cents a minute in Hong Kong, Taiwan and Thailand

The cost in South Africa was 5 US cents a minute, while the independant states had a labour cost of only 1 US cent a minute

He suggested trading companies should be established to develop relationships and partnerships with European Common Market companies

Events in East Europe could also open a huge market for exporters, added Mr Shirley

Mr Mervyn King, chairman of the Frame Group, warned that the price of cotton could rise by more than 30 percent this year.

Resisted

The textile industry had resisted such a massive increase in raw materials and was trying to argue a lower price with the Cotton Board

"If this increase, which is requested by the farmer, is officially implemented it will lead to massive increases in the cost of fabric in spite of efforts to contain this input cost," said Mr King

Polyester fibre prices increased by 75 percent in five years and among other input costs, electricity had doubled in price since 1985 However labour costs had become the highest cost factor, compared with other major countries

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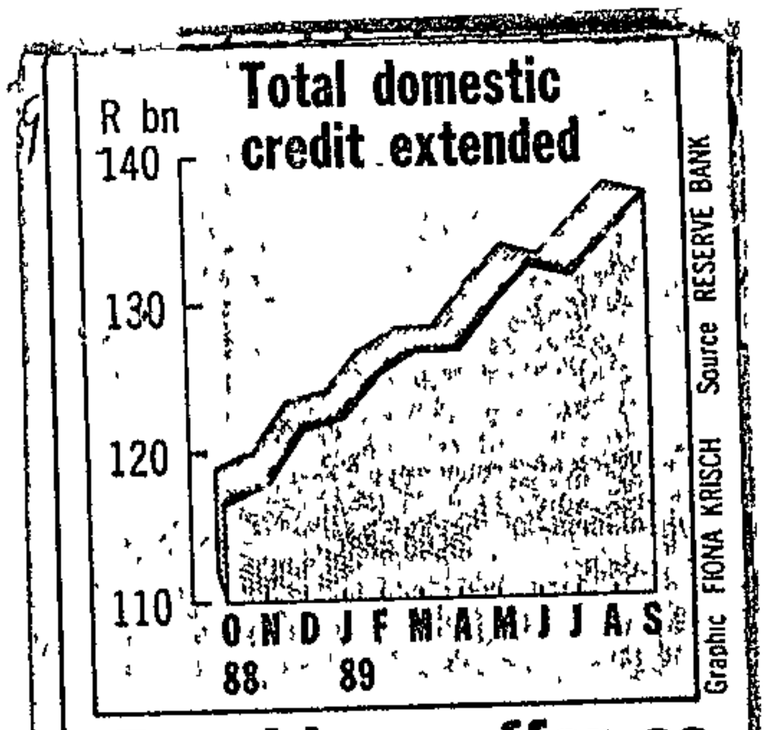
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Durables suffer as credit growth slows

(128) GRETA STEYN (Dur)

RESERVE Bank figures for overall domestic credit extended by all monetary institutions show that the rate of growth has slowed to 3,5% between the second and third quarters from 5% in the second quarter B (Dur 30/11/89

On a longer term view, credit has grown by 17,3% between October 1988 and September this year — a moderate rate of increase when compared with the 41% explosion in bank credit in the corresponding period a year ago.

Standard Bank credit manager Ian Gilbert believes the slow-down is probably not as marked as the Reserve Bank would like to see.

"There is some distress-borrowing from consumers facing debt difficulties and corporate demand has not abated significantly."

Nedfin MD Ron Rundle said. "There is no doubt consumer spending on durables has been hit hard by restrictive policies. This Christmas should see spending on durables below last year's"

However, the slow-down in credit demand has been uneven and some banks report continued strong demand for home loans The increase in banks' mortgage holdings has averaged R400m for the five months between May and September 1989

This is not far below the average of R427m for the five months between September 1988 and January this year, before the new round of interest rate increases began.

Standard Bank home loans manager Terry Power said "The past quarter has been the best in a long time Consumers are becoming increasingly aware of banks

☐ To Page 2

Growth rate slows

B (D ay 30/11/89

as providers of home loans."

The building societies, by contrast, have seen a far more marked slow-down There was an average R166,4m increase in societies' mortgage holdings in the five months to September 1989 — a sharp drop from the R302m in the September 1988-January 1989 period

☐ From Page 1

(128)

The Allied's Geoff Bowker said the banks had emerged as permanent players in the home loans market He said the demand for mortgage finance had remained "acceptable" in spite of the competition

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Caution may put a damper on sales

Star 4/12/89

By Michael Chester

Retailers are holding thumbs that black consumer buying power may be the key to reaching the R12,5 billion forecast made by big business for total shop sales in the Christmas spending spree.

The prediction of a R12,5 billion sales total over November and December, regarded as the Santa Claus season by the retail trade, was made by the Association of Chambers of Commerce and Industry in nationwide surveys ahead of the shopping stampede.

Assocom suggested overall spending would prove 13 percent higher than 1988 in cash terms, but down about 1 percent in volume when inflation was taken into account

Midway in the two-month spending crescendo, the Information Trust Corporation, which concentrates on credit patterns, forecasts that the increase in Christmas spending will fall short of setting new records in real terms because of consumer caution about new sky-high interest rates on credit deals, often running close to 30 percent a year

ITC chairman Mr Paul Edwards believes white consumers, already over-burdened by debt, will be more concerned about reducing their existing debt commitments than repeating the wild buying spree of 1988.

Retailers, he believes, are looking to the black consumer to boost sales turnover.

"Black salary increases have exceeded those of the white sector in recent years," he says "They have over-borrowed relatively less than their white counterparts and have definite aspirations about improving the quality of their lifestyles

Momentum

"There is no doubt that black spending power will provide a far more important role in generating consumer spending."

All in all, with sales counted by volume rather than rands shrunk by inflation, he foresees a slight increase in food sales, but decreases of between 2 percent and 5 percent in furniture and appliances sales.

Clothing stores, he believes, are likely to reap a 3 percent increase in overall sales from trends showing that consumers may steer away from more expensive luxury gifts and aim at more functional items

Mr Edwards also alerts shoppers to expect special bargains to go on offer as many retailers lay out the temptation of big discounts to cut down on high levels of stocks

But he sounds a warning to borrowers to be cautious about sliding into still heavier debt by relying on more credit and urges credit sources to ensure they exercise responsibility in vetting new credit applications.

"There's no need to put a total damper on the Christmas spirit, but shoppers need to exercise simple commonsense about their budgets if they want to avoid bad hangovers in the New Year."

Business Report

Blacks to hold '80% of income' in SA

Cut This
20/12/89
128

From FIONA FOURIE

JOHANNESBURG — Blacks will hold 80% of the disposable income in SA by the turn of the century, according to the latest edition of Black Enterprise

It says according to estimates based on a Central Statistical Services (CSS) report 84,1% of the economically active population would be black by that time.

Co-ordinating this potential economic power is the recently-formed Foundation for African Business and Consumer Services (Fabcos) which seeks to pool black manpower and resources

It has a total membership of approximately 1,2 million people

The South African Black Taxi Association (Sabta) is one of the principal members of this organisation which also consists of hawkers, taverners, traders and professionals

This is the factor which lifts Fabcos from the ranks of other black business associations with the same pupose, according to the magazine

The report says Fabcos was created from the belief that political power is meaningless without economic power to back it up

Fabcos is seeking to unite "disparate groups" among black businessmen against the obstacles of "historical corporate interests of neo-colonial wealth and self-interest" the article said

The informal sector accounts for 30% of the GNP and the great majority of Fabcos membership

Between 3,5 and 4 million jobs were presently provided by the informal sector, according to recent estimates by the Small Business Development Corporation

Harnessing this power could pave the way for "a wave of black economic empowerment", the article said

The concept of the Black Rand was "crucial to Fabcos' success".

This refers to the policy of encouraging blacks to buy from blacks, instead of continuing their reliance on white banks, retailers and professionals

This concept could be extended to "the principle that the rand must be made to go further"

For instance Sabta members owned shares in their own service stations and taverners in their own liquor depots

A survey by the Bureau for Economic Research at Stellenbosch University indicates blacks have sensed an imminent change in their economic fortunes and are considerably more optimistic than whites that the SA economy will improve next year

Whites anticpate a no-change situation in the economy, or even a deterioration, according to the survey carried in full in Black Enterprise

The income of blacks grew by 20% between 1973 and 1985 while white income grew by only 15%, the CSS report showed

Projections of this figure indicated a 50% earnings growth for blacks between 1986 and 2000 against 10% for whites

Black Enterprise says political trends such as the repeal of influx control are "also playing a part" in bringing blacks into the mainstream of the economy

How your rand has shrunk

30/12/89

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| | | |

INCOME - 1990

Man in the street's earnings should be four times higher today than in 1980

Salary packets are under siege

By Michael Chester

Pay packets in 1990 need to be nearly four times higher than a decade ago to stay abreast of the lowest estimates of inflation and avert a fall in living standards, say new studies

A report by PE Corporate Services says that the take-home salary of R1 000 a month in 1980 now needs to be at least R3 950 to counterbalance inflation cuts

Miss Naomi Brehm, head of remuneration services, finds that average pay packets have lost out in the battle with price increases

On official counts, the consumer price index bounded upwards between July 1979 and July 1989 by 295 percent

But average wages and salaries lagged behind with increases of 293 percent

Miss Brehm believes the real picture might be much worse

The official rate of inflation is regarded with great suspicion, she said

It is presently given at between 14 and 15 percent but this is often challenged, and the real rate is believed in certain circles to be between 25 and 30 percent

In real terms therefore, overall salaries in the 1980s lagged behind quite substantially

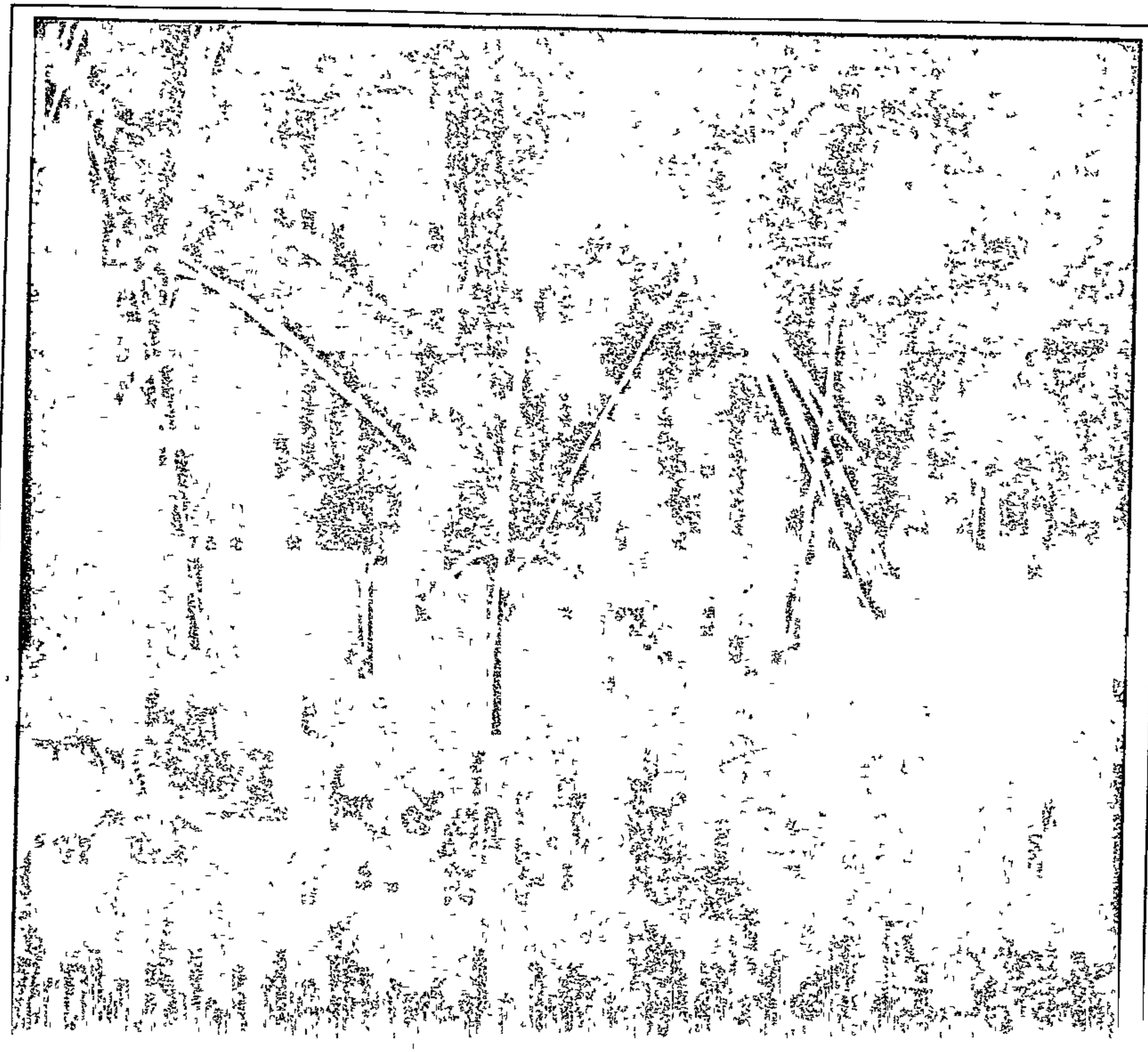
If one assumes the true rate of inflation over the past decade to be only two percentage points higher than the official figure, the cost of living has soared by 369 percent

'This means that the employee who started in 1980 with R1 000 should now be earning R4 690 to match inflation, and he isn t

In fact, the rise in basic pay should have been much steeper than that if account is taken of the heavier income tax burden generated by fiscal drag caused by inflation

Pay for performance

But Miss Brehm cautions that employees should not expect pay in-



Stop the rot in black schools, say educators

By Janet Heard and Sue Valentine

Educationists have called for extraordinary measures to be taken to resolve the crisis in black education amid anger over the poor black matric results and fears they may lead to greater gangsterism in the townships

Educationist Dr Franz Auerbach said it was time all those in black education got together to help alleviate the crisis He said the shortcomings in black schools should be identified and detailed proposals to improve the situation, both in the short-term and middle-term should be made

This required a joint effort by the Department of Education and Training (DET), which faced a credibility crisis and political groupings such as the National Education Co ordinating Committee (NECC) nd the restricted SA National Students Congress

He suggested the NECC initiate such a proposal

In a front page report today, headed "Stop the Rot , the editor of *Sou etan*, Mr Aggrey Klaaste, said the bitter truth was that South Africa was fiddling while its house was on fire

He said the matric results should be seen in the context of the total socio-politico-economic factors that would impact on the country's present and future

"It has become common wisdom that every country s success is dependent on a fairly high educated population

BE PRAGMATIC

In a New Year s Eve statement the NECC called on the Government and the community to accept that extraodinary measures of pragmatism and flexibility to resolve the crisis were needed

It called on all parties with an interest in education to address the situation, and said parents, teachers and members of the community should be allowed to contribute meaningfully to finding solutions

- Mrs Sheila Sisulu, education officer at the SA Council of Churches, said she was "horrified" that only

Salary pacl

By Michael Chester

Pay packets in 1990 need to be nearly four times higher than a decade ago to stay abreast of the lowest estimates of inflation and avert a fall in living standards, say new studies.

A report by PE Corporate Services says that the take-home salary of R1 000 a month in 1980 now needs to be at least R3 950 to counterbalance inflation cuts

Miss Naomi Brehm, head of remuneration services, finds that average pay packets have lost out in the battle with price increases

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'This means that the employee who started in 1980 with R1 000 should now be earning R4 690 to match inflation, and he isn't"

In fact, the rise in basic pay should have been much steeper than that if account is taken of the heavier income tax burden generated by fiscal drag caused by inflation

Pay for performance

But Miss Brehm cautions that employees should not expect pay increases to move higher in the 1990s unless earned from incentives linked tightly to better performance and productivity

"Pay-for-performance is likely to be the catch phrase of the 1990s," she said

Companies have come to realise they cannot afford continual increases in wage bills without a commensurate increase in productivity and profitability, says Miss Brehm

The economic downturn also threatened a number of retrenchments as companies were forced to re-examine their manpower structures

Recent surveys found 14 percent of companies foresaw the likelihood of retrenchments on the horizon They feared the total could rise if the economic situation worsened over the next year

Because of the chronic shortage of skilled manpower, the status and pay rates of skilled labour would stay at a premium

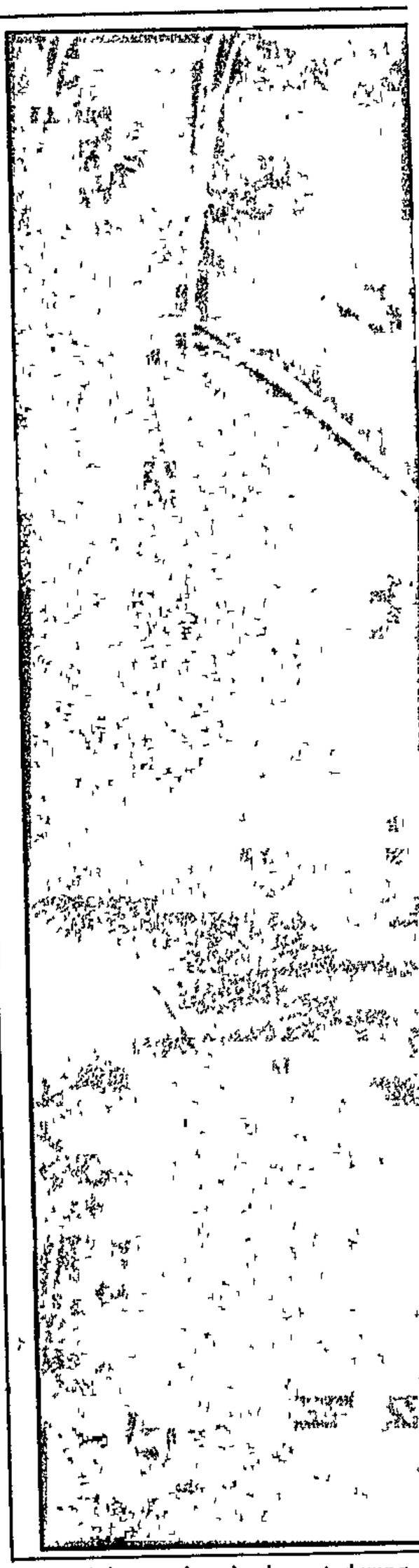
In general, however, emphasis in the 1990s would be on remuneration strategies that placed more stress on incentives as rewards for performance

"Aspects such as productivity and profitability took a back seat during the 1980s,' says Miss Brehm "The accent was on keeping wages and salaries in line with the inflation rate, even though companies were not always successful in periods of recession

Fringe benefits were also used to the full as a tool to allow employees to structure their packages in a tax-effective way

"Into the 1990s, however, while the consumer price index will still be an important factor, the main accent will be on pay-for-performance, linked with incentive schemes

There will also be a lot more stress on the encouragement of the acquisition of skills to close the skilled manpower shortage, and recognition by labour of skill, and performance "



Wages set to rise 14,5% in 1990 – BER

SYLVIA DU PLESSIS (128)

REMUNERATION of employees — the main determinant of consumer spending — is expected to rise by only 14,5% during 1990 after a "rather hefty" increase of about 17% during 1989, says the Bureau for Economic Research (BER)

In its latest quarterly analysis of consumer activity and trends in the retail, wholesale and motor trades, the Stellenbosch University-based bureau said while it anticipated an announcement on tax relief in the March Budget, this would probably be restricted to provisions for bracket creeping BI DAY 4/1/90

"As a result, disposable income is anticipated to increase by 13,5%, compared to slightly more than 15% in 1989," it said

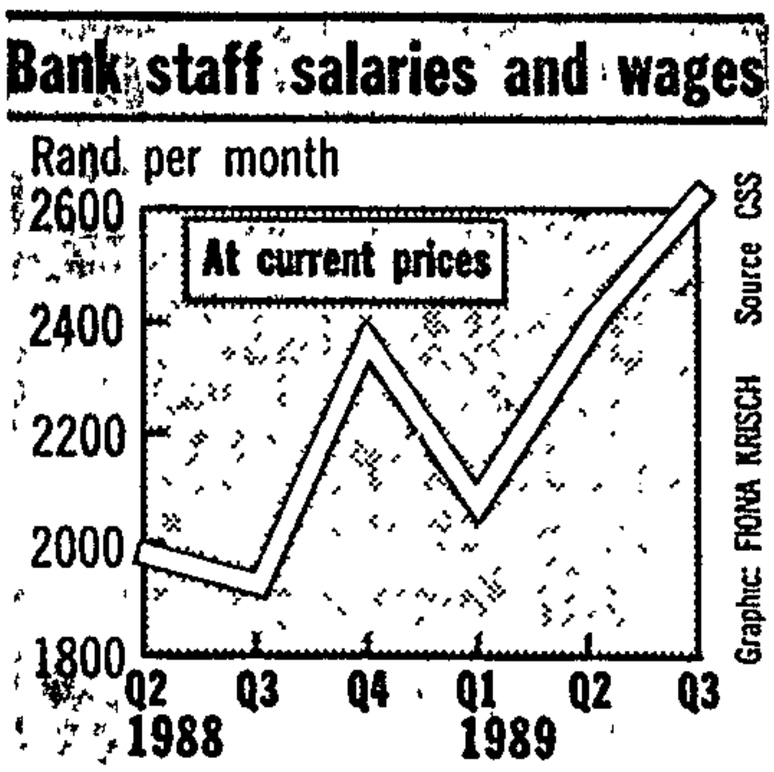
"However, the rate of inflation could be close to 15% on average during 1990, which implies that disposable income is likely to decrease by about 1% in real terms. This will obviously put a damper on consumers' spending rate"

The BER said its latest survey indicated consumers appeared to be losing confidence, thereby militating against credit buying

"It should also be kept in mind that interest rates, and hire purchase conditions in general, are also likely to dampen the use of credit Obviously, the demand for durable goods will be affected very negatively with demand for cars in particular falling away rapidly"

The sluggish demand expected in the durable goods sector would lead to a further reduction in the contribution made by this sector to spending

"We estimate that 1990's contribution will be 8,2%, which is 1,4 percentage points below the 1988 figure If this is used as a yardstick for standard of living, then the implication is that the latter will deteriorate," BER said



Financial sector gets best wage increases

BIDay 5/11/90 GRETA STEYN (59) (215)

THE financial services sector outstrips the rest of the economy when it comes to increases in pay packets.

According to Central Statistical Service (CSS) figures, the total wage bill for the industry grew at a rate dwarfing the rest of the economy (33,2% before inflation in the year to September 1989 — compared to an increase of 16% in remuneration of employees in the economy as a whole). Staff numbers grew at a far lower rate — 3,9% — during the same period.

CSS said employees in the financial services sector took home an average pay packet that was 10% higher in real terms

☐ To Page 2 (128)

Wage increases

(128)

☐ From Page 1

in September 1989 compared to the same month in 1988. Part of the huge jump could be explained by a pay-out of bonuses or profit-sharing in September 1989.

Bankers notched up an astonishing 17,2% real increase in their average monthly pay packets between September 1988 and the same month last year. Before inflation, this came to an increase of more than 30%.

However, the figure is subject to statistical noise because of the timing of bonuses and profit-sharing. These extra payments are included in the calculation for average monthly salaries.

Between June 1988 and the same month last year, the real increase was about 4% — still higher than the economy as a whole. The average monthly salary in the banking sector was R2 653 in September (at current prices). BIDay 5/11/90

Building society employees, by contrast, experienced a real decrease in average monthly wages between 1988 and 1989.

Consumer spending heads for 'soft landing'

Star 6/1/90

OUTLOOK 90

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MARTINE HICKMAN
Industrial analyst,
Max Pollak & Freemantle

EXPECTATIONS for retailing at the beginning of 1989 were bleak. Spiralling interest and inflation rates threatened to depress discretionary income and forecasts for the rise in private consumption expenditure averaged between nil and one percent.

Despite the increase in bond rates during the year and real interest rates rising from 4,7 percent to an estimated 6,5 percent by the end of the year, retail sales at the end of November had risen by 3,2 percent in constant terms over the comparable 11 months of the previous year

Private consumption expenditure declined from a growth rate of 4,9 percent for 1988 to an average of 3,6 percent for the first three quarters of 1989 This was well ahead of expectations.

Although Christmas sales figures have still to be issued, the general impression appears to be that sales rose on average between 16 and 20 percent compared with Christmas 1988.

It was noted that consumers tended to buy goods which offered value, with more expensive items moving more slowly than in previous years.

The strongest growth area was in semi-durables, especially in clothing, footwear and textiles. (Statistics are available only for the first nine months to September)

In real terms, footwear sales rose by a staggering 10 percent, with women's and babies' clothing and textiles showing similar increases.

Private consumption expenditure on non-durables is relatively non-cyclical.

Food sales, the largest component, rose by three percent for the nine months to end-September

With the higher HP rates and the spiralling of prices as a result of the [illegible] changes in sales of appliances and audio equipment, showing a decline in real terms.

In the latter half of the Eighties, retailing became highly specialised. Those stores which became more focused in their approach benefited.

A few years ago price ranked as the main criterion when considering where to shop With more women working (more than 40 percent in PWV area), time has become more of a constraint.

In addition, factors such as convenience, extended shopping hours, service, variety, health and environment have increased in importance for people choosing where to shop

Chain stores are changing their image, concentrating on a "shop-within-a shop" format, whereby shopping becomes an "outing" or an "experience."

To help retailers maintain a highly specialised approach, good systems have become essential. In the Eighties more and more retailers invested money in this area

Retail technology is not as widely implemented in South Africa as in the United States, but local retailers have the advantage of using systems which have been tried and tested in stores overseas.

Among the many systems now being implemented by retailers are scanning, the computerisation of in-store functions, such as receiving, ordering and labour scheduling, and the emergence of integrated sys-

Looking to the 1990s, we believe South Africa will have real interest rates for some time and that until there is a decline the nominal rate of inflation will remain above 20 percent.

This is likely to dampen growth in spending Our view is that private consumption expenditure is headed for a "soft landing" as opposed to a recession in 1990

This is supported by three factors.

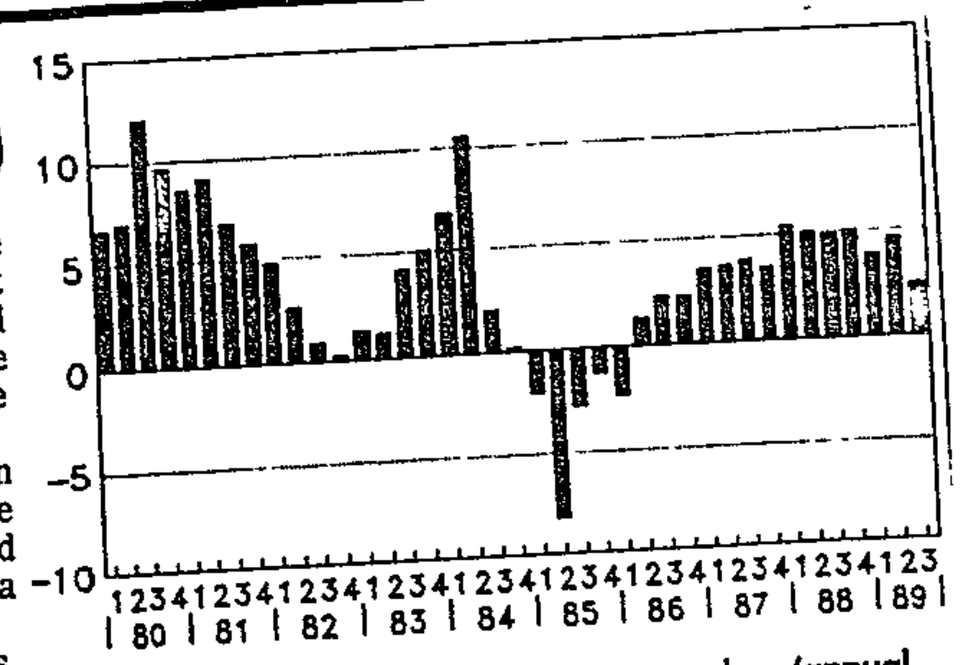
Firstly, levels of consumer confidence are now higher than they were before the recession of 1984-85 This is to some extent a result of the reformists nature of the De Klerk government, which could lead to a softening of approach towards South Africa by the international community

Secondly, the economic clout of the informal sector continues to grow. Although estimates of its size vary, latest studies suggest it contributes as much as 30 percent towards GNP.

Lastly, unionisation appears to be still gaining momentum, with the rise in wages in the past year averaging 17,4 percent.

Earnings a worker have been increasing in real terms since the fourth quarter of 1987 and are expected to continue to improve

Based on these factors, we forecast real growth of 2,5 percent in private consumption expenditure for 1989, dropping to 0,3 percent in 1990



SPENDING: Private comsumption spending (annual percentage change).

Buyers feel the pinch

By Don Robertson (128)

THE standard of living is expected to decline this year and spending on durable goods will fall

The 1989 fourth-quarter survey from the Bureau for Economic Research at the University of Stellenbosch on prospects for trade and commerce shows that expenditure on durable goods is expected to fall by 11,8% in 1990, indicating a decline in living standards

In spite of this, about 40% of white and black consumers expect a slight improvement in the economy in the next 12 months

In the previous quarterly report, 23,8% of white consumers forecast a sharp decline in the economy. This figure fell to 16,1% in the latest report

The index of those now predicting a slight improvement in the economy is 93, seven below the neutral 100 mark. This compares with 75 in the previous survey.

Black consumers are less optimistic, 15,5% expecting an improvement in the economy compared with 23,7% previously. However, the index of optimism stands at 109, although lower than the 118 in the previous survey

Although wholesalers say fourth-quarter sales were better than in 1988, they were down on the third quarter. Most expect sales to decline in the first three months of this year. Most plan to place fewer orders in this quarter.

Retailers also expect sales to taper off in the first quarter, but they believe prices will not rise as fast as last year.

New-car sales are expected to remain at last quarter's levels, although spare-part business should improve Sales of used cars are forecast to decline in the first three months of this year

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8 000 bad debts added each month

Star 9/11/90

Summer spending binge has hangover

By Michael Chester

South African consumers may face the biggest New Year avalanche of debt problems on record in the wake of the R12,5 billion buying spree at Christmas time.

One of the largest debt collection networks revealed yesterday that it was sending out debt summonses at a rate of almost 1 000 a week in the aftermath of the shopping binge.

Executive director Mrs Ruth Eliasob of the Advanced Credit Bureau said the total was treble the level touched a year ago

"The number of legal actions taken so far may be only the tip of the iceberg," she said. "And the threat of court action comes only as a last resort."

Despaired of response

"Debt collection companies are called in to try to recover bad debts only when the victims, counting the cost of dud cheques bounced back at them by the banks, have despaired of responses to telephone calls and letters to offenders.

"Legal action comes only when our own efforts to recover bad debts by reminders and offers to negotiate a settlement plan have failed"

The number of dud cheques that had bounced on retailers in the Christmas rush — from supermarket stores to restaurants and high fashion boutiques — had already touched more than 4 000 and looked likely to double when a final count was taken.

One supermarket alone had so far sent in R93 000 worth of dud cheques — "and there may be worse to come

Mrs Eliasob said the average value of dud cheques written out at supermarket stores was between R200 and R300 But the whole range of rubber cheques varied between R25 and R25 000

Most offenders were bread-winners who had been retrenched by their employers in the economic slowdown, and left in dire financial straits, and children in affluent families who found it easier and easier to find access to credit

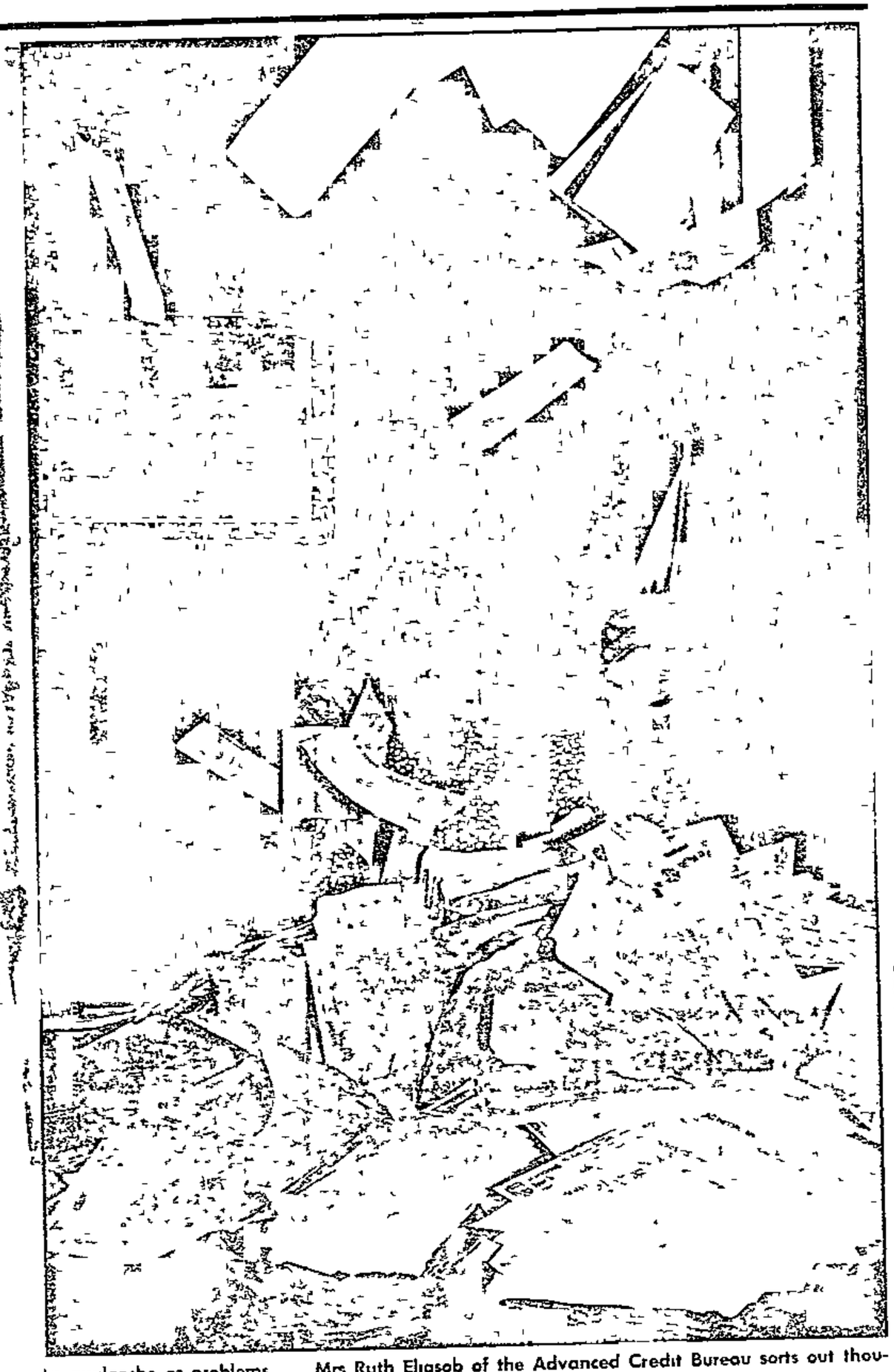
"We really try our best to negotiate a reasonable settlement plan with families that have been spending on credit in desparation to fill their basic food baskets," said Mrs Eliasob

"But there are new and very worrying trends emerging, not least the number of youngsters who seem to find no trouble in stealing a blank cheque from a parent's cheque book forging a signature — and going out on a spending spree.

"Tragically, we sometimes find that spending on drugs is a root cause There is also a big increase in disasters when teen agers are actively encouraged by many stores to open credit accounts — ignoring any legal requirements that insist on guarantees signed by the parents if they are under age

"The basic thread that runs through most cases, however, is a growing disregard of any disgrace about landing in problems with bad debts."

Mrs Eliasob estimated that the overall total of consumers listed with black marks against their credit ratings — by dud cheques or bad records with settlement of accounts — was growing by no less than 8 000 names a month.



In avalanche of problems Mrs Ruth Eliasob of the Advanced Credit Bureau sorts out thousands of dud cheques used in the Christmas spending spree

© Picture by Stephen Davimes

Consumers 'paying for Govt's folly'

Star 16/2/90

The Government has been accused of trying to pass the buck after calling on hard-pressed consumers to fight rocketing prices and inflation with selective spending, reports political reporter FRANS ESTERHUYSE.

As South African consumers are being swamped by a new wave of price increases, the Government's advice to them is simply Resist buying at excessively high prices

The director-general of finance, Mr Gerhard Croeser, said last week that in addition to measures taken by the State against inflation, the public, too, had an important contribution to make Consumers should refuse to buy at excessively high prices and buy selectively

"It does not matter whether it is a cool-drink or a motor-car It is not necessary always to have the shiniest car or the best of everything"

Consumers were still not sufficiently cautious in spending their money The result was that the "vicious circle" of inflation continued There should be more resistance to higher prices If this could result in smaller turnovers, manufacturers would be encouraged to look again at their prices

30 percent

Inflation — according to the latest figures available from the Central Statistical Services in Pretoria — was running at 14,9 percent in November, but it was alleged last year that the CSS figures were grossly inaccurate and that the real inflation rate could be 30 percent.

And it was disclosed this week that major manufacturers of food and consumer goods were demanding an average of 15 percent more for their products while householders face increased electricity charges following a 14 percent Eskom hike and parents will have to pay 20 percent more for their childrens' school uniforms.

Some time this year there will be another petrol price increase which will affect a wide range of commodities, and travel

At the end of last year, SAA increased domestic air fares by 13 percent

Food prices have soared to double their 1985 levels, outstripping the consumer price index by 13 points, according to the CSS

Support for Mr Croeser's resistance call came from the director of the National Consumer Council, Mr Jan Cronje, who had this message for consumers "You won't die if you were to abstain for a week from eating butter, margarine or meat that is priced too high Yet if enough people take such action it can bring prices down"

Inflation had conditioned people into anticipating and accepting price increases, no matter how high these were The only way of breaking out of this psychosis was to refuse to buy goods if prices were excessive or quality poor, he said

Their advice has stirred a hornets' nest, drawing accusations from some consumer bodies, politicians and also economists that the Government was trying to pass the buck after failing to curb inflation

The sharpest criticism came from Mrs Lyn Morris, president of the Housewives League, who said Mr Croeser's "don't-buy" proposal was impossible

"I wonder if he has ever taken a shopping list into a supermarket Does he really know what it means to the housewife who finds prices all round are too high? How can he expect consumers not to buy when basic foods like bread, mealie meal, sugar, coffee, tea and essential protein foods like cheese are too high?

"Many consumers do shore up prices of different brands, but they have very little choice in a lot of things The key to the whole problem is that the Government must bring down inflation It must bring down its own spending, and yet every year it increases its spending"

Every time the Government increased fuel prices and transport costs this inevitably resulted in higher costs for farmers and a spate of price hikes for foodstuffs and other commodities

The Democratic Party's finance spokesman, Mr Harry Schwarz, agreed with Mr Croeser that there should be consumer resistence to excessively high prices, but expressed amazement that such a call should come from a Government spokesman

He did not want to attack Mr Croeser because he liked him and thought him able But he should "keep out of politics and leave it to his Minister to make provocative political statements".

"Here we have a Government which is a party to price increases, yet it is telling consumers to resist high prices Should there be consumer resistance to increased rail and air tariffs and to higher prices resulting from the Government's privatisation activities?

"Money supply figures don't indicate to me that enough is being done to fight inflation The real test will be when the budget is presented We need to deal with major cut-backs in state expenditure, and these need to be applied according to the correct priorities," he said

"We can do away with the whole machinery of the Group Areas Act and with duplication in separate 'own affairs' administrations, for example"

Public sector

Professor Brian Kantor of the school of economics at the University of Cape Town said appeals to consumers not to spend were useless Consumers were hard-pressed and did not easily waste their money

One of the key steps Mr Croeser himself could take was to encourage the Government to take a tough stand against public sector salary increases This would provide an opportunity for direct income tax relief on a significant scale Salary increases should be limited to 10 percent, combined with income tax relief at 5 percent all the way through the scale

Stellenbosch economist Professor Sampie Terreblanche said only drastic political and constitutional reforms would improve the economy These actions would create confidence, attract foreign capital, create growth, and bring down inflation

Outlook bleak for durable goods

By Sven Lunsche

Sales of durable goods could slump dramatically this year as the financial situation of consumers worsens in the wake of an expected decline in disposable income

Sales have already tapered off over the last few months, with most retailers reporting lower Christmas sales than in 1988.

Figures provided last month by Central Statistical Services showed that retail sales for November and December at 1985 prices were expected to fall 1,5 percent, compared with the same period in 1988

On this basis, sales for the year as a whole would still be up 2,4 percent, compared with the previous year, but in a declining trend.

A report released today by the Bureau for Economic Research at Stellenbosch University (BER) shows that total private consumption expenditure (PCE) will rise by only 0,5 percent this year, after increases of 1,9 percent in 1989 and 4,8 percent in 1988

	1988	1989	1990
Total, Rm	74 180	75 609	75 970
% change	4,8	1,9	0,5
Durables,	7 115	7 057	6 222
% change	12,0	-0,8	-11,8
Semi-durables,	11 455	11 867	11 682
% change	7,0	3,6	-1,6
Non-durables,	33 846	34 546	35 220
% change	2,5	2,1	2,0
Services,	21 764	22 138	22 845
% change	5,0	1,7	3,2

The BER forecasts total PCE at 1985 prices of just under R76 billion this year

Particularly hard hit will be spending on durable goods After rising by 12 percent in 1988, spending on these goods fell 0,8 percent last year and is expected to slump 11,8 percent to R6,22 billion this year

The BER expects spending on semi-durables to slide 1,6 percent to R11,68 billion this year, while non-durable goods expenditure should continue to grow by about two percent to R35,22 billion (see chart)

The share of durable goods spending to total PCE has slipped consistenly since spending on durable goods peaked in 1980, when it was 13,7 percent of PCE, and the BER expects this figure to drop to 8,2 percent this year — 1,4 percentage points below the 1988 figure.

Some fundamental structural changes took place in the durable goods sector in the Eighties, with consumers spending more on furniture and household appliances at the expense of cars

The higher demand for furniture and household appliances was partly the result of the mass housing schemes in black townships, but can largely be ascribed to the continuing impoverishment of consumers, as cars are certainly more of a luxury than furniture and appliances, saysthe BER

This impoverishment was in evidence throughout the 1980s Real taxed income in the first half of the decade fell 0,5 percent a year From 1984 to 1988 it accelerated to 2,5 percent, the bureau says

The BER says that renumeration is expected to increase 14,5 percent in 1990, after a rather hefty increase of about 17 percent in 1989

"We expect that tax relief will be announced in the March Budget, but this will probably be restricted to provisions for bracket creeping

"As a result, disposable income is expected to increase 13,5 percent in 1990, compared with slightly more than 15 percent in 1989"

The BER economists add, however, that the rate of inflation could be close to 15 percent on average, "which implies that disposable income is likely to decrease by about one percent in real terms"

This will obviously put a damper on the consumer spending rate, with demand for durable goods in particular expected to be negatively affected over the year

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Savings is key in tax

w/t ARGUS 27/1/90 128

By TREVOR WALKER
Business Staff

SAVINGS will be the key to significant personal tax reductions in 1991, although some measure of relief is expected in this year's Budget on March 14.

Treasury sources said the average South African wage earner would have it easier in 1990 and could look forward to a very much easier 1991 if personal savings were to show a meaningful increase this year

Personal savings levels dropped from 10,2 percent in the 1970s to 3,2 percent in the 1980s, and to 1,8 percent of disposable income in the first half of 1989.

Party pledge

The National Party committed itself to reducing taxes in its referendum manifesto last year and it is understood Finance Minister Mr Barend du Plessis is determined to make a start with this pledge to the voters

What form the tax cuts will take has not yet been decided, but at the very least allowances for fiscal drag or bracket creep in the tax tables are expected

Government spending or the deficit before borrowing will definitely be reduced in 1990, but if people really begin to cut their spending on luxury consumer goods then the Treasury will be able to reward this thrift with meaningful cuts in 1991

The sources said the government was committed to reducing spending The Reserve Bank had begun to bring the money supply under control and the third leg of the equation — consumer spending — could play a very meaningful role if this was switched into savings

The exchequer budgeted to spend R65 billion in 1989 and it is expected this could rise by 13 percent this financial year to around R74 billion.

The Treasury is drawing up the Part Appropriation requirements, and given the larger than expected increase in tax revenues this year it is possible, as was the case in the present financial year, a major portion of government borrowing will have already been completed by Budget date or soon thereafter

Lower spending on defence is expected to be used in other areas, but also to reduce government debt, which costs about R9 billion a year to service interest charges

Education will again be granted a meaningful increase and the demand from other social services will also put pressure on spending.

Speculation was that the import surcharge would be abolished, but this appears unlikely since it brings in about R2 billion a year and is too large to abolish at a stroke.

Mr Rudolph Gouws, chief economist at Rand Merchant Bank said the government was clearly moving in the right direction and the use of the proceeds from the Iscor flotation to reduce government debt was welcomed by business

Mr Du Plessis at the time of the issue said it would help government to reduce its interest bill by R500 million a year and this did not take into account the R140 million dividend paid by Iscor just prior to the privatisation of the company.

The money spent on weapon systems and the development of Armscor over the past 10 years had to be viewed as insurance, but this now appeared to have run its course, political sources said.

However it did not mean this huge investment in capital could be summarily terminated.

Food gobbles up SA blacks' household budget

Argus 1/2/90 (128)

The Argus Correspondent

PRETORIA — Blacks in South Africa allocate a third or more of their household budget on food

Whites by comparison, spend just 13 percent on food — one of the lowest percentages in the world — yet they eat more and often better quality food

This is according to a Unisa Bureau of Market Research report compiled by Professor Johan Martins

The report found that in real terms the average spending on food in South Africa's metropolitan areas had dropped by 11.7 percent between 1975 and 1985 — the period under review

Meat products

But for urban blacks spending on food represented more than 30 percent of their total budget and for those in the rural areas 40 percent and more

The average spending on food by whites in the metropolitan areas was twice that of blacks in the same areas, and nearly 80 percent higher than that by blacks in the national states and TBVC countries

Residents of the metropolitan areas were responsible for 80.3 percent of the total expenditure on meat and meat products with whites spending nearly double what blacks spent on meat and meat products

White spending on meat was decreasing in favour of fish and poultry but was still considered high by world standards The Pretoria/Witwatersrand area came second only to the Free State for the high percentage of meat in its diet

More than one third of the total money spent by whites and coloureds on meat went on beef but Indians favoured lamb However the importance of chicken as part of the food budget for all population groups was increasing, the research found

Blacks in the national states were responsible for more than half the spending on unidentified meat and poultry but bought almost no biltong bacon or ham meat spreads boerewors or viennas

Pork and processed meats were bought almost exclusively by whites and interestingly the survey noted it was the average price of bacon followed by polony which had increased the most in the 10 year period to 1985

Substitution

Professor Martins said disproportionate increases in food prices could lead to substitution — when the price of beef increased in the 1960s lamb became more popular, but this pattern was reversed in the early 1970s

Similarly a relative drop in the price of chicken led to a big increase in its popularity Spending on grain and grain products represented 18 per cent of the money spent on food in 1985



CLOWNING AROUND An experienced theatrical makeup artist will paint beautiful clown faces like these on children at this year's two-day Constantia Country Fair which opens tomorrow Proceeds from the Constantia Fair at Alphen Park go to child welfare organisations and this year's target is R100 000

Mum-to-be Dusi 'wonder woman' leads a full life

DURBAN — Life is so full for Westville wonder woman Fiona Dawson — who feels "absolutely fine" after completing this year's Dusi canoe marathon — that she barely has time to dwell on the fact she is five months pregnant

Fiona, 31, not only keeps herself super-fit by running, canoeing and swimming, but she also teaches art — the love of her life — at the new Northlands Beachwood High School in Durban North

PHILOSOPHY

In addition to successfully completing this year's Dusi with few side effects, she has completed the Iron Man contest four times, the Comrades Marathon eight times — and the Dusi a further eight times

Her last competitive sports function before she has her baby will be the Midmar Mile on February 11 — and she continues to run about 10km a day

Interviewed in her classroom at the school attractive Fiona spoke about her philosophy on life — to make the most of her potential and to take all opportunities available to her

I believe strongly that one should never let people dictate to you on how to live your life' said the mum to be whose family and friends thought she was crazy to do the Dusi while pregnant

Everyone is an individual — and I believe that individuality should be fully developed That's why I love teaching art, because it allows for personal development

'I know my family thought I was crazy to do the Dusi especially my mother, but they know I'm headstrong and I'd have done it no matter what they said They just reserved judgment

Fiona a vegetarian who is very health conscious said I also believe we are here on this earth to improve ourselves and to reach an understanding of ourselves

By participating in endurance sports as I do I think you come to terms with your potential My sport has taught me the importance of perseverance and of believing I can succeed in all things'

Durban mayor's trip called off

The Argus Correspondent

DURBAN — Durban's mayor Mr Derrick Watterson will no longer attend the Taiwan Area Games later this year, following a decision taken by the city council's management committee

The committee yesterday reversed its earlier decision that the mayor should attend the games, to be held in Durban's twin city Kaoshiung

The reversal came at a time when a row was brewing over the high cost of first-class air tickets for the mayor and mayoress

But the row was not the reason for the change of heart "We felt that as our sportsmen would no longer be able to go there would be no point in the mayor attending' said committee chairman, Mr Jan Venter

Doctor comments on good treatment

LIFESAVING — Eddy Cassar

THE beautiful weather last Sunday attracted thousands of sun worshippers to the Peninsula's beaches in what must have been one of the best days of the season

Lifesavers reported no incidents of note, except for one on Muizenberg beach

While patrolling the beach, False Bay Surf lifesavers were asked to help a woman who was apparently having a heart attack

They attended to her and the John Rolfe rescue helicopter was called A local cardiologist on the beach helped as well and went with the woman in the helicopter to hospital

PASS EXAM

The doctor later commented on the professional attention the woman was given on the beach All lifesavers serving the public have to pass the stringent Surf Proficiency Award, an examination they retake annually

● Competition forms an integral part of lifesaving The events all test lifesaving skills, fitness and technique Many events are simulated rescues, where eveything is executed at speed with high regard for detail

Western Province competition officer and Springbok lifesaver Steve Harris believes that the traditional lifesaving competition needs a touch of excitement

We lose the guys to triathlons swimming, road running and other sports because lifesaving carnivals have become a bit too long and boring, he explains

Events over the next few weeks are

Package deals now for holidaymakers

Sowetan 2/2/90

128

GOOD news for consumers. The age of the package deal holiday has arrived in South Africa.

That is the view of the country's hotel industry which predicts that to beat the rising cost of holiday accommodation, South Africans are going to take fewer privately arranged holidays and will make greater use of combined travel and hotel packages

At the same time, there will be a growing demand for more affordable, limited service hotels and increasingly, upmarket hotels will cater for tourists and corporate business

All this adds up to big changes in the holiday habits of South Africans, says Fedhasa, the hotel industry's mouthpiece

Says Mr Fred Thermann, Fedhasa's executive director, "In Europe, for decades people have planned holidays and hotel bookings well in advance and have booked accordingly through less expensive package deals offered by hotel groups and tour operators

Trend

"We believe the same trend will catch on in South Africa -- and keep hotels not only affordable, but very attractive," he said

The new trend would be in keeping with what happened in air travel, where rising prices encouraged South Africa travellers to make use of budget services such as Apex

The same thing is bound to occur in the hotel industry and package bookings will become far more popular, particularly as they offer tremendous value for money, often including air and rail travel in a highly discounted, attractive deal

Hotels would also benefit from the trend he said.

"The big advantage for hotels is that they will have volume bookings -- and that in turn allows them to offer excellent value for money. South African hotels continued to offer the best value for money in the world to foreign visitors," said Thermann

"But the average South Africans has less disposable income because of inflation and high taxation and the whole pattern of hotel usage could therefore change."

Moreover, if Government introduced staggered school holiday periods for the different provinces, more people would holiday out of peak season, so benefitting from low out-of-season rates

"A major problem for the hotel industry is the peaks and valleys in room occupancies Hoteliers do not have a smooth flow of income and it is difficult to plan and keep costs as low as possible.

"Average room occupancies for all hotel grades during 1989, were 56 percent A level of 65 percent has to be achieved to be cost effective "

Service

Steadier volumes of business would also make it possible for hoteliers to maintain a more permanent nucleus of staff who could then be trained to provide higher levels of service.

"A swing towards off-peak season package deals would certainly help to overcome this problem; although it won't provide the total answer," says Mr Thermann.

Road to business success paved with MBAs

By Derek Tommey

Get a Master of Business Administration degree and earn a fortune.

This is the impression many universities with post-graduate business schools try to create and sustain. Little is said about the other requirements and skills that also might be needed for success in business.

But a recent survey by the Graduate School of Business at the University of Cape Town shows that people with the necessary skills — and one of their MBAs — are earning lots of money.

The survey gives a good indication of what people are earning in SA these days.

It looks at four different groups of graduates those that attended the UCT business school between 1966 and 1971, between 1972 and 1977, between 1978 and 1983 and between 1984 and 1989.

It finds that the median income of the first group, which has had 20 to 25 years to get established, is R210 000 — the half are earning less than this and the other half more.

The bottom 10 percent earn less than R115 000 a year, but the top 10 percent earn more than R560 000 a year.

The median income of those in the second group — 13 to 18 years to make their mark — is R205 000, which is not far short of that of the first group.

Ten percent are earning less than R105 000 a year, while another 10 percent are earning more than R395 000 a year.

The third group, which has been in business for seven to 12 years, has a median income of only R140 000.

This, somewhat surprisingly, is 30 percent lower than that of those five years their senior.

Do salaries suddenly jump after seven to 12 years, one wonders?

However, the high flyers in this group are still doing extremely well, with 10 percent earning more than R325 000 a year. Ten percent earn less than R74 000 a year.

The new boys — those who left UCT between 1984 and 1988 have a median income of R105 000, while 10 percent receive less than R65 000 and another 10 percent above R165 000.

However, the new boys report that their employers value their MBAs in a proper manner, paying them 56 percent more on average than they received before obtaining their degree.

What the survey shows is that the MBAs receive more than a third of their remuneration by other ways than basic salary.

This, on average, accounts for 61 percent of their income, while profit-sharing brings another 16 percent, fringe benefits 18 percent and a bonus 5 percent.

An analysis of the fringe benefits shows that 94 percent receive medical aid, 84,3 percent belong to a pension scheme, 80 percent have a company car, 61,1 percent have an expense account, 49,7 percent receive free life insurance, 40 percent receive overseas trips, 38,2 percent have a bond subsidy, 30 percent have share options and 8,9 percent have company houses.

A detailed analysis of the educational background of those attending the business school between 1984 and 1988 shows that just over half have engineering or scientific qualifications, another 17,5 percent have commerce or business qualifications and, a little surprising, only 7,1 percent are accountants.

Where are they now?

MAG 15/2/90 IZR



ISSUES

Hugh Roberton

THE mere mention of the word "nationalisation" by Mr Nelson Mandela has sent share prices tumbling on the Johannesburg Stock Exchange and not surprisingly exponents of free enterprise, including latter-day converts in the National Party, have urged the ANC to think again. But their tut-tutting has done nothing to help Mr Mandela and the ANC find a viable alternative to a problem which is encapsulated in the statistic 0,66

This is the Gini coefficient for South Africa, a formula widely used around the world to measure the degree of inequality between a country's rich and its poor Of the 57 countries for which statistics existed in 1978, South Africa's Gini coefficient was the highest and, since then, fulfilling the old maxim, the rich have got richer and, relatively, the poor have got a lot poorer

To think that a future government acceptable to the black majority would not take vigorous and effective steps to redress the balance, is wishful thinking

Some comparisons used in last year's Second Carnegie Report into Poverty and Development Almost 98 percent of black households in 1975 had annual incomes of less than R3 000, but only 11 percent of white households had incomes that low Although South Africa produces enough food to provide well over 6 000 colories per person for the entire population (more than double the recommended level), the death of one out of every seven black children under the age of five is caused by inadequate nutrition.

In 1970 the richest 20 percent of the population (mainly whites) owned 75 percent of the country's total wealth, and while this declined to 61 percent during the 1970s, the total number of poor (mainly blacks) rose from 13-million to 15-million through the natural increase in population

What all this represents is a daunting political challenge to the ANC (or any other party which would hope to secure the support of the black majority)

It is a challenge proportionately far greater than that which faced the National Party when it tackled the poor white problem in the wake of the First Carnegie Inquiry into Poverty — and about which those NP spokesmen who have raised eyebrows at Mr Mandela's mention of "nationalisation" now have little to say

The NP's antidote to white poverty was a form of socialism Massive state-funded industries were launched, which provided employment (and in many cases sheltered employment), housing, medical care, and pensions primarily to whites The public service, likewise, was relentlessly expanded to the point where, today, one out of every 27 South Africans has a state job — and the numbers keep growing

Regulation

For decades central planning regulated who could get what jobs, specifically excluding people of colour

While the Western world moved away from regulation, South Africa, in common with the Marxist countries, moved towards tighter state controls aimed at protecting white interests After all, how long ago was it that the those bastions of free enterprise, the central business districts, were opened to entrepreneurs of all races?

Even now, when the NP is rushing to change direction, the extent of its past socialist excesses can be seen from the fact that a former state enterprise like Iscor stood fifth out of all the companies on the JSE in terms of taxed profit in the very year of its "liberation"

Perhaps some of those who influenced the contents of the Freedom Charter looked with some interest at the NP's methods of addressing white poverty After all, at the time of the Freedom Charter's genesis, socialist doctrine still enjoyed a degree of respectability and exponents could point to some modest achievements in the Soviet Union, Eastern Europe — and white South Africa

But the world has changed and Marxism has been rejected as a means of creating general wealth in those very countries which embraced the doctrine most assiduously

This, however, does not solve Mr Mandela's and the ANC's problem They still need to put forward a plausible plan for channeling far more of South Africa's wealth to the black majority — or else, translated into political realities, they will be smartly booted out

Free enterprise is held up to them as the answer, but as many of the leading exponents of free enterprise acknowledge, the concept does not enjoy a scintillating reputation among blacks

While some would argue that free enterprise has not been given a decent chance in South Africa and that the country is only just emerging from the Marxist-like shackles of the past, the fact is that the exponents of free enterprise have failed to put forward a plan which can attract popular black support

Allure

"Nationalisation" and socialism have a potent allure for people who have gained little or nothing from an economy they perceive as having been "capitalist" so far And above all, free enterprise has been done a savage injury by being adopted as the credo of those who have enforced apartheid

If a preferable alternative to "nationalisation" does exist, its proponents would do well to get off their derriers and do something to popularise it, rather than expect Mr Mandela and the ANC to come up with an alternative for them

Organised commerce and industry did not lack the temerity to plunge headlong into the political waters during the tricameral referendum — on the side of the sinners

So, where are they now?

Simply saying that socialism has failed in Eastern Europe is a soggy answer to a towering problem, a problem which the scions of free enterprise will have to solve — or allow the scions of socialism to do the job for them

Star 22/2/90 (128)

Pressure for better police pay

By Monica Nicolson

Requests by the Support the Police Action Group (Spag) to meet President F W de Klerk to discuss the "shocking, casual and uncaring treatment" meted out to policeman and women have not been successful — but the group intends to increase pressure to improve working conditions for the police force.

At a press conference in Johannesburg yesterday, spokesman Mr J Lambson said more than 1 000 supporters had signed a petition demanding the Government double the salaries of the lower and middle ranks of the police force immediately and launch an effective recruiting campaign to increase police strength.

The police support organisation intends to present the petition to the Government.

"The salaries of the lower and middle-ranked policemen are a national disgrace. The Government appears unwilling to acknowledge the seriousness of the situation. Members of the police force cannot be expected to continue to barely exist on a miserable pittance," he said.

Mr Lambson said there were other reasons for the increasing number of resignations from the force.

"For the last few years our police have been the target of a sustained, well-orchestrated campaign to vilify, denigrate and discredit them.

"Radical revolutionaries have been responsible for vicious attacks on police. Many have been killed, others badly injured and their houses destroyed."

Mr Lambson said although police did a magnificent job and often risked their lives, they received little thanks or appreciation from top government circles and the public.

Chairman of Spag, Mrs Avril Budd, said the morale of the police became very low when political mass marches were allowed by the Government last year.

"Police felt they were being undermined because history shows these marches normally proceed the overthrow of the country by communists," she said.

Book offers advice on hedges against taxation

Star 24/4/90 (128)

WITH the tax year rapidly drawing to a close, tax payers are frantically searching for ways to reduce their taxable income

The person who is not familiar with the various tax concessions available or tax-reducing methods, can easily fall prey to the immediate temptation that a retirement annuity is the only hedge against taxation

"Tax planning requires a responsible and critical analysis of each individual's circumstances" says Mr Arnold Berns, MD of Berns, Block Associates

Eroded

"Very often tax advisers place too much emphasis on tax-free investments which provide immediate tax relief while in the long run the capital growth on such investments is completely eroded by inflation, leaving the investor with very little income at all."

Berns, Block Associates is one of the few firms of Financial Planners in South Africa capable of offering and providing a comprehensive tax planning service from its own in-house resources and through its associated companies

In his recently published book, "TAX you can pay LESS!" Peter Feinberg, an associate of the firm, describes more than 50 simple examples on how to increase your take-home pay.

The book deals mainly with taking advantage of fringe benefits and suggests ways to structure pay packages to maximise disposable income and how to save tax through correct planning

Feinberg, for example, addresses the question often asked by both employers and employees "Which is better — a company vehicle or a vehicle allowance?"

He discusses considerations aside from the fringe benefits tax, both from the employee's and the employer's point of view and finally provides an answer to whether such a scheme is worthwhile

The book is also available through Berns, Block Associates at R24,95 excluding GST

TAX PLANNING SURVEY

Receiver's PAYE warning is vague and unenforceable

Star 24/2/90 (128)

JUSTIN COWLEY of Ernst and Young

ON SEPTEMBER 25 1989 a press release was issued by the office of the Commissioner for Inland Revenue in terms of which the Revenue sought to attack schemes resulting in the non-payment of Pay As You Earn (PAYE).

The press release referred particularly to the use of close corporations which contracted the services of employees to their former employers, and purported to act as independent contractors.

Particular occupations referred to include draughtsmen, artisans and computer programmers, but the release was not restricted to these categories of employment.

The press release cautioned employers" who failed to deduct employees' tax that they may be held liable for such failure in circumstances where they either exercised control over "another person" in the manner in which is duties were performed or as to hours of work, or where the amounts due were paid at regular intervals.

While it is true that in certain cases the creation of such a close corporation and the manner of its operations might be subject to successful attack, a broad statement such as that issued by the Commissioner for Inland Revenue is without justification and also so vague as to be unenforceable in law

The Act in fact excludes a company and close corporation from the definition of "employee" for PAYE purposes.

Consequently, it is unlikely that Revenue's press release is enforceable, unless the interposition of the close corporation between the employer and the employee can be set aside as a pure sham

Where, for example, an employee resigns his employment and proceeds to render the same services to the same "employer" through the medium of a close corporation, but retains all the other attributes of an employee, including membership of pension and medical aid funds, use of company cars, right of annual leave etc, the Receiver could probably attack the structure.

On the other hand where a bona fida close corporation enters into a properly drawn contract to provide certain services through its own employee(s) to a client who pays the agreed fees on (say) a monthly basis, the Receiver does not have the powers to insist that the client deducts PAYE from the payments.

This applies even where the close corporation has only one client who happens to be the former employer of the individual(s) concerned, provided only that the original employment link is clearly severed, as above

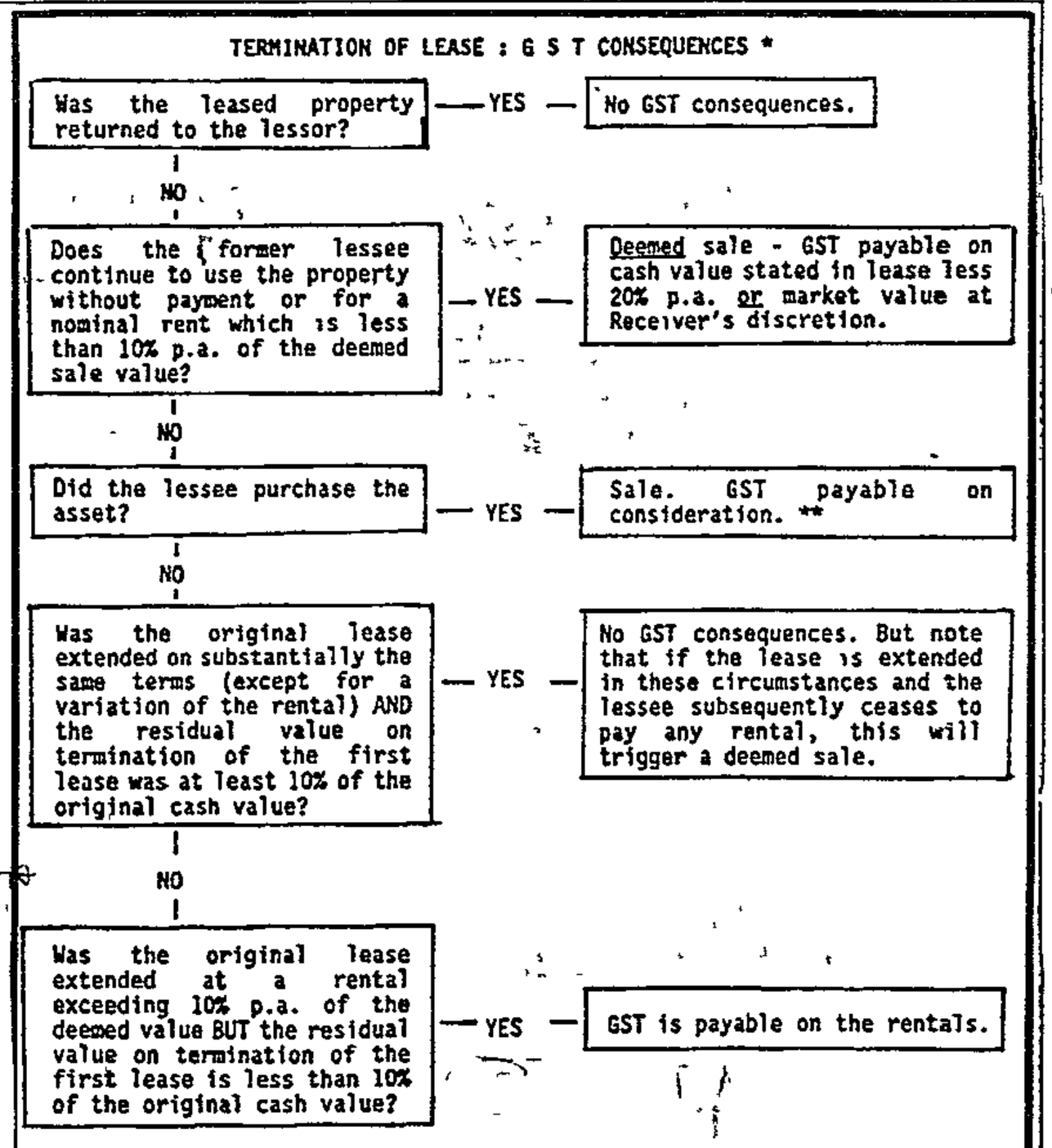
The question even arises whether the close corporation in such a situation has a claim against the client for non-payment of part of its fee where a portion has been withheld in the apparent form of PAYE.

Although the press release referred only to close corporations, the principles apply generally to companies and individuals ostensibly acting as independent contractors.

Thus in practice the Receiver will be seeking to apply the press release on an even broader front — one can imagine clients of well-established consulting companies and firms insisting on a directive being produced or PAYE being deduced (at a rate of 45 percent or 50 percent) from its payments.

While this would be a gross overreaction it clearly illustrates the difficulties created by the commissioner's attitude When such uncertainty exists for taxpayers it is incumbent on the Receiver to take steps to address the situation and enact suitable provisions to clarify the action required from employers.

Certainly it is a basic tenet of tax and in the prevailing environment it is grossly unreasonable to expect employers to act as instructed by a vague and clearly unenforceable release.



IT WAS the great Irish advocate and statesman, Sir Edward Carson KC, who said his only qualification for being put in charge of the Navy was that he was all at sea.

GST has been in force since July 1978 and, almost 12 years later, many are still at sea, says Ken Walton a partner of Ernst & Young The sales tax legislation is imperfect In addition, the practice of the Receiver of Revenue differs from the law in certain areas Legislation relating to the termination of financial leases is particularly perplexing

The above diagram may assist businessmen who lease motor cars, aircraft, manufacturing machinery and plant and the like to chart the right course and avoid an unexpected demand for sales tax and penalties

Inflation tops pay rises

S/Times 4/2/90

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SALARY increases have not only failed to keep pace with inflation, but have fallen markedly in certain white-collar sectors for the first time in four years.

The Kelly Personnel Salary Survey published this week says the cause is a cooling of the economy which affected commercial sectors in the latter part of last year

Although the salaries of white-collar workers declined on average, there were increases in some areas But they were nominal in real terms

The Kelly survey says front-office staff, such as receptionists-telephonists, received small pay increases and bookkeepers fared better than most

"Companies are paying more and more attention to their receptionist staff to ensure that the company image is projected in the most professional manner possible

"This demand for higher skills and standards has contributed to the upswing in salaries being paid to receptionists-telephonists throughout the country."

Taking a knock for the first time in many years are personal assistants (PAs) in Johannesburg These high-flyers received average increases higher than the rate of inflation in the past

The survey covers executive secretary-PA, secretary, Girl Friday, typist, receptionist-switchboard operator, bookkeeper to trial balance and accounts clerk.

It says salaries remain higher in the Witwatersrand area than in the coastal cities

It shows that starting salaries for executive secretaries are 12,5% lower in Cape Town, 28,5% lower in Port Elizabeth and 19% lower in Durban than in Johannesburg

Starting salaries for bookkeepers are 32% lower in Cape Town and 35,5% lower in Durban than in Johannesburg

Younger men lured to private sector – Louw

Star 22/4/90 By Helen Grange (128)

Young policemen leave the police force because they are able to get much more competitive salaries in the private sector, says Mr Pierre Louw, former police liaison officer for the Witwatersrand.

Although Mr Louw would not comment on his reason for leaving the force for a position in private enterprise "in view of my loyalty to the police", he said a restructuring of salaries was necessary to maintain an effective, motivated police force

"This is of great importance for the mainstay of police personnel. A loyal police force can only come about with the betterment of conditions.

"The police force is ideal for a young man to hone his personality and improve his skills. But there comes a time when the opportunities in the private sector are greater and many look to greener pastures," said Mr Louw.

The Police Commissioner, General Johan van der Merwe, said recently that Law and Order Minister Mr Adriaan Vlok and police chiefs were pushing for more pay for policemen this year to curb an average of 11 men leaving every day.

SITE – employers face problem with casuals

Sitc 24/2/90 (128)

ONE often feels that 90 percent of one's time is spent solving 10 percent of one's problems! Implementing the SITE system is no exception, according to Mark Crisp of Deloitte Haskins & Sells taxation division

Once one becomes familiar with the rules, the SITE system is reasonably easy to implement for a full-time employee The problem arises, in the main, in respect of casual or part-time employees

In an attempt to bring some clarity, a definition of "standard employment" was introduced for the current year of assessment There are three parts to the definition However, the most important part states that an employee will be in "standard employment" if he or she is required to render services to one employer for a period of at least 22 hours in every full week (ignoring temporary absences)

If an employee falls outside the definition of standard employments the employee will not be taxed in terms of the SITE system.

Conversely, if an employee ordinarily works for less than 22 hours per week, he or she would be considered to be deriving "part-time remuneration" and the employer is required to deduct employees' tax at a flat rate of 25 percent The only exception to this rule would be if the employee declares on his or her IRP2 that this is his or her only employment, in which case the employer, if this declaration is considered valid, may apply the appropriate daily, weekly or monthly tables

Where the employee is not in standard employment, the employer would show the employee tax deducted as PAYE on the IRP5

A special concession made by the fiscus is that where a casual worker is employed for a single day only, and will not be employed for more than five days in total, during the year of assessment, no employee tax need be deducted if the remuneration for the day does not exceed R40

However, unless one is in the last week of February, it is virtually impossible to know for certain as to whether any employee will qualify in terms of the "five-day rule" For practical purposes an employer is thus left with the choice of taxing all casual employees or of treating all casual employees earning no more than R40 a day as falling within the exception

Clearly the second choice is far more attractive, bearing in mind that the employer is obliged to deduct tax at the rate of 25 percent unless the employee makes the declaration on a IRP2 In addition, there is the practical problem of having to issue a vast number of IRP5s

Not being in standard employment, these employees do not fall into the SITE system As such, what would be relevant is the total income of such employee for the year of assessment For example, if such an employee was a single person, he or she would have had to obtain employment for approximately 60 percent of the time at the top rate, ie R40, before earning sufficient income to be subject to tax (based on 260 days per annum) In the case of a married man with two children whose wife is not working, he would have had to obtain casual employment almost 100 percent of the time at the top rate of R40 to be liable for tax

With many of these casual employees being unsophisticated, and therefore unlikely to lodge a tax return, it is a great temptation for the employer, bearing in mind the administrative responsibility, eg deduction of tax and issuing of IRP5s, to simply "short-circuit the system" and not to deduct any tax at all

Clearly this is an unacceptable situation, both from the point of view of the fiscus and of the employer There is thus a need for more practical yardsticks to be set to relieve the employer of the administration burden in respect of these casual employees but on a simpler basis, which still protects the position of the fiscus

B1Day 2/3/90

Bleak outlook for builders, says BER

CAPE TOWN — The outlook for the building industry remains bleak for 1990, according to the Bureau for Economic Research's latest Building and Construction report

And Johannesburg's CBD faces a serious ageing problem.

In its latest report on the property industry, the BER said grade-C office blocks in Johannesburg were about 22% vacant while grade-B vacancies were about 15% empty.

In a report on the building industry outlook, building trends research section head Ursula Segalla said architects experienced poor conditions during the fourth quarter of 1989 and expected conditions to again be poor during the first quarter of 1990.

There had been a decided drop in the number of contracts awarded, although the value of contracts awarded remained almost unchanged.

Office take-up in the Johannesburg CBD towards the end of 1989 was stalling, while at the same time Sandton CBD showed a high take-up — far in excess of the Johannesburg CBD. It said this confirmed that the decentralisation trend was still intact.

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Oversupply

Property owners reaped huge capital gains during 1989 because of steadily rising market rentals and declining capitalisation rates Landlords of office buildings had fared well and for the first time since 1982 rental growth had exceeded the escalation in building costs.

Durban and Cape Town CBDs had low vacancy factors, but Durban's CBD would face an oversupply crisis in the early 1990s, the BER said.

Landlords could look forward to strong office rental growth.

According to the BER, prices for middle- and lower-class houses appeared to be levelling off.

However, prices for upper-class houses were "racing ahead" at 23% higher than last year.

Initial calculations showed the average increase last year was "well below the inflation rate" at about 13% or less.

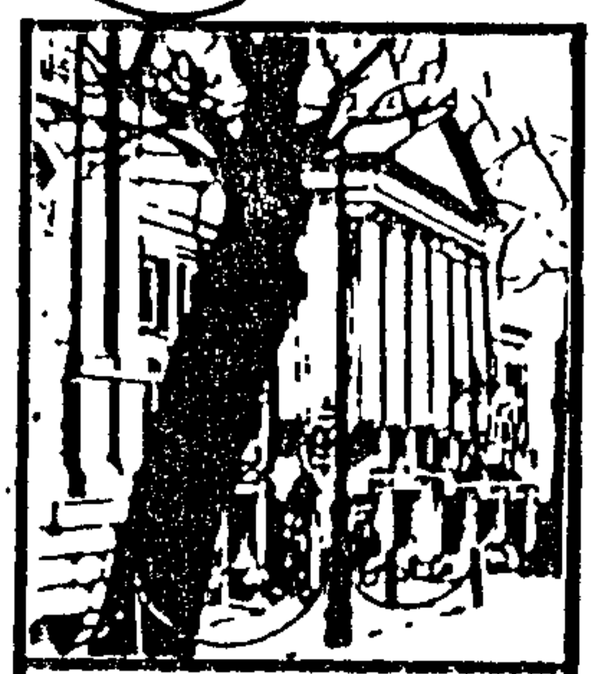
The BER estimated the average for 1990 "could be about 5%, which implies no growth from the present levels".

Political optimism among upper-income whites, however, could lead to upper-income housing prices performing "markedly better than the average", while the opposite might hold true in lower-income suburbs.

Flat rental growth was decelerating and rentals were about to level off, with the exception being the wealthier areas in northern Johannesburg. — Sapa.

Date 7/3/90

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House approves increase for FW

The State President's salary was increased to R165 477 and his allowance to R38 919 yesterday after a motion proposed by the Leader of the House of Assembly, Dr Dawie de Villiers, was passed. — Sapa.

Don't bank on any big tax cuts

Star 10/3/90 (128)

SVEN LUNSCHE

DON'T expect a huge reduction in your tax payments when the Budget is presented to Parliament on Wednesday.

More so than ever this year the fiscal policies spelt out by Finance Minister Barend du Plessis will be subject strictly to the overriding economic concerns

To use Mr du Plessis's own words "We have to restore the credibility of the Budget as a tool of economic measurement"

The high inflation rate has been declared public enemy Number one and strict spending cuts are on the cards to complement the Reserve Bank's tight monetary policy

While the emphasis will be on strict expenditure controls — which reduce demand and thus price increases — a huge amount of money will still be required to finance social projects in education, health and housing

There is hence little scope for alleviating the high tax burden of individuals or companies, although some minor adjustments to make up for the effects of fiscal drag could be announced

The government has already sent out signals that its departments will not get away with spending policies which over the past few years were allowed to override the fundamental needs of the economy

It is encouraging that public servants willget only a 10 percent increase this year — although the effective rise will be closer to 15 percent given notch increases and tax benefits

Even more important is the fact that the huge defence budget will be slashed by about R2 billion next year — money that will certainly be dedicated to more growth orientated departments

Frankel Kruger Vinderine economist Mike Brown believes state spending for the current fiscal year will come out close to the budgeted target of R65 billion or a 15 percent increase

Furthermore, the deficit before borrowing, which is the most important indicator of financial discipline, as it highlights the difference between what is spent and what is received by the state, will be confined to around R5,5 billion, compared with a target of R9,9 billion

Expressed as a percentage of the country's wealth (gross domestic product) this deficit is likely to fall below the three percent level in line with international standards set by the IMF

And in the new era of fiscal stringency this trend is set to continue in the 1990-91 fiscal year Mr Brown predicts a budgeted expenditure increase of only 12 percent and deficit before borrowing of R5,4 billion or 2,6 percent of GDP

What then is in it for the taxpayer?

Not much In the prevailing climate of restraint, the Minister has little room for manoeuvre, particularly since revenue income is expected to rise by only 13 percent next year, given the expected slowdown in the economy

Proposals which have been bandied about and which could moderately alleviate the high burden of taxation by encouraging savings include

- A higher ceiling at which the top marginal rate is levied
- An increased level at which retirement annuities are exempt from tax
- The tax-free threshold for interest income could be raised

Proposals to reduce taxation directly could be limited to some marginal changes in the tax schedules for married women

Some R2 billion could also be allocated to alleviate fiscal drag, which occurs when a salary increase are accompanied by higher tax rates as a percentage of total income

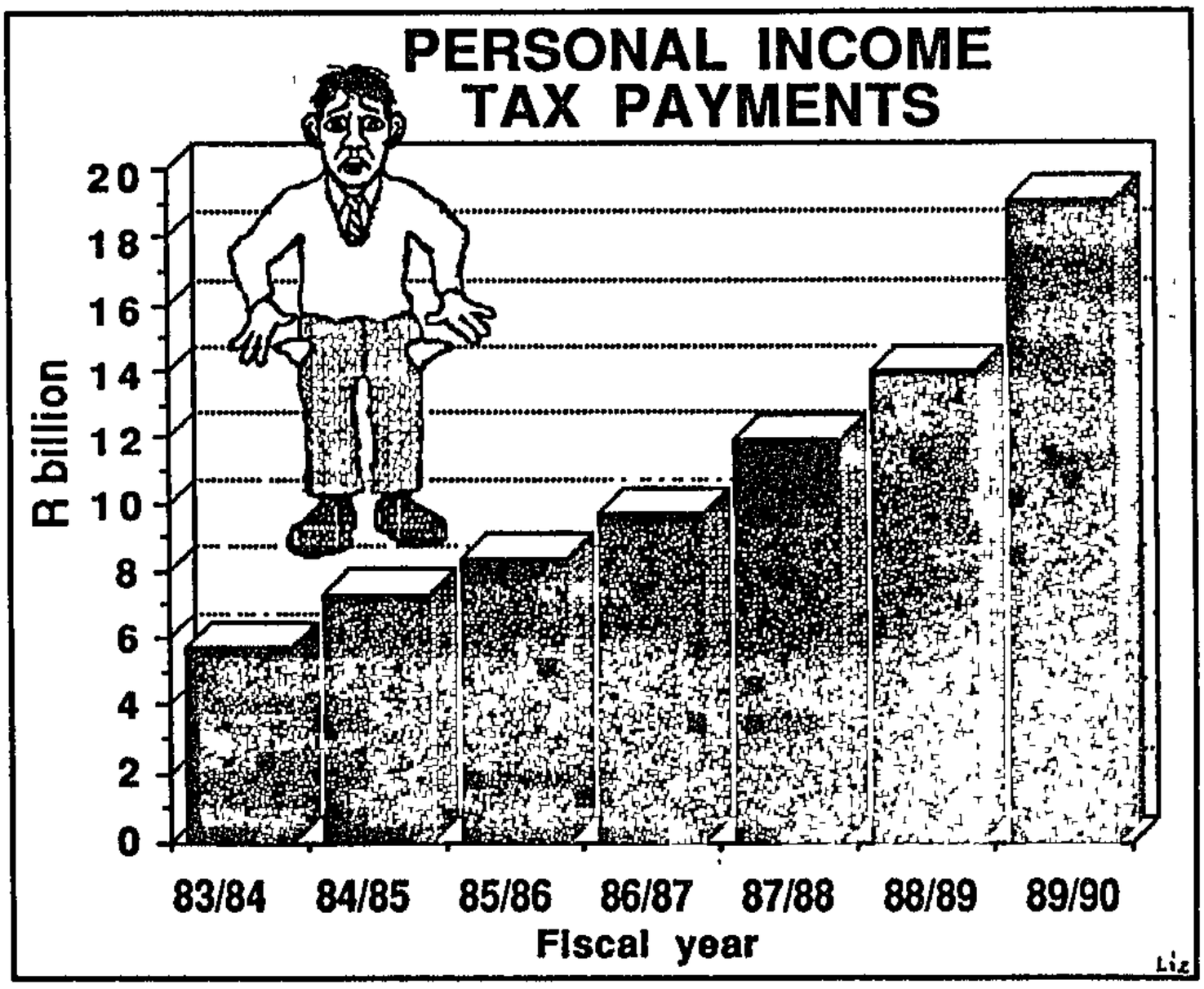
However, this R2 billion comes from the taxpayers' own pockets — it comprises the additional funds raised last year through income tax collections above the budgeted figure of R17,1 billion

Income tax revenue is by for the biggest contributor to state coffers, having risen from only R5,7 billion in the 1983-4 fiscal year to this year's level of over R19 billion (see graph)

On the basis that individuals account for about 50 percent of all GST payments their total tax payments in the 1990-91 fiscal year could soar above R36 billion

Compare this with payments of about R6 billion seven years ago and the picture is one of total gloom

Don't expect it to brighten considerably on Wednesday



Chance to get your own back

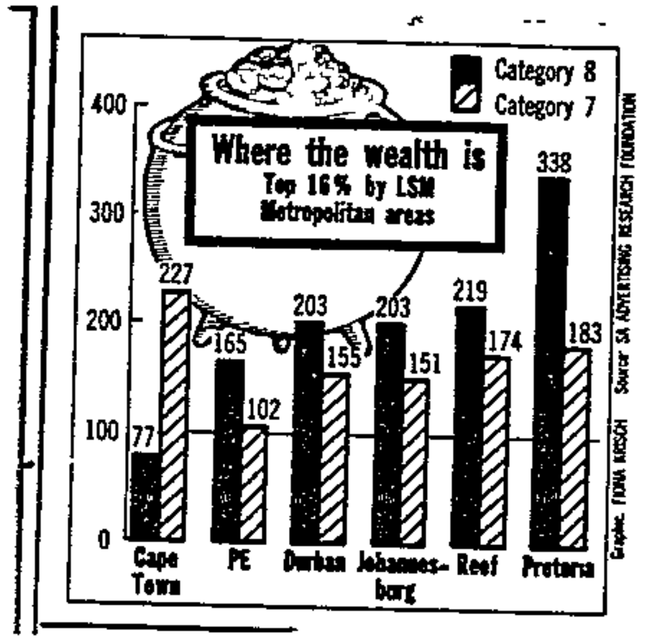
This is your chance to get back at the Minister of Finance The Department of Finance has invited people or institutions to submit representations on the Budget as soon as possible after March 14.

In a statement issued in Cape Town yesterday, the chairman of the Joint Committee on Finance, Dr FP Jacobsz, said the committee would be be meeting from March 15 to 23, to discuss the Budget and consider written representations.

"If any person or institution wishes to give oral evidence on the Budget, he should indicate so in his memorandum," Dr Jacobsz said

All correspondence should be faxed to (021) 461-5372 or adressed to The Secretary of Parliament, PO Box 15, Cape Town 8000

If you have any serious recommendations, give it a go!



Pretoria heads the 'most affluent metropolis of SA' list

B/Day 12/3/90

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Business Day Reporter

PRETORIA is the most affluent metropolitan area in SA, with significantly more people enjoying a higher standard of living than on the Reef, in Johannesburg, Durban and Cape Town

This is one of the conclusions of an analysis of the annual All Media and Product Survey (Amps) by the SA Advertising Research Foundation in conjunction with the CSIR and the HSRC, using a newly devised statistical tool, a living standards measure (LSM)

The LSM — or index of sophistication — is based on 13 variables selected from a number on the AMPS questionnaire. They included ownership of a fridge, television, or microwave and whether respondents were rural dwellers or supermarket shoppers.

Results show 16% of Pretoria residents fall into the highest of eight LSM categories By contrast, only 11% of Reef, 10% of Johannesburg and 9% of Cape Town residents fall into the same bracket.

Using the LSM index, Pretoria is ranked at 338, the Reef at 219, Johannesburg at 203, and Cape Town at 77 for the top LSM bracket.

Marketing service manager of Times Media Ltd (TML) Gail York said this probably reflected the concentration of public servants, enjoying the multiple benefits of state salary packages, living in Pretoria.

In the LSM categories seven to four, results show wealth to be evenly distributed inside the PWV area — 62%-66% of the population — but with 70% of Cape Town residents in this bracket.

The survey confirmed living standards bear a strong correlation to race groups, with 26% of whites and no blacks in the highest LSM category Conversely, there are no whites and 37% of blacks in the lowest category There are 94% of Asians and 46% of Coloureds in the upper four

High household income correlates strongly with high LSM. Of those who earn between R4 000 and R5 999, and more than R6 000 per month, 89% and 91% fall into the top two LSM categories As for the lowest income group, 57% of those who earn less than R399 per month fall into the lowest LSM category

York said that analysis of the Amps through the LSM gave a far more accurate socio-economic picture of SA than the survey's specific reliance on income and income groups to gauge standards of living

Pretoria is SA fat cat capital

CAPE TIMES 12/3/90

(128)

Own Correspondent

JOHANNESBURG — Pretoria is the most affluent metropolitan area in South Africa, with significantly more people enjoying a higher standard of living than on the Reef, in Johannesburg, Durban and Cape Town

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Results show that 16% of Pretoria residents fall in the highest of eight LSM categories In contrast, only 11% of Reef, 10% of Johannesburg and 9% of Cape Town residents fall into the same bracket of affluence

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Analysts also addressed the relation of Sunday newspaper reading to LSM categories and found Rapport's readership was predominantly — 85% — among the higher categories The Sunday Times and the Sunday Star showing substantial readership across the spectrum, 31,6% and 36% of readers coming from the lower five LSM categories Ms York said this reflected the predominant white readership of Rapport in contrast to the broader readership of its Sunday rivals

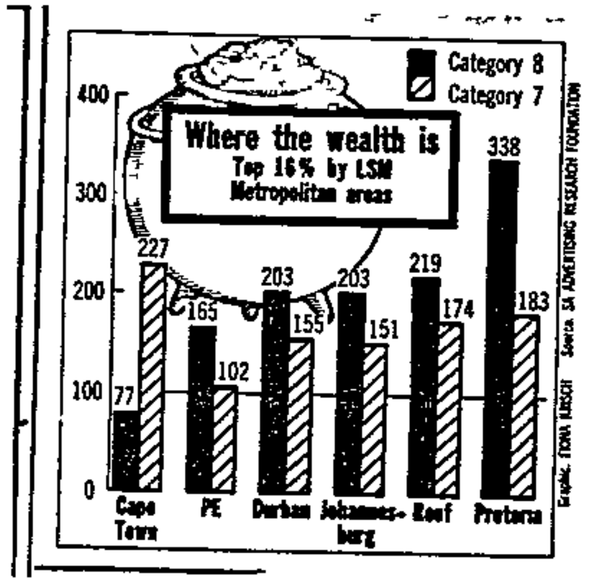
A revelation from the survey is that South Africans drink beer more readily than they use loo paper

It was found that 63% of all people ever use loo paper, 88% and 33% in the highest and lowest LSM categories Ms York suggested that bidets as well as loo paper were regarded as essential for personal hygiene

But ordinary and heavy beer consumption was spread equally regardless of living standards enjoyed by the survey respondents

Ms York added that analysis of the AMPS through the LSM gave a far more accurate socio-economic picture of SA than the survey's specific reliance on income and income groups to gauge standards of living

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Pretoria heads the 'most affluent metropolis of SA' list

63
242

B/Day 12/3/90

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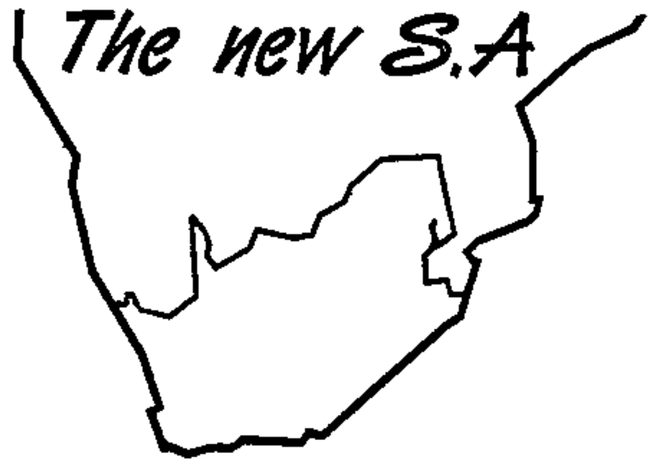
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SOWETAN
Building the Nation

OLD MUTUAL

BUDGET '90

The new S.A



Budget aims to encourage saving

Sowetan 15/3/90

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VARIOUS measures in the Budget should contribute to more saving and investment by the private sector and also promote the upgrading and better utilisation of South Africa's manpower, the Minister of Finance, Mr Barend du Plessis, said yesterday.

He said as the economic restructuring process got off the ground, the improvement made by the Budget in the balance between the income tax contribution by companies and individuals, could be taken further as part of the on-going programme of tax reform.

Measures which should contribute to more saving and investment by the private sector included:

* greater certainty on the taxation of dealings in listed securities.

* the exemption of dividends from taxation

* the doubling of the exemption on interest earnings.

* the "very substantial" relief of almost R4 billion in income tax on individuals

* the generally more favourable climate and institutional framework for personal saving and risk investment.

Du Plessis said the systematic reduction of the surcharge on imports would also be viewed positively and could serve as an important element in tempering cost increases.

Appreciating that tighter fiscal and monetary discipline had brought hardship, the Government had also instituted a number of special assistance schemes, such as the mortgage interest relief scheme concluded with building societies, the comprehensive job creation programmes and assistance measures for the agricultural sector.

Pillars

The Budget promoted the upgrading and better utilisation of manpower resources by way of the following.

* a more targeted scheme for assistance to manpower training

* a large social investment in education by way of special contributions for training facilities

* improved conditions of service in the teaching profession.

Mr du Plessis said the tax concessions which improved the position of working women, in particular, should also stimulate the supply of skilled labour.

"These tax concessions also pave the way to a better balance in the field of taxation."

Expansionary Budget is not a signal for higher consumer expenditures

By Sven Lunsche

The financial authorities warned yesterday that monetary policy would tighten if the Budget proved more expansionary than expected

Monetary policy would have to remain tight in the months ahead as the Budget elicited more optimism than was foreseen, Dr Japie Jacobs, economic adviser to the Department of Finance, said in Johannesburg

The former senior deputy governor of the Reserve Bank was addressing a post-Budget seminar organised by stockbrokers Frankel Kruger Vinderine

"Monetary policy will have to play an important role to ensure that bank credit is not freely used to finance additional consumer spending," Dr Jacobs said

He emphasised that the main aim of the Budget was to lead the economy into a period of consolidation as part of the longer-term goal of restructuring it

"If the Budget achieves a slowdown in the economy it could lead to the success of the fight against inflation and the strengthening of the country's foreign exchange reserves."

In this respect, he expected the increase in expenditure by 11,9 percent to play a major role as it implied a negative rate of growth in real terms.

"However, one should also take into account the tax concessions announced in the Budget and more particularly the R2 billion surplus that is to be carried forward for socio economic projects," he commented



Dr Japie Jacobs

"If the R2 billion is added the rise in total spending amounts to 13,5 percent, which would exert a fairly neutral effect on the economy

His views were echoed by the Director General of Finance, Dr Gerhard Croeser, who is widely believed to be the architect of the Budget, and Reserve Bank Governor Dr Chris Stals.

Speaking at a seminar of the Junior Chamber of Commerce and Industry in Pretoria, Dr Stals reportedly said the Budget was viewed as very positive as it emphasised Government spending curbs and a restructuring of the economy

"Steps taken to encourage savings and reduce Government involvement in the economy are very positive"

However, funds released as a result of the tax reductions — estimated at about R4,5 billion — could once again generate inflationary pressures, especially if money was spent on consumer goods, Dr Stals said

In this respect Dr Gerhard Croeser said if consumers interpreted the fiscal measures as being expansionary and were not deterred from spending more, "the consequent stress on monetary policy demand a relatively high level of interest rates for some time".

Dr Croeser was addressing a Budget conference organised jointly by Nedbank and Old Mutual in Cape Town

At the same function, Reserve Bank economist Dr Jaap Meijer said the Bank welcomed the expansionary aspects of the Budget

"But, given the Bank's strict and persistent anti-inflationary stance, it meant interest rates would probably be sustained at present levels for slightly longer than had been forecast,"

ATLANTIS BUYERS' CC
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FORM 2

Homemakers lifts earnings and dividend

By Ann Crotty

Homemakers, the consumer goods group in the FSI stable, has reported a 20 percent increase in earnings and an 18 percent hike in dividend for the 12 months to December

Earnings were up to 112c (93c) a share, with the dividend at 35,5c (30c)

Continued reorganisation in 1988 means comparison with the audited figures for financial 1988 is not appropriate Management provides pro forma figures to allow for the impact of the switch from consolidation to equity-accounting of the results for JD The change in accounting policy followed the reduction in holding in JD from 60 to 49 percent.

On the basis of the pro forma figures, Homemakers lifted turnover 29 percent to R531,4 million (R411,5 million). Operating profit was up 33 percent to R76,5 million (R57,7 million) Finance charges rose to R19,7 million (R8,5 million) — reflecting higher interest rates and more borrowings to fund the Edworks acquisition

This reduced the improvement at pre-tax profit level to a 15 percent increase — up from R49,2 million to R56,7 million

The tax charge was down to 26,8 percent from 29,8 percent, leaving attributable earnings of R41,5 million (R34,5 million)

The directors say Edworks, which was rescued from provisional liquidation last July, made a contribution to profits However, this was before allowing for an extraordinary loss of R4,3 million attributable to the reorganisation of Edworks

Hotel's incomes decline by 3pc

Hotels had a disappointing December holiday season and the industry saw its income for 1989 as a whole drop after adjusting for inflation, Fedhasa reports

The association says guests are clearly watching their cents when it comes to spending on food and beverages in hotels.

This helped to push the industry's total sales for 1989 down nearly 3 percent in real terms to R2,1 billion

Even the December period failed to live up to its boom expectations, with income for all grades of hotels down two percent

Overall room occupancies for all grades of hotels for the normally busy December month were down 1,8 percent.

One-, three- and four-star hotels showed most of the decline.

However, two- and five-star hotels experienced an increase in room occupancies of 1,2 percent and 7,3 percent respectively in December, reflecting the influx of free-spending overseas tourists with strong currencies

"It appears that groups frequented the five-star hotels, while individuals tended to seek out the two- star hotels," says Fred Thermann, executive director of Fedhasa, the hotel and liquor industry body. Overall room occupancy for December was just short of 53 percent.

Looking at 1989 as a whole, the industry saw hotel off-sales declining 11 percent and food and beverage sales down five percent.

Income from accommodation helped to offset those losses in that a total of 13,3 million bed nights were sold.

The outlook for the current year is reasonable says Mr Thermann Foreign visitors could top the 1 million mark for the first time This would provide a stimulus for the industry

However, South Africans have less money to spend and the business sector is feeling the pinch of the downturn

"Therefore, the best that could be hoped for is maintaining the status quo or only slight growth for the industry" — Sapa



Ministers paid to live at home

Star 21/3/90 128

Political Staff

Three members of the House of Delegates Ministers' Council are being paid more than R2 000 a month each to live in their own houses as opposed to living in State-provided homes

This has emerged from questions posed by Mr Kamal Panday, the National Peoples Party member for Reservoir Hills, to Mr George Bartlett, Minister of Public Works and Land Affairs

Mr Bartlett said Dr J N Reddy, Chairman of the Ministers' Council, was paid R1 925 a month, plus his expenditure on municipal services, rates and taxes.

Mr Baldeo Dookie, Minister of Health Services and Welfare, received R1 708,50 a month, plus municipal services, rates and taxes, while Mr Yunus Moolla, Minister of Local Government and Agriculture, received R1 925 a month plus municipal services, rates and taxes

Mr Bartlett said other Ministers were provided with furnished, official residences

B/Day 23/3/90

No consumer spree seen after tax concessions

CASH-STRAPPED consumers were unlikely to go on a spending spree just because their tax burden had been lightened, certain HP curbs relaxed and import surcharges lowered, economists and retailers said yesterday.

Instead, the extra money in their pockets from these measures — all announced over the past fortnight — would go towards reducing debt incurred in their credit sprees during the upswing.

Rand Merchant Bank economist Rudolf Gouws said the concessions would help cushion the impact of the economic downswing on retail trade sales, but remained insufficient for a consumer spending boom.

Fiscal drag

Interest rates remained high and many households' financial positions were in a bad way, he said. The 10% salary increase awarded to civil servants could be followed by similarly slow increases in the private sector.

A fall in interest rates would have to precede a spending boom, Gouws said.

Standard Bank economist Nico Czypionka said easier HP terms and lower surcharges would boost furniture sales but "not spectacularly".

Lower tax deductions might raise spending marginally in the short term but would not help those who received salary increases after March 14 because they compensated only for fiscal drag, he said.

"Some consumers may use their money to spend, but most are heavily strapped and will use their new cash to relieve pressure from higher mortgages and so on."

SYLVIA DU PLESSIS
and ANDREW GILL

Furniture Traders' Association executive director Frans Jordaan expected sales to rise only in three months' time, when the effects of the HP and surcharge measures filtered down to the consumer.

The industry would see an upswing from a 2% negative real growth to 2% positive real growth in 1990, but current interest rates would still suppress buying power.

Pick 'n Pay chairman Raymond Ackerman was optimistic the measures would lead to more buoyant sales, with the reduced surcharges leading to lower prices and offsetting further short-term increases.

Ackerman said Pick 'n Pay had cut VCR prices to their projected cost under the new surcharges and immediately sold hundreds.

"Obviously there are still problems like high interest rates, the slow economy and the unrest situation, but the light at the end of the tunnel is brighter," he said.

Checkers MD Sergio Martinengo was more cautious. While he welcomed lower surcharges, he agreed with economists that the easing of the public's tax burden would merely allow people to balance their budgets better.

"Since October the public has been overborrowing and relying on credit to make ends meet. We expect no boom whatsoever, but a drop in interest rates would help. We still wouldn't see a boom but it would benefit to an extent.

"Until then, the picture for retailers is reasonably bleak."

Star 23/3/90

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'Unskilled, semi-skilled pay has risen four-fold'

Mines release wage report

Labour Reporter

Unskilled and semi-skilled pay on South Africa's gold mines has risen four-fold in the past decade, according to the Chamber of Mines' 1989 review.

In the report, released yesterday, the chamber says the monthly average wage in these categories rose from about R160 a month in 1980 to R720 last year

Real earnings

The report also details the narrowing of the racial wage gap in gold mining

Since 1971, it says, the real earnings of semi-skilled and unskilled workers have risen four-fold, while skilled wages adjusted for inflation have remained unchanged

The sharpest rise in real earnings was in the period 1972 to 1975 — before black miners were unionised The past five years have seen marginal real wage gains for unskilled and semi-skilled goldminers, the report indicates

Stressing that unskilled/semi-skilled workers last year received an additional R255 a month in fringe benefits, such as food and housing, the report says pay for the mining industry's predominantly unskilled workforce compares favourably with most other sectors of the economy

The review also reveals that

- South Africa's coal and gold mines paid R7 billion in wages and allowances last year, as against R1,5 billion in 1980
- The Employment Bureau of Africa — the chamber's recruiting arm — last year paid out R708 million in deferred wages, remittances and other payments, largely in rural areas

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Govt plans additional steps to encourage personal saving

MIKE ROBERTSON

CAPE TOWN — Government expected personal savings as a percentage of personal disposable income to increase from 1,5% to 2,9% this year, Deputy Finance Minister Org Marais said yesterday.

Marais was speaking in the Budget debate in Parliament.

Earlier, in an interpellation, Finance Minister Barend du Plessis said steps announced in the Budget to encourage savings were expected to amount to a R14bn loss of revenue.

In reply to a question from Harry Schwarz (DP Yeoville), Du Plessis said the contribution of private households to total domestic saving dropped from 36,2% in 1971 to 3,9% in 1989. This level was unacceptable in terms of economic progress, he said.

Contractual personal savings amounted to more than R23bn in 1989, he said.

Asked what steps were contemplated to remove obstacles inhibiting personal saving, Du Plessis listed the following:

- ☐ Restructuring of the economy;
- ☐ A continued restrictive monetary policy to combat inflation,
- ☐ Positive interest rates together with the recent doubling of the amount of interest in the hands of individuals exempted from tax;
- ☐ The possible introduction of a low rate, final witholding tax on interest income of individuals;
- ☐ The elimination of fiscal drag,
- ☐ Scrapping of taxation on dividend income in the hands of individuals or close corporations.

Subsistence levels highest on E Rand

Household subsistence levels (HSL) for blacks on the East Rand are the highest in the country

The Boksburg level is R551,61 a month, the next highest is Germiston (R529,88) and then Benoni (R523,95)

These results, published by the Stellenbosch Bureau for Economic Research, are for the year ending September 1989

Kimberley showed the highest increase over the previous year of 21,5 percent to reach R525,36 a month

The lowest HSL — R396,19 — was evident in Peddie in the Eastern Cape, followed by Maritzburg at R450,04 — a 16,3 percent increase over 1988 figures

Personal income levels were up 17,3 percent over 1987 but savings were down by 24 percent Direct tax increased by 17,2 percent while remuneration went up by 16,7 percent

Nominal and real earnings by ethnic groups in 1988 showed blacks having the highest percent change in real earnings at 6,9 percent versus whites at 2,7 percent, coloureds at 4,9 percent, and Asians at 1,4 percent

The guppies are rising up to the surface

There is a new economic force to be reckoned with, the gupples (gay urban professionals), and they are leaving the rest of the yupples behind in the dust, reports PHILIPPA GARSON

GUPPIES — gay urban professionals — are forging ahead as an identifiable group of affluent business people and professionals, the cream of the "yuppie" crop, whose abundant disposable incomes open doors to the high life of the rich and famous and whose influx into certain suburbs has caused housing prices to rocket

Research here and abroad has shown that gays are among those in the top income brackets and exist as a perfect target group for advertisers searching for new markets

A Human Sciences Research Council report on gays published last year found that "South African gays live a relatively easy life", with the majority living in their own houses, using credit cards, frequenting cinemas, theatres and restaurants, and entertaining on a regular basis.

The report disclosed that "South African gays are generally high salary earners — 31,4 percent earn a monthly salary of between R3 000 and R5 000 or more, while a further 25,1 percent earn between R2 000 and R3 000 "

The HSRC researcher says that while similar studies conducted abroad have identified the same trend, the findings cannot be considered as a "scientific" basis for generalisation The possibility exists that more affluent gays tend to respond to surveys of this kind, having more access to the medium in which they are advertised (The survey was conducted in the gay publication *Exit*)

But in the gay capital of San Fransisco, research has shown that "gays have dollars" and companies direct their advertising at this market, at the risk of offending "straights ' Even major traditional financial institutions compete for gay business

Here the trend is perhaps less overt, but nevertheless identifiable, says a leading gay businessman and president of the Community Chamber of Commerce (CCC), which promotes gay business This affluent owner of a 2,5-acre estate prefers to remain anonymous for fear of alienating some of his major clients

The gay people he knows, he says, are invariably successful in whatever occupation they hold and their businesses "encompass any profession and scope of endeavour you would care to mention "

He adds that gay people are financially successful because they "see their commercial and professional endeavours as the major route to achieving recognition of the kind that is not readily afforded in other spheres "

Added to this is the fact that gays' incomes are almost immediately disposable, with most having fewer familial responsibilities and often dual incomes where they live with partners

This high level of disposable income is directly visible in gay homes, he says, which are "more often than not highly fashionable, trend-setting environments, usually rigged out with superior equipment from microwaves in the kitchen, to Mirós on the wall" He adds that gay homes are "innovative and often contribute handsomely to the uplifting and renaissance of suburbia"

Co-editor of *Exit* Gerry Davidson agrees Gays tend to direct their energies into careers and homes, she says, because of the social pressures on gays and the (frequent) fragility of gay relationships

Gay women, she says, tend to be heavily insured, as they are not guaranteed of financially supportive husbands or maintainance should their relationships end

She adds that gay people frequently support each other in business and embark on business ventures together

Davidson sees insecurity and a desire to distinguish oneself from the "floating gay population" as explanations for why so many gays invest a great deal in their homes

Many Johannesburg suburbs such as Parkhurst, Norwood, Westdene, Melville and Greymont "have been tarted up beyond belief into interior decorators' dreams" by gays moving in over the years, she says Renovations to her own Parkhurst home have pushed up the resale value from R34 000 in 1977 to a current R200 000

Parkhurst has become a ' yuppie" suburb since gays moved in, says Davidson, adding that five antique stores have sprung up in the last year to meet the demand for high class interior decorating

Call for gays to vote with their wallets

THE time has come to exercise the vote with our wallets, says the chairman of the Community Chamber of Commerce (CCC), which was established three months ago to "promote, protect and develop the business interests of gay people"

In areas like Hillbrow, most political parties — with the exception of the Conservative Party — canvassed the gay vote in last year's general election, but "despite being assured that our rights will be taken up, this is the last we heard about the matter "

Gays have received much negative publicity with the Aids scare and stereotypical labels such as "raving queens", he says "In fact we are serious people, serious about life, our futures, our country and our business efforts."

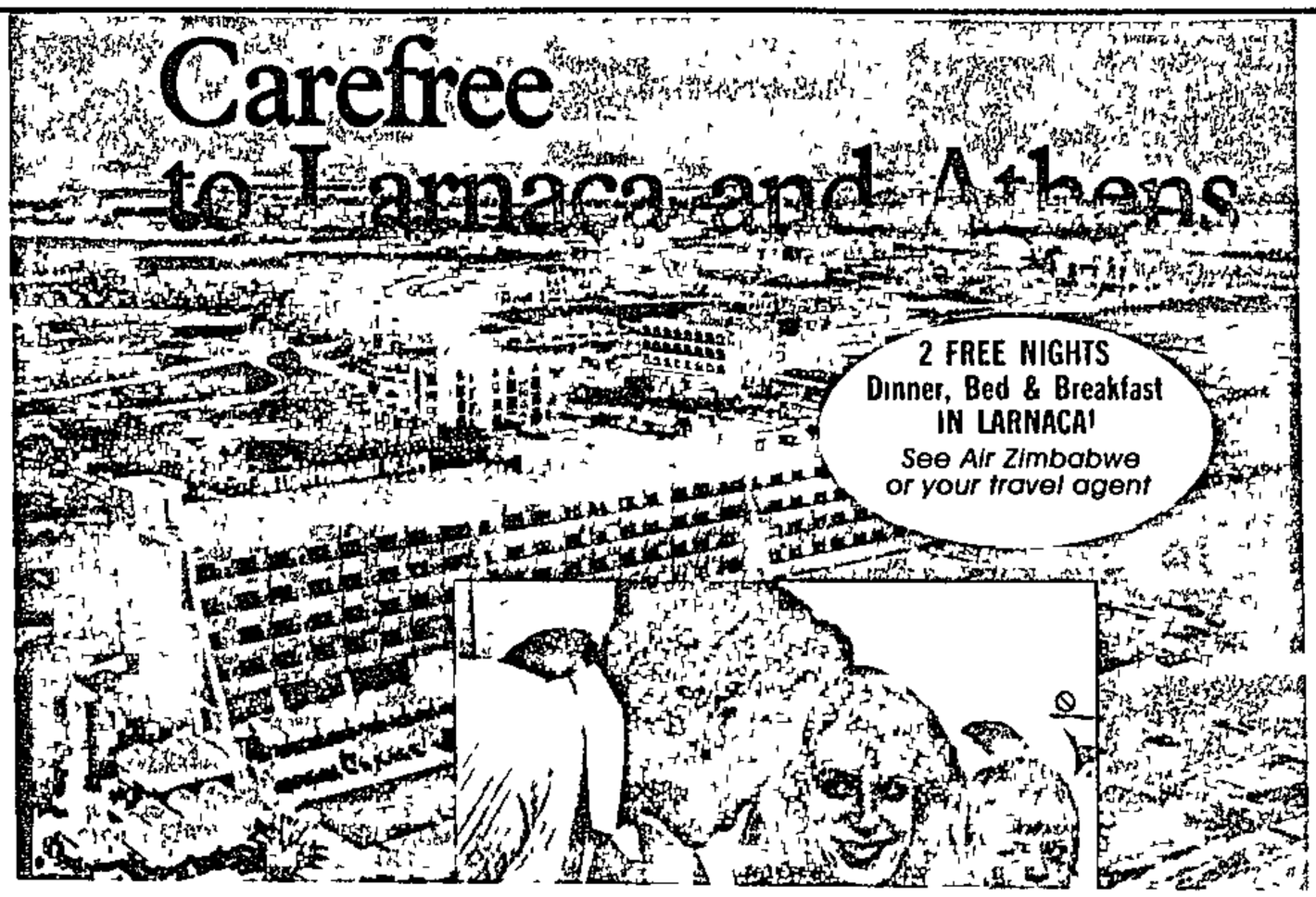
The CCC was set up to promote gay interests while the politicians ignore them.

So far the non racial organisation has 25 members (including two women) who are top level business people and professionals

The CCC — which is not open only to gays — aims to provide assistance and training to members in the gay community in business and employment related areas, launch and support projects benefitting them, subtly promote the gay community in all spheres of business activity and social responsibility, and procure discounts for its members, particularly in the retail sector

The CCC is soon to launch a training project for gay people interested in starting their own businesses, and "our aim is to put people into bed together financially", says its chairman.

He adds there is a definite trend towards teaming up together in joint business ventures The CCC also plans to channel funds into worthwhile projects like gay advice centres.



for the granting of a surface right permit over certain of the company's

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'Consumers happier — but not spending'

SYLVIA DU PLESSIS

BUOYANT consumer confidence among whites in the first quarter of the year is unlikely to lead to significantly higher consumer spending, according to the Bureau for Economic Research.

Demand, particularly for durable goods, is already falling away, and indications are that savings are more likely to benefit from this confidence, it says in its latest quarterly trade and commerce survey.

The bureau says the reading for the overall confidence level of whites, now 105, is 12 index points higher than that of the previous survey.

This was because consumers regained their confidence regarding the near-term future of the economy, with the majority expecting a slight improvement over the next year.

Further, the number of those expecting a considerable improvement in their financial situation almost doubled to help push the index measuring this to 112 from 106.

The high income group is particularly optimistic about an improvement in its finances, and this could benefit SA's low savings ratio, says the bureau.

However, despite their overall confidence in these areas, less than a third of white consumers regard the current time as being suitable for buying durable goods.

The bureau says slightly more than 40% said it was the wrong time to do so, and the index measuring this attitude now stands at 86 — six points above the previous reading.

"Thus, even though the outlook is pessimistic in this area the intensity of pessimism is easing."

But while consumers' outlook has brightened, retailers, wholesalers and most motor dealers are looking to worsened business conditions during the forecast quarter.

Stock

According to the bureau, the relatively low rate of increase in retail sales, coupled with other factors hampering these, damped confidence in this sector substantially, with only 31% of retailers reporting satisfactory business conditions.

No fewer than 56% had too much stock in relation to expected demand, and half forecast a further deterioration in business conditions during the second quarter.

Wholesalers, having experienced a fast levelling off in the tempo of sales, also expect a marginal deterioration in business conditions over the next three months, as do dealers in the new and used vehicle markets.

Incm 20/2/90.

Black consumers less confident survey

SYLVIA DU PLESSIS

BLACK consumer confidence has started to wane after remaining high for most of last year, the Bureau for Economic Research (BER) says in its latest quarterly Trade and Commerce report.

Its index for black consumer confidence, based on a survey, dropped six points to 106 during the fourth quarter of 1989 — still buoyant at 13 points above the index for whites But only 15,5% of black consumers expected considerable improvement in the economy, compared to 23,7% previously

White consumer confidence, four index points higher at 93, is propped up by a less pessimistic evaluation of the near-term economic future than before

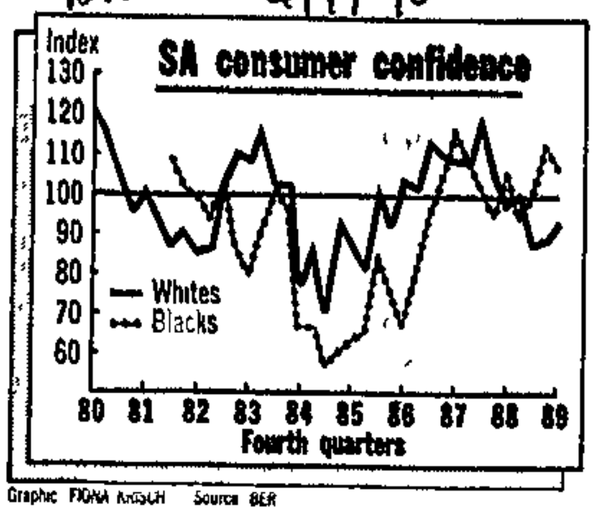
According to the BER, overall consumer confidence is "fairly neutral" but becoming fragile, and a further deterioration — as the economy contracts — will come as no surprise

Difference

With regard to their financial situation, both groups are "fairly optimistic": 13,2% of blacks expect it to improve considerably during the year, but only 6,8% of whites responded in similar fashion

"The main difference between the two groups is to be found in the fact that white consumers tend to favour a no-change situation, while most black consumers back a slight improvement.

"It appears as if the anticipated improvement in the financial situation may be a result of cut-backs in spending rather than of increased income Only about 24% of whites said that right now



Graphic FIONA KNOUGH Source BER

was a propitious time to buy durable goods, while 45% said the time was not suitable for such activity"

Black consumers, on the other hand, were neutral in their outlook, with 44,2% of those canvassed saying the time was neither good nor bad.

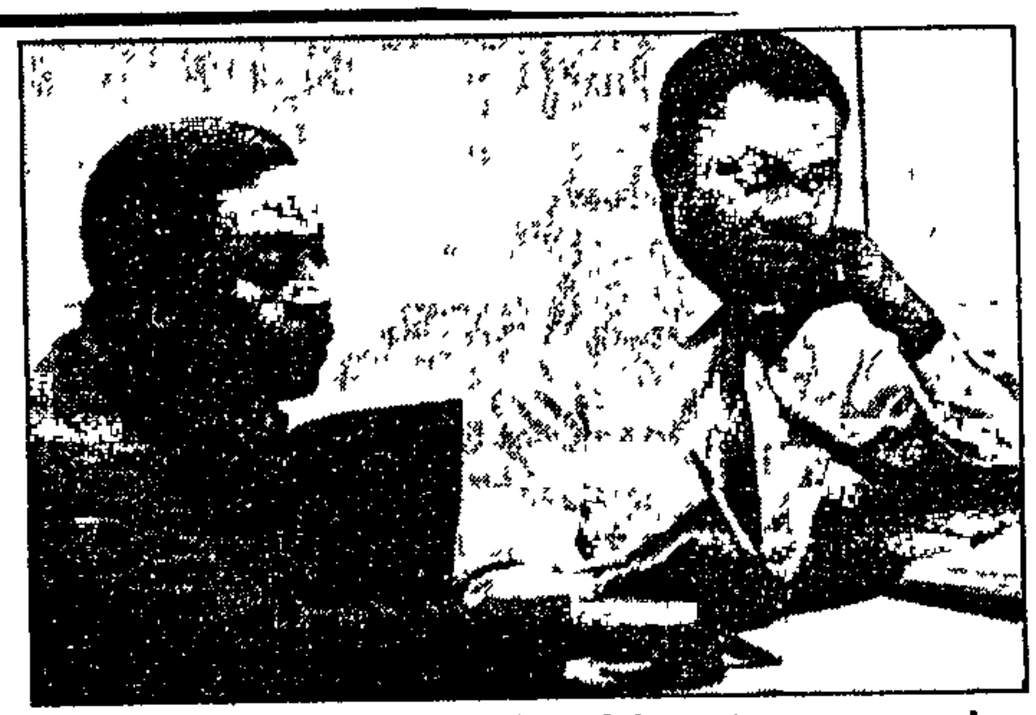
The report also shows that wholesalers, retailers and motor dealers generally are looking to bleaker business conditions during the first quarter of 1990

Most wholesalers forecast sluggish business after reporting fourth quarter sales above those of 1988 in terms of volume, but "not as good" as those of the third quarter when de-seasonalised

Retailers described survey-quarter sales as better than expected, but remained "subdued" in their short-term outlook, expecting demand to taper off.

New-vehicle dealers forecast a bigger drop in sales during the first quarter of 1990, as did used-car dealers Spare part dealers said sales were vigorous This was not expected to change, but even these dealers were losing optimism.

● See Page 5



Mr Joseph Makgatho, ever hopeful, sits in on yet another telephone call by Mr Michael Ndobela trying to work out with a building society how a home bond can be arranged.

Star 5/4/90

Family man shut out by the bond system

Joseph Makgatho is 49, with a steady job he has held for 16 years, a wife and seven children — and still unable to find the route into a bank or building society bond to buy his own home.

This is a puzzle Mr Makgatho, a labourer for a large blue-chip company in Johannesburg, has been trying to solve for more than 15 years of house-hunting

A solution has also evaded Mr Michael Ndobela, the personnel and training officer at the company where he works.

"The problem," says Mr Ndobela, "is that the banks and building societies fix their standards far too high for most black workers.

"They insist houses must be in price brackets around R30 000 or higher — and then set out deposits and minimum bond repayments well beyond the reach of the bulk of black families."

Mr Makgatho is typical of thousands of other workers.

His gross income of R1 075 a month is trimmed down to take-home pay of R886,45 by deductions for tax, pension fund, union dues and the Unemployment Insurance Fund.

The rent for the two rooms at a Meadowview hostel, into which his family of nine somehow fits, takes R30. Paraffin and candles come to R40.

Daily travel to work costs R64. His wife needs about R600 for shopping, plus R12,80 for trips to the shops and back. That leaves a grand total of R12,80.

Mr Makgatho has felt several times he was near a solution. The latest burst of enthusiasm was about a two-bedroomed house at Vosloosrus, south-east of Johannesburg.

Then the numbers started to chatter out of the building society computers.

The house price came out at R32 335 As a start, he had saved R1 500 — and there was about R1 000 he could draw from his trade union's loan scheme.

The 10 percent deposit demanded came to R3 233, still leaving a mortgage of R29 102 — meaning monthly repayments of R512. By digging into subsidy schemes he could chop that by R166, lowering repayments to R346 a month.

Mr Makgatho still saw the dream house as within reach. But the building society insisted on a minimum monthly gross income of R1 154 to qualify for a bond. He was short — by R79.

"I'll go on trying," he responds. "I must. But the system all starts to look a bit odd"

Slackening in private consumption spending

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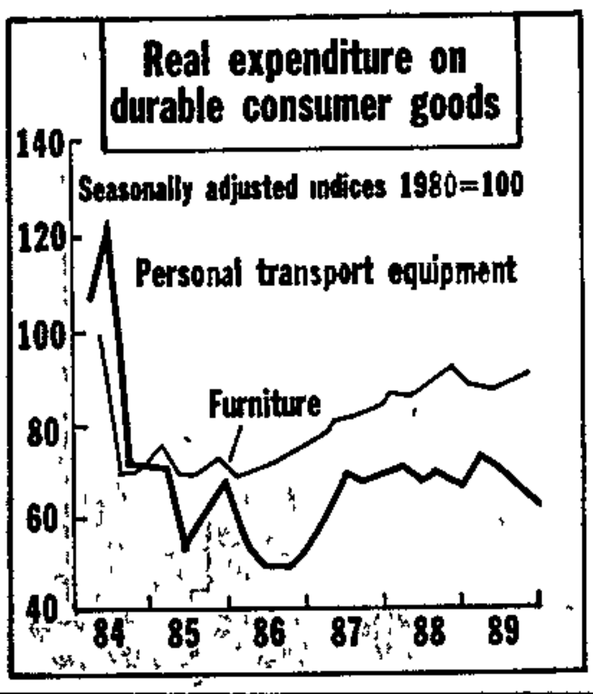
REAL private consumption expenditure (PCE) rose by almost 3% in 1989 — well below 1988's "vigorous" 5% real growth, according to the Reserve Bank

But a slackening in real consumer demand growth was to be expected, partly because of lower growth in real personal disposable income last year, it said in its latest Quarterly Bulletin

Further restraining the rate of growth in consumption spending was the rising level of already high consumer debt Steeper interest rates had reduced cash available for spending by raising interest commitments.

On a quarterly basis, the slowdown in growth in real PCE was more pronounced, reflecting the bite of the Bank's restrictive measures

Estimates put the rate of annualised



SYLVIA DU PLESSIS

growth at about 0,5% in the fourth quarter This compared with 2% (annualised) in the first quarter of 1989 and 1,5% in the second

Overall, gross domestic expenditure (GDE) dropped by 1%

The latest quarterly figures indicate a downtrend in spending on durables The slight rise in PCE in the fourth quarter was explained by increases in real household outlays on non-durable goods and services Declines were recorded in real household spending on both durable and semidurable goods

According to the bank, a fourth-quarter decline in households' real outlays on consumer durables reflected substantial cutbacks in real spending on transport equipment, with the downward tendency in new motor vehicle sales continuing into early 1990

However, furniture sales remained relatively lively — both in the fourth quarter of 1989 and during 1989 as a whole.

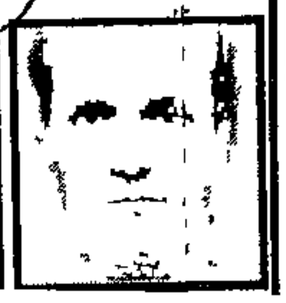
Contributory factors included the relative buoyancy of low-cost housing construction during the year and the exemption of certain types of furniture from hire-purchase restrictions, the report said

But comparatively low price inflation in respect of furniture and appliances — the average price level of these items rose by 70% from 1986 to 1989 compared with a 150% rise in that of personal transport equipment — also served to preserve the relative affordability of these items

Start building that nest-egg early in life

Money Matters

MAGNUS HEYSTEK



SINCE this column started nearly two years ago I have received hundreds of letters and telephone calls from readers requiring advice on investment affairs.

While the queries range from elementary questions concerning where to buy unit trusts, for instance, to complicated tax matters, most queries can be divided into two categories:

- How to save and invest in order to build up some kind of nest egg and;
- how to invest your nest egg to protect it from the combined ravages of inflation and taxation

Saving and investing for a nest-egg never has been easy. But a regular and disciplined savings programme is central to any ordinary individual building up some form of capital.

Most people suffer from the illusion that on their salary they just cannot save. People also often claim that saving R50 or R100 a month is far too little to eventually build up some kind of nest-egg that could be used to purchase a home or a pension.

Not so. Just this week I was asked some investment advice by an eldery gentlemen of 78 who had followed a disciplined savings programme all his life. His investment strategy was to buy blue-chip shares listed on the JSE whenever they dropped and never to sell them.

His combined assets are worth more than a million rand and now he has a problem in deciding how to disburse all of his assets when he passes away.

This case study should serve as a classic example for other, younger people, who often feel that what they can save when they start out on their working life is hardly likely to make any difference. But, and I've used this example before, any investor who saved as little as R100 a month over the last five years in SA's best performing unit trusts, would today have a nest-egg of R12 748. This is equivalent to an average growth rate per annum of 30 percent.

Long-term prosperity

Take another example: someone inherits R10 000 but feels that this is not enough to invest for the long-term and decides to rather spend it on some perishable item. But that R10 000 can just provide the key to longer term prosperity and financial security. The key elements here are time and rate.

That inheritance of R10 000 invested at a compound rate of 8 percent will turn into R46 210 in 20 years. But the same R10 000 will turn into R194 607 if the rate of interest rises to 16 percent

And more importantly, the longer the money remains invested, the quicker it will grow. If the money is kept for just another five years the original R10 000 (at 16 percent) will have grown to R408 742 — quite a useful sum of money which could be used to purchase a dream house or provide the capital for a business later in life.

But all these permutations are totally useless if a start is not made somewhere at some stage. And the key to this is the simple fact that savings can only be made if one's income is more than one's expenses. If you spend R10 more a month than you earn, then you will never be able to start some kind of savings programme: you will always find yourself being short and getting deeper and deeper into debt.

I often maintain that someone earning R2 000 per month but spending only R1 990 has a far higher living standard than someone earning R10 000 and spending R10 010 per month.

When it comes to investing a nest-egg for retirement or to protect one's capital against the ravages of inflation, a totally different strategy is needed but the same principles applies: rate of interest and time.

Over the last 15 years or so the highest overall returns have been achieved on equity investments. But equity investments, due to the risky nature of markets, have tended to be very volatile, and do not always appeal to all people

But in South Africa, with its inflation rate now endemic, investors have to accept a higher degree of risk in order to beat the inflation rate. And despite the general perception, no doubt boosted by reports of stock market collapses, equity investors in South Africa never had it so good before.

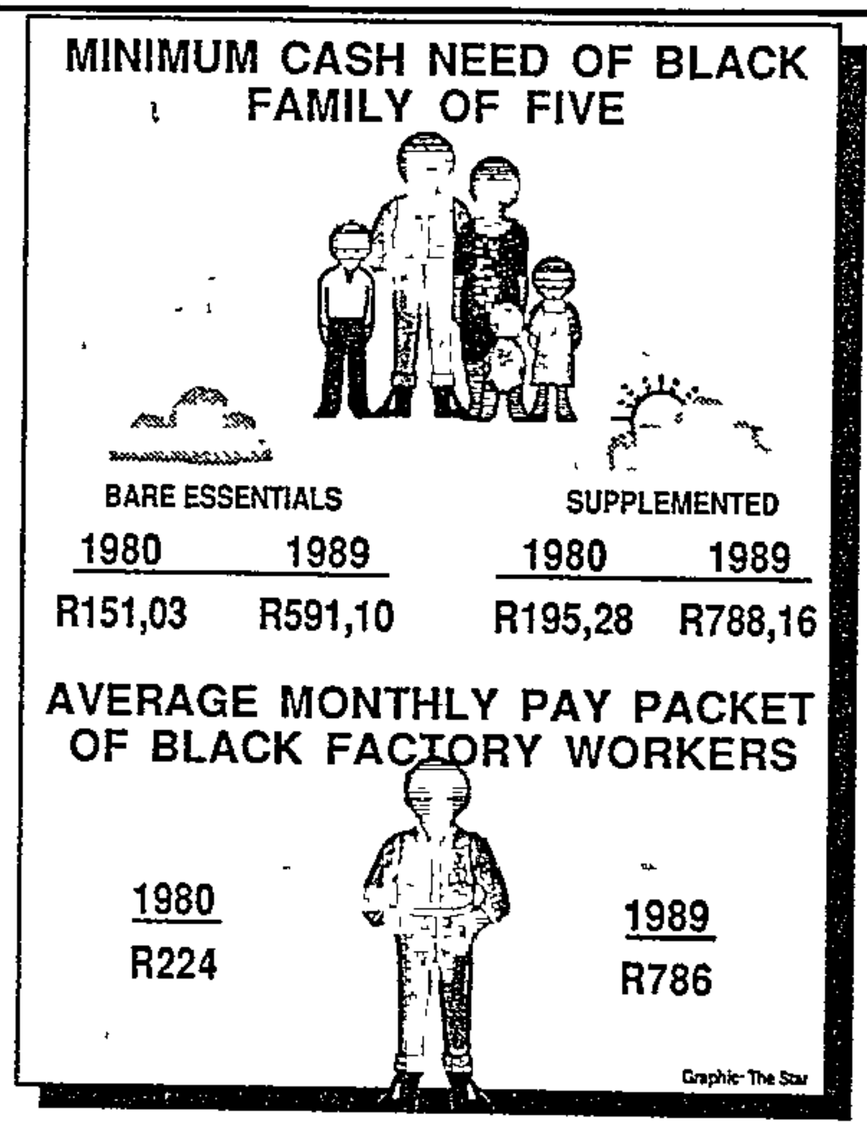
Any investor who has been following a long-term investment programme in equities, either directly or indirectly via unit trusts, has easily outpaced the inflation rate.

Taking once again the best performing investment trust (Old Mutual) lump-sum returns have been exceptional. R10 000 invested in unit trusts (with dividends reinvested) five years ago would today be worth more than R49 000 — an average rate return of 36 percent, compared with the average inflation rate of 15,5 percent over the same period

Taken over 10 years R10 000 invested under the same circumstances would today be worth R105 000, providing an average annual return of 26,6 percent, against an average inflation rate of "only" 13,8 percent.

Once again the same principle applies as in the case of saving to build up for a nest-egg: time and rate. The sooner one provides that nest-egg the better. A small delay at the start makes for a very big difference in the long run.

Star 16/4/90 (128)



A black family of 5 needs R591,10 a month to survive

The rock-bottom survival budget needed by a black family of five living in Soweto or elsewhere around Greater Johannesburg has climbed almost fourfold since 1980 to a minimum of R591,10 a month, according to new surveys

Survey results — based on analyses by the Bureau of Market Research at Unisa — are being released to business firms by the Johannesburg Chamber of Commerce and Industry as guidelines to the hard realities faced by low-income families

The new level of basic budgets compares with a national average of R549,98

It describes what the researchers call the minimum living level (MLL) — the theoretical utter necessities of running a household

It strips spending to the bare essentials needed to maintain reasonable health, acceptable standards of hygiene and just sufficient clothing for a black couple with three children

The biggest single item is the food bill, worked out by nutrition experts as a minimum of R295,74 Clothing takes R90,88 Rent and services take R60,14 Transport — commuting to work or school and trips to the shops — takes R37,41

Add a couple of extras that many white suburbanites consider as essential rather than anywhere near luxuries — such as a rare treat on recreation or entertainment — and the basic budget jumps to R788,18

That is what the researchers call a supplemented living level (SLL) For the statistical record, the climb in the raw MLL budget between a count in 1979 and in August 1989 equalled 291 percent.

MICHAEL CHESTER charts the crippling 400 percent increase in a minimum household budget since 1980

It was heavy going to stay ahead of inflation, which over the 10-year period surged as much as 298 percent on average for lower-income families

Even for the fortunate breadwinners with settled jobs, rather than standing in unemployment queues or trying their hand in informal sector ventures, it has also been hard going to keep pay packets abreast of the prices spiral.

Mr Keith Lockwood, economist at the SA Chamber of Business, believes that a reasonable measure of trends is provided by official statistics on the movement of average black wages inside the manufacturing sector between 1980 and 1989 — the last year to be analysed in detail

Here one sees that the average pay packets of black factory workers increased from R224 to R786 — or 250 percent.

The only cold consolation for them was that the percentage gain was better than the one for white factory workers, which trailed at 187 percent.

Then again, though, one may need to look at the pay packets in blunt cash terms the black average of R786 had to stand comparison with a white average of R2 742.

"At least," says Mr Lockwood, "the standard of living of black families was making some headway, however modest, while white living standards were slipping"

Minimum living costs for low-income black families were also as high along the East Rand, according to separate surveys conducted by the Bureau for Economic Research at Stellenbosch University

When the BER counted what it calls a household subsistence level in September, it found the basic budget to be R551,61 in Boksburg, R529,88 in Germiston and R523,95 in Benoni.

The total slipped down to R450,04 in Maritzburg and to its lowest at Peddie in the Eastern Cape, where it was estimated at R396,19

SOWETAN BUSINESS

Black traders will face new threat from chains

Sowetan 19/4/90 128

TWO weeks ago one of Pick 'n Pay's managers expressed concern at his company's failure to capture the bulk of business in the townships.

For instance, he said,"the number of Sowetans who patronise Highgate is too low We are now looking at new strategies to get the Soweto consumer to our supermarkets "

Raymond Ackerman is about to roll out the heavy weaponry Within months, or even weeks, OK Bazaars and Checkers will follow suit.

While any fight between these giants bodes well for the consumer, it is bad news for the black trader

What depresses is that there seems to be no response from our businessmen, even when aware of the competition coming their way

Southgate is one example

Instead, rivalry between black business organisations is on the increase as they fight for the tit bits that come their way

Also, with them survival seems to be the only game played.

Their white competitors then have all the time in the world on planning their strategies for the black market.

After all, *kuyehlela*

I am no expert on strategic planning But, having looked at how my wife operates in everything that affects her directly, including husband-wife tiffs, I have learnt that attack is the best form of defence.

Operate

And this is how most wives operate Also, they leave nothing to chance or charity. They get down to detailed planning, and have strategies for any emergency And can they cope with emergencies?

Likewise, let our chaps get their priorities right and get down to the business of business Time they simply locked themselves in some conference centre and devised strategies for their growth.

Let us see them come out smoking from that conference

The threat from Pick 'n Pay is for real, and will result in even more blacks shopping in the ring of supermarkets around the townships

Figures

Looking at some research figures, I found that more than 75 percent of spending at the Carlton shopping complex is by blacks

If in a year the complex makes, say R500 million, this translates into R350 million

Also, according to research by a marketing consultancy, blacks spend 60 percent of their income in the cities The remaining 40 percent is spent on rent, transport, health and in the shop around the corner.

If simple arithmetic and logic serves me well, at most 15 percent is spent in the township shop

With the Group Areas Act on its way out, things will worsen

Incidentally, there is nothing as hilarious as hearing black business leaders call for the revocation of the Act.

Removal

Are they not aware that the removal of this Act will open the townships to white businessmen?

Then, there will be no way of keeping whites out for we cannot have our cake and eat it too

I am not in any way fighting for the retention of the Act. Like many others I detest every piece of apartheid legislation However, if black business is to prosper and match their white competitors pound for pound, strategies to make the black buyer support his black brother must be devised.

This way will the Pick 'n Pay threat be countered.

Walter Rodney's words in his book, How Europe underdeveloped Africa' even sound more ominous He states

Patterns

"When two societies of different sorts come into prolonged and effective contact, the rate and character of change taking place in both is seriously affected to the extent that entirely new patterns are created.

"Two general rules can be observed to apply in such cases. First, the weaker of the two societies concerned (ie the one with less economic capacity) is bound to be adversely affected - and the bigger the gap between the two societies concerned the more detrimental the consequences..."

With black business in such a weak state how will the new South Africa look like?

Whites, who will still control the economy, will call the shots Black business will still be fighting for the crumbs falling from the master's table.



Emerging economic growth 'on way'

BIDay 20/4/90

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WHILE the present economic slowdown is expected to continue through most of 1990, it is not the same animal as the recession in 1985

Therefore, although productivity is generally low, there is an emerging growth on the way which is expected to gain momentum, according to Davis Borkum Hare analyst Lindsay Lurie

An improvement in expenditure is projected for 1991, 1992, although the increase will be moderate since interest rates are not expected to decline sharply

Private consumption expenditure (PCE) will almost stagnate this year — projections put 1990 growth at 0,19%, down from 1989's 2,78% Expenditure on durable and semi-durable goods will suffer the most

Semi-durables will remain almost at the same level as in 1989 or might show a decrease up to 3% while a decrease in the range of 8% to 10% in the durable market

LIZ ROUSE

might be experienced, projections say

There will, however, be a 2% growth rate in expenditure on non-durables The expenditure on services is expected to show a 2% increase

Debt

Lurie's optimism about the future is based on the overriding importance of the capacity to pay off foreign debt as the chief determinant of interest and exchange rates

The trade account, current account, short-term capital inflows and holdings for foreign exchange are performing better, which gives a sounder base for economic growth, says Lurie

The increased capacity to pay back foreign debt should have a positive effect on consumer spending

Another important factor is, hopefully, an improved political situation At the moment, dissatisfaction to the left and the right will continue to throw an aura over uncertainty on the economy

However, since SA's foreign debt capacity has improved, the money supply will not be so harshly restricted by forbidding interest rates as in 1984/1985 when foreign debt seemed overwhelming This should have a positive effect on investments and savings

Main reasons why private consumption expenditure remains at a low level are

☐ The official policy of positive real interest rates which will cause a decrease in inventories and consequent lower levels of profitability due to a sales reduction,

☐ The effect of high interest rates, which will decrease the positive effects of easing hire purchase restrictions,

☐ Inflation will remain at about 14 5%, resulting in a real income decline,

Other negative factors are the phasing out of the Lifo reserve, which means that companies carrying credit reserves will have to pay tax on those reserves, lack of skills, which is inflationary; the strain of population growth on scarce economic resources for investment, and the increase in excise duties

Mining

Positive factors are the more than R4bn tax relief; tax measures to increase personal savings as a percentage of personal disposable income, reduced government expenditure, the easing of hire purchase restrictions, the phasing out of differential surcharge rates, the abolition of the 20% excise duty on locally made jewellery; and the encouragement given to the mining industry

An end to the big spenders

ST Times 22/4/90

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Business Times Reporter

CONSUMER spending is expected to stagnate this year with a consequent decline in retail and wholesale sales

A report from stockbroker Davis Borkum Hare says the economic growth rate will fall to 1,2%. As a result, private spending will drop to about 0,19% of total income from 2,7% last year

Expenditure on durable and semi-durable goods will suffer most Private consumer expenditure (PCE) for semi-durables will remain about the same as in 1989 or show, at most, only a small decline.

But spending on durables will drop by between 8% and 10% Expenditure on non-durable goods will, however, rise by about 2%

Behind these bleak forecasts are high interest rates which have been initiated to protect foreign-currency reserves and reduce credit

High interest rates will also result in a decline in inventories and reduce company profits as sales decline They will also decrease the positive effects of the easing of hire-purchase requirements

Inflation is expected to remain about 14,5% for the rest of the year and will reduce real household income

However, the R4-billion tax relief contained in the Budget will improve the disposable income of lower- and middle-income groups It could spur the sale of durable products such as refrigerators and stoves.

The tax structure has been shaped to encourage savings Savings as a percentage of income fell to 1,6% last year from 13% in 1979 and 6% in 1985

Government expenditure will fall in real terms, taking some pressure off inflation

Private consumption spending 'set to drop'

Bbusy 24/4/90

SYLVIA DU PLESSIS

PRIVATE consumption expenditure (PCE) on durables could drop by between 8% and 10% this year and expenditure on semidurables by about 2%, says Davis Borkum Hare analyst Lindsay Lurie.

There will be a 2% growth rate in expenditure on non-durables and services, she says in a report on 1990 PCE and household expenditure patterns.

"A conservative forecast for growth this year is based on the determining influence of interest and inflation rates," she says.

The economy's lower level of activity will determine reduction in PCE: with a growth rate of about 1,2%, total PCE can be expected almost to stagnate from 2,78% in 1989 to 0,19% in 1990, she says.

According to Lurie, an improvement beyond these rates is expected in 1991, with the biggest changes being in the durable and semidurable markets.

Positive economic factors impinging on growth and productivity include the R4bn tax relief introduced by the Budget, which will increase disposable income for the lower and middle-income groups, she says.

"When the benefits of this have been realised, it will mean a probable increase in the sales of some durables, for instance, stoves and fridges."

Other positive factors include proposed tax measures to increase personal savings, reduced government expenditure, easing of HP restrictions, lower import surcharges and the abolition of ad valorem excise duty on locally-manufactured jewellery.

Ultimately, it is the results of government's negotiated settlement, including an overall restructuring of the socio-political economy, that will "cast the final die" on the fate of the GDP and PCE.

"However, the Budget and the commitment to negotiate have already demonstrated the bona fide intention of the government to address the restructuring of the socio-political economy," Lurie says.

TUESDAY
April 24 1990
Johannesburg

The Star

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Police will soon get details of new allowances announced by Vlok

Star 24/4/90

Political Correspondent

Policemen and women will hear today or tomorrow how much more they will get in their pay packets this month after yesterday's announcement of an allowance increase.

Police sources said each policeman would get R300 to R400 more.

The exact figures were being worked out and telexes would be sent to all police stations today or tomorrow giving details

The increase in service allowances announced by Law and Order Minister Mr Adriaan Vlok have been backdated to April 1. He also said police pay scales would be improved from July 1.

Minister of National Health Dr Rina Venter is expected to provide details soon of a special allowance for nurses also announced yesterday. They would also be backdated to April 1.

The new benefits affect police, nurses, the South African Defence Force and certain law enforcement officials of the Department of Justice.

There will be no across-the-board pay increase for officials in these departments this year over and above the general 10 percent increase.

But the improved pay structures mean that officials will receive notch increases in their salaries.

Speaking in the debate on his budget vote in Parliament, Mr Vlok said that an extra R200 million had been set aside by the Government for the allowances.

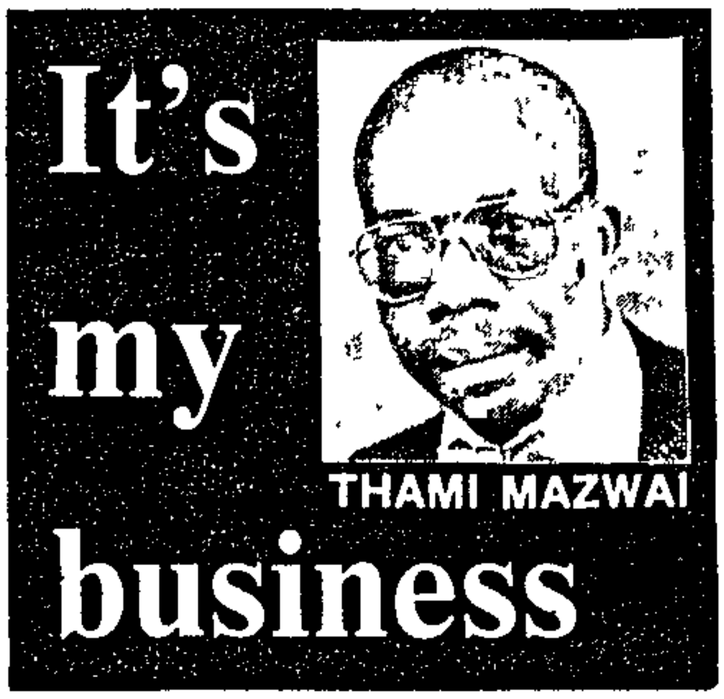
The amount to be set aside for the improvement in salary structures would be announced later Government sources have said it could involve at least another R100 million

Mr Vlok said that an extra R130,7 million would be set aside for allowances for dangerous work and overtime.

He also announced that R10 million would be set aside in allowances for tuition fees, R30 million to improve medical aid benefits for dependants of black policemen and women, R8,4 million to increase compensation for special constables, R18 million for police required to work on free or rest days, and R5 million for a revised system of promotion

Mr Vlok said that the changes would help lower ranks especially

FW's velvet glove was lined with steel...



IT appears President FW De Klerk's velvet glove was lined with steel when he made his dramatic announcements in parliament on February 2.

When he unbanned the African National Congress, Pan Africanist Congress and South African Communist Party; and then ten days later he released Nelson Mandela, all of us cheered for here was a man to our liking.

Now three months later, he makes statements on British TV that shock us out of our euphoria.

After scrupulously going through his interview, I have this sinking feeling we are back to square one.

De Klerk linked calls for redistribution to socialism. He said he and his party did not support this concept.

Although taken aback by these statements, expecting better of the man, I am not surprised. The leopard does not change its spots.

Before the general election last year, *The Star* newspaper compared the Democratic Party, Conservative Party and National Party election manifestoes.

They all rejected redistribution, talking of opening opportunities to all.

Let us take a brief look at this opening of opportunities to all.

Opportunities can be only be utilised by those equipped to take advantage of them.

As De Klerk and his cabinet ministers have publicly admitted that black education has serious shortcomings, how does he expect our children to take advantage of those opportunities?

The country's major employers; the mining houses, industrial giants and even his parastatals, all complain of the poor crop of graduates that flow from black universities and high schools.

Our children thus hardly have a chance when they vie for jobs with graduates from Pretoria University, Wits, UCT, Rhodes and Rau.

Yes-men

Employers end up giving them jobs because they are black, further denuding the esteem they have of themselves.

Some of the more ambitious turn into yes-men.

Our kids are not stupid or slow thinkers, as the disciples of apartheid claim, but the dice has been loaded against them since their birth.

This imbalance has affected every aspect of our lives.

According to Mark Addleson, an economist at the Wits Business School, income distribution in this country shows that 20 percent of South Africans earn 60 percent of the country's income

Forty percent, which includes a small number of blacks, share 33 percent.

The remaining 40 percent, and this means blacks, must make do with the remaining seven percent.

The unemployed, millions of our people, hardly feature much in these differentials.

De Klerk then tells us redistribution cannot be part of the new deal.

In township lingo I can only say: *Uyadlala*. We simply cannot expect a perpetuation of this status quo.

Also, as far as I know, redistribution is as much a part of socialism as it is of modern capitalism.

White South Africa wants to have its cake and eat it too. They talk of change, but this change must not affect their privileges.

De Klerk says you cannot take from those who have.

We agree, but those who got more than the share they were entitled to must now be prepared to forgo this extra cash. Not unless we are being told they have got so used to the extra cash, that it would be cruel robbing them of it.

Our need

No sir, I reject this.

According to the NECC we need R21.5 billion to bring black education on par with that for whites. This simply means white education must only get that little to coast along, and everything must be thrown into black education.

We cannot overlook, as in the education example I have just given, that Government expenditures in the past maintained white living standards at the expense of those of blacks.

To equate black living standards with those for whites, the Government must now reverse the process.

More money per head must be channeled our way. Is this unreasonable?

Getting funds for your new concern

*From Page 14

is used to calculate what the financial requirements of the business will be. Under receipts you will show how much money you intend putting into the business and how the money from the sales made will flow into the business.

If you intend selling for cash only then it is easy to show, but if the nature of the business is such that you will grant your customers credit then you have to make assumptions about how they will pay.

Under payments you must detail, in addition to your monthly expenses, the cost of any assets the business will need to purchase These could include furniture equip-

PRIVATE CONSUMPTION (128)

Riding recession

The sector which best absorbed the last recession was services Conversely, it benefited least in the boom that followed, research by Lindsay Lurie of stockbroker Davis Borkum Hare shows Also resilient were non-durable goods Both sectors continued to grow during the recession, says Lurie, "mainly because of the inelasticity of demand for non-durables and services which are essential everyday requirements " **(See table.)**

From 1984-1986, expenditure on durable goods declined a massive 48%, to climb 12,4% in 1987-1988 Sales of semi-durable goods dropped 5,5% in the first period, recovering 8,3% in the two subsequent years And non-durable sales rose 1% and 2% in the two periods while services saw growth of 4,4% and 5,16% FIM 2714190

All figures are in constant 1985 prices

Biggest knock came in personal transport equipment which fell by 80% in the first period and rallied only 3% in the second Greatest growth came in household textiles, furnishings, glassware and so on, up 8% in the first period and 21% in the second It was followed by medical services with growth of 1,7% and 11,4% and transport and communication services 1,3% and 11%

Stagnant total private consumption expenditure is projected this year, rising only 0,19% (compared with 2,78% in 1989), with

- ☐ An 8%-10% fall in spending on durables,
- ☐ A decline of up to 3% in semi-durables,
- ☐ Growth of 2% in non-durables; and
- ☐ Growth of 2% in services ■

Living costs are rising

The Household Subsence Level for black families rose 7.1 percent over the six months to March according to the University of Port Elizabeth's Institute for Planning Research

Although the fipure indicated a gradual slowing in cost increases for essential items, food prices - particularly of fruit, vegetables and dairy products - remained exceptionally high, it said

The HSL is an estimate of the basic living level of a black family of six covering food, clothing, fuel, lighting, cleansing, rent and transport

A more realistic measure of minimum income is the Household Effective Level, which is 50 percent higher

The institute said the sharpest increase in the HSL - 9,8pc - had been registered in Port Elizabeth

Brits, Durban and Springs had also experienced increases of over nine percent

The increase in Johannesburg (2,6pc) was the lowest in the country. But with an HSL of R620 it remained one of South Africa's most expensive cities, being exceeded only by the Reef towns of Germiston (R631), Springs (R624), Benoni (R640) and Boksburg (R645)

Cape Town (R629) and Kimberley (R630) were also among the most expensive centres, while the cheapest was Mmabatho (R511)

Informal activities adds 50% . . .

New estimates for blacks' per capita incomes

Own Correspondent

JOHANNESBURG — Informal sector activity could add as much as 50% to blacks' per capita incomes — reducing the racial income chasm somewhat, according to Stellenbosch University academic Servaas van der Berg.

In a paper delivered to a symposium on the production and use of socio-economic statistics in Durban at the weekend, Van der Berg used a recent Central Statistical Service (CSS) survey on the informal sector to arrive at new estimates for black per capita incomes

"Black compared to white per capita income (R16 531) rises from 8,5% to 12,7% when provision is made for unrecorded activity"

The informal activity raises black incomes from R706 a year to R2 105

Although Van den Berg believed unrecorded economic activity provided some relief from poverty, he agreed with conference delegates that it did not alter the fact of a heavily skewed wealth distribution to any significant extent.

Van der Berg added his voice to the Reserve Bank in criticising overly optimistic estimates of informal sector activity

"If the (extreme) free-marketeer view is correct, there is reason for much optimism about SA economic growth; and then poverty reduction and improved income distribution is a mere matter of waiting for further growth along free market lines In such circumstances, policy attention to matters such as employment and poverty . . becomes superfluous."

Van der Berg's paper noted the Small Business Development Corporation's Wolfgang Thomas had admitted the danger of overstating informal sector job creation potential "as much of the informal sector is merely a fall-back position ('survival entrepreneurship')"

Van der Berg notes that estimates of labour force participation in the informal sector varies from 6% to 31%, with a median estimate of 19%. The CSS survey, which excludes whites, found that 21% of the labour force (2,7m people) were involved in informal sector activity.

UCT's Professor Brian Kantor came in for criticism for his well-known claim that unrecorded activity could amount to as much as 40% of Gross Domestic Product (GDP)

Kantor responded during discussion time by pointing out the figure was an upper limit.

He stuck to his view that the discrepancy between GDP calculated from the expenditure side and GDP from the income side indicated substantial levels of unrecorded economic activity.

However, Van der Berg was also critical of the Marxist view that "the informal sector was of little consequence and was only a means to hide poverty or not to address its consequences".

Black income: a new perspective

GRETA STEYN

INFORMAL sector activity could add as much as 50% to blacks' per capita incomes — reducing the racial income chasm somewhat, according to Stellenbosch University academic Servaas van der Berg.

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Outlook for housing bleak

PRETORIA — Political unrest was increasing and this, with demands for the redistribution of wealth, would have a negative effect on investment in housing, Stellenbosch University's business school chief Attie de Vries said here yesterday.

Speaking at the Home Builders' Conference he said SA was in the midst of vast socio-political change which would unleash strong demands for income redistribution, and intensified trade union action was likely

De Vries said the level of activity in the building industry would be negatively affected until virtually the end of 1991 with a sharp decline in real terms.

GERALD REILLY

Contractors would be faced with ever increasing competition and continually rising costs, including labour and materials.

"Survival will be the name of the game through an ability to adjust to the changes ahead."

De Vries said the current backlog of more than 1-million housing units for blacks, plus an ever increasing annual need, would lead inevitably to more public sector resources being redistributed to meet the need

Investec boosts earnings

Finance Staff

Despite losing the battle for control of the Board of Executors, Investec Bank showed good earnings growth in the year to end-March

Satisfactory results were recorded by most operating divisions boosting earnings per share by 25 percent to 87,5c (70c), while the total dividend was raised from 32c to 40c

Assets under administration increased 122 percent to R4,43 billion as a result of strong organic growth and the acquisition of Duros Merchant Bank (now Investec Merchant Bank) and leading property management company I Kuper.

Investec executive chairman Bas Kardol said the results were very much in line with projection

"In spite of the extremely difficult banking conditions I am confident that Investec will maintain its historical growth in both earnings per share and return on shareholders' equity," Mr Kardol said.

In a simultaneous announcement, Investec Holdings (Inhold), disclosed earnings of R10,7 million (R8,3 million), equivalent to earnings per share of 53,4c (41,5c).

A total dividend of 20c (16c) was declared Inhold controls a 75 percent stake in Investec

B/Day 17/5/90 · (128)

Black earning power boosts sales

CAPE TOWN — The emergence of a black middle class is enlarging retail chain Bergers' customer base — and is also causing it to stock more stylish and expensive clothes, executive chairman Howard Mauerberger said at the annual general meeting yesterday

He expected this trend to continue with the improvement in black earning power, although there would still be poor people who would continue to buy from shops targeted at the lower end of the market.

Mauerberger explained that a rise in the value of stock held at the end of December, to R24,1m compared with R12,3m the pre-

Own Correspondent

vious year, was partly due to the fact that customers now wanted clothes with a more upmarket look This meant that the wholesale cost was higher.

Mauerberger was answering questions from the chairman of the Shareholders Association of SA, Issy Goldberg

Complimenting Mauerberger on the growth of the company and the way it was being run, Goldberg suggested employees should be made aware of the fact that although turnover was R250 000 a day, only 4c in every rand remained with the company after wages and other expenses had been met

Discussing plans for the continued expansion of the company, which had 201 stores at the end of 1989 and intends to open another 20 this year, Goldberg said it filled the gap between high fashion stores such as Foschini and Truworths and those meeting basic needs such as Pep.

Bergers was likely to grow into "a giant of a company".

In answer to further questions, Mauerberger said the acquisition of a 65% interest in upmarket retail chain Hilton Wiener in the current year had been "for nothing".

Refusing to disclose anything further, Mauerberger said Bergers would get a return from its investment

lay 18 1990

Some floor sweepers earn more than police

Star 18/5/90 128

Staff Reporter

A floor sweeper takes home nearly double the salary of a trained, experienced policeman

And often, a floor sweeper's perks are better

According to statistics, a policeman with five years' experience takes home just over R800 A floor sweeper with South African Breweries who has the same number of years' service takes home more than R1 450 before overtime and shift pay

Cleaners, tea makers and general assistants who work in police departments earn only a few hundred rands less than an experienced policeman

Adrian Botha, press officer for SAB, said "The very lowest our sweepers and other general workers earn is more than R1 000, and because so many of them work shifts or overtime, they take home considerably more than their basic pay Plus there are other perks "

Forced

A young member of the SAP told The Star he had been forced to look for another job because he and his wife were unable to start a family on his present salary.

The policeman has been in the force for nearly five years and takes home just over R800

"Even though my salary went up by R99 in May the rent in married quarters went up R70, leaving me with only a R25 increase after tax. We are constantly promised improved benefits Most police desperately need more money to take home

"Now, because of the staff shortage, authorities try to encourage us to work on Saturdays

"After tax, we end up only taking home R25 for an eight-hour day, which is ridiculous."

According to a recent police statement, an average of seven policemen resign from the force every day Since the beginning of the year, 573 men have resigned, of whom four were very experienced officers

Fedvolk needs way out of woods

Diagonal Street

ANN CROTTY



Some shareholders probably thought that Federale Volksbeleggings (Fedvolks) would do its utmost to pip the 60c earnings per share that was being forecast in the market.

But the Fedvolks team obviously reckons that after so much bad news over the years their shareholders are tough enough, not only to take a 35 percent drop in earnings, but to cope with an extraordinary write-off of R85,7 million.

The strategy for presenting the financial 1990 figures seems to have been to bite the bullet and take as many knocks as possible. Then the turnaround — if it comes — will be off a conservative accounting base and look all the more impressive.

The financial '90 figures are significantly worse than the market had been expecting.

Talk of restructuring may help support the share price, although there may have been too much of that in the past.

But this time round there seems to be a greater sense of urgency — no doubt reflecting the wearing thin of the patience of controlling shareholder, Sanlam. (Sanlam has had to look on at a dismal earnings performance throughout much of the eighties.)

In financial '90 group turnover was up 13 percent, pre-interest profit was down four percent, finance charges were up 89 percent, pre-tax profit dropped 27 percent, the tax rate was up and taxed profit was down 34 percent.

After a drop in outside interests, attributable profit fell 26 percent, which was aggravated by an increase in the weighted number of shares in issue. EPS was down 35 percent to 56,6c (86,9c).

(The increase in interest-bearing debt was partly due to leased assets being brought onto the balance sheet).

As if all of that wasn't bad enough, management — headed by new MD Peet van der Walt — decided to take an extraordinary loss of R85,7 million.

This sum comprises losses incurred over the year relating to rationalisation costs involved in trimming poorly performing operations and closing down non-performing activities.

Some of the write-off relates to costs that are expected to be incurred in this year's rationalisation moves.

This suggests that right now management has a fairly clear idea of how it is going to clean up its diffuse portfolio.

Mr van der Walt won't reveal anything, but does say that something significant will be announced within the next few months

Fedmech and Tek are the major problem areas. Given that Fedvolks is now looking at a buyers' market, the best it can hope for is a dilution of holdings in both operations.

To this end some sort of Fedmech joint venture deal with another party (which could get Fedmech off the Fedvolks balance sheet) may be on the cards.

For Tek, closing down poor production lines and cutting stock levels could encourage Sankorp (which holds 48 percent of Tek) to lift its holding above 50 percent and so enable Fedvolks to take it off its balance sheet.

Whatever happens, first half of financial '91 is expected to show a drop in earnings, although Mr van der Walt is striving for a real increase in earnings for the full year.

Slowdown acting against SA Eagle

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Star 24/5/90

Diagonal Street
LYNNE PEACH

SA Eagle, listed for more than 20 years, suffered a decline in earnings last year and prospects for the current year are not very encouraging, according to stockbrokers.

They point out that the short-term insurance industry remains highly competitive, which restricts rate increases.

At the same time, the cost of claims will be pushed up by inflation and possibly also by an in crease in the crime rate brought on by the economic slowdown and resultant joblessness.

In the latest annual report, chairman Fred Haslett points out that it is unrealistic to expect annual increases in the underwriting surplus because short-term insurers base their prices on past experiences.

These can be dramatically affected by factors beyond their control, he says.

Growth of assets

Instead, he suggests that short-term insurers be judged according to the steady growth of assets and the return to shareholders over a long period.

SA Eagle, whose major shareholders are Eagle Star Insurance and Anglo American corporation, conducts all classes of short-term insurance business in SA and neighbouring territories.

Managing director Peter Martin says that competition for business was fierce last year.

This was especially true on the industrial and commercial account.

And this, together with the group's decision not to retain business at any cost, impacted on premium growth.

In the year to December 1989, the value of gross premiums written increased by 12 percent from R581,3 million to R652,5 million

A similar rise in re-insurance premiums from R130,4 million to R146,4 million resulted in net premiums also rising 12 percent from R450,9 million to R506,1 million.

The increase in unearned premium provision amounted to R19 million, compared with R28,7 million in the previous year.

This decrease allowed net premiums earned to climb 15 percent from R422,2 million to R487,1 million.

After deducting claims, commission and other underwriting expenses, underwriting profit showed a decrease of 46 percent from R38 million in 1988 to R20,6 million.

Investment income showed an increase of 19 percent from R44,3 million to R52,5 million because of further investment in equities, which produced tax-free dividends and because of the high rate of interest paid on cash deposits.

Expenses not chargeable to underwriting. doubled from R1,5 million to R3,3 million.

The outcome was a 14 percent decrease in pre-tax profit from R80,7 million to R69,8 million.

A decline in the effective tax rate from 38 percent to 32,6 percent reduced the fall in attributable profit to six percent from its previous R50,1 million to R47 million.

Earnings per share declined from 417,4c to 392c.

The dividend for the year, however, was increased from 180c a share in 1988 to 190c.

Balance sheet

The latest balance sheet shows total assets up 12 percent from R554 million to R622,1 million

The market value of these assets is R936 million.

SA Eagle, priced at R24,50, is trading on a P/E ratio of 6,3 and provides a dividend yield of 7,8 percent.

Stockbrokers recommend that accumulation of the share be shelved until the end of the year

COMMENT: The primary trend for SA Eagle over the past five years has been favourable

The current price of R24,50 is nine percent below the 1989 peak of R27.

Before the share price can be expected to travel to new heights, the price will have to rise above R25.

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Complaints galore on houses and cars

Political Staff

CAPE TOWN — Problems with the quality of new houses and home improvements, faulty household appliances and new and used cars make up nearly half of the thousands of complaints handled every month by the South African Co-ordinating Consumer Council

This emerges from its annual report for 1989/90, tabled in Parliament yesterday

And, in his chairman's report, Professor J L Weyers notes that in the past year, consumers found it increasingly difficult to keep their heads above water

"One gets the impression that the gap between salaries and price increases is becoming too wide and that consumers will find it difficult to absorb any more price shocks"

Ignorance

This had led to a rapid waning of consumer confidence

He believed ignorance and consumers' poor bargaining position were the main reasons why they were exploited

The annual report says 49 percent of all complaints are about new houses and home improvements, electrical household appliances and new and used vehicles

In the past year, the council's Bellville office handled more than 6 600 complaints

Disappear

The Small Business Advisory Bureau warns in its annual report, also tabled in Parliament yesterday, that more than half of small businesses started in South Africa today will disappear within five years.

A 50 percent failure rate for new small business was experienced elsewhere in the world, says bureau chairman Mr Tjaart van der Walt

But he added that the bureau had reason to believe the South African failure rate was higher rather than lower than overseas

W|M 25|5| -31|5|90

(128)

Recession eats into food industry profits

Consumers are not the only ones hit by the declining economy. The food companies are poorer too.
By ANN FRIEDMAN

SEVERAL food companies have reported a decline in their profits — a warning sign that the recession is cutting living standards for a growing number of South Africans.

The economy is now officially in recession, according to statistics released this week, following two quarters of negative growth. Gross domestic product declined by 1,5 percent in the last quarter of 1989 and by 1,3 percent in the first quarter of this year.

Food companies are usually least affected by the economic cycle, maintaining production levels even when growth slows. But the largest of them, Tiger Oats, has announced growth in profits for the six months to the end of March slowed to 13 percent (Tiger had been recording annual profit growth of over 20 percent for several years). Fedfood's profits for its financial year ending in March rose by only one percent. And Imperial Cold Storage, like Tiger Oats part of the Barlow Rand group, saw its bottom line plummet by 30 percent in the six months to March, compared with the same period in 1989.

The exception was Premier Milling, which raised its profits by 24 percent, in part due to a restructuring of the group last year, presided over by group chairman Peter Wrighton.

Most revealing was the experience of Nampak, whose food can manufacturing division saw its operating profit fall by R11-million because of lower demand for the cans. Nampak's management said they were surprised to find demand for staples such as baked beans had fallen.

And Langeberg Foods, the food and vegetable cannery which is now jointly owned by Tiger Oats and the Langeberg Co-operative and whose brand names include Koo and All Gold, also performed poorly.

Clearly consumers' worsening economic position has been one reason food companies have found the going tough since the second half of last year. But there have been other important factors making trading difficult in particular markets.

For example, bad catches of fish affected Tiger (through subsidiary Oceana Fishing) and Fedfood. Over-



Peter Wrighton

supply in the poultry market, where new operators had come in to take advantage of high prices, created strong competition — with short term benefits for consumers, but a squeeze on the producers. Both ICS and Tiger (whose brand names include County Fair) were affected by this. Premier has hived off its poultry interests (brand names Farm Fare and Bonny Bird) so that its results were less affected.

There was stiff competition too in the egg market, where Tiger's Golden Lay brand is dominant and Premier's Nu-Laid has significant market share. There too, smaller producers have been challenging the large groups.

Margarine is one of the "known value items" for shoppers, so the big retailers such as Pick 'n Pay and Checkers try to ensure prices are kept down — by putting pressure on manufacturers, if necessary. The margarine market too has seen tight trading conditions for the food groups. Lever Brothers, a subsidiary of British-based Unilever, is said to have a market share of around 50 percent market share with Rama and Floro. But Premier, whose Epic Oil Mills produce Blossom, Kraft and Ole, has been feeling the squeeze on its edible oil margins. Tiger is a smaller player, with brands such as Sunshine-D.

The core businesses of groups such as Premier and Tiger are, however, in maize and wheat milling and grains — Premier's Iwisa mealie-meal and Snowflake flour, for example, or Tiger's Ace mealie meal, oats and Tastic Rice. These areas have remained strong. Fedfood is more in processed and frozen foods (Ouma Rusks and Table Top vegetables are among its products). Its snack division, Simba Chips, was the star of the group.

Inflation trend widens the gap between the rich and poor

w/Mail 25/5/-31/5/90

Weekly Mail Reporter

LOW-INCOME South Africans are suffering higher rates of inflation than higher income people, in contrast to the trend last year, when rising house and car prices were among the factors raising prices faster for the rich than for the poor.

The latest consumer price index figures, released this week, show inflation for the lower income group stood at 15,5 percent in April, for those with higher incomes at 14,2 percent and for the middle income group at 14,6 percent.

April's inflation rate was 14,6 percent, down slightly from the 14,9 percent recorded in the previous two months. But food inflation for April was running at 16,8 percent (18 percent for those with low incomes). Since the poor spend a higher proportion of their incomes on food, they have been experiencing inflation higher than the average

Food price increases made the major contributions to the increase in the price level in April, accounting for half the 0,8 percent monthly rise in the consumer price index (CPI). The largest increases over the month were in the prices of grain products, milk, cheese and eggs, fruit and nuts and sugar, according to the Central Statistics Service.

Other commodities whose prices rose fairly sharply during the month were beverages — alcoholic and non-alcoholic — and cigarettes.

The latest figures suggest inflation is beginning to slow down. The monthly increase in the CPI in April was lower than in the previous couple of months. In the past two months economists have been encouraged by a lower rate of wholesale price increases (measured by the producer price index as opposed to the CPI, which reflects retail prices). Retail prices usually follow wholesale prices with a lag of two to three months.

But despite the government's and the Reserve Bank's efforts to curb it through tight monetary policy (high interest rates) and fiscal policy (limiting the increase of government spending), inflation has stubbornly refused this year to fall. At the beginning of the year some economists were predicting an average inflation rate for this year of as low as 13 percent. Now it seems the average will be closer to 14 percent, much the same as last year's.

Star 26/5/90 (128)

High income or high growth?

PERSONAL finance is as much about saving as it is about spending, but saving requires foresight and a keen awareness of what you want your money to do for you

What you need from your investment portfolio is largely determined by your present income and an accurate prediction of how it may change in the years ahead

"Most people understand the high risk/high return concept, but the balance between income and growth from an investment is often more difficult to strike", says Ken Burgess, managing director of First Personal Asset Management (PERSAM), a subsidiary of First National Bank

PERSAM consultants regularly advise clients on how best to invest a lump sum of R100 000 and more One of the first questions they ask is whether the investor wants high growth or high income, or a combination of both

"Growth portfolios are best-suited to income earners several years from retirement Usually the entire fund is invested on the stock exchange, covering a range of blue chip shares They should also avoid putting money into cyclical sectors such as furniture and motor Active buying and selling is the only way to make money on speculative and cyclical shares," says Burgess

Very few people have the ability to do this with any accuracy and the tax implications of being classified as a speculator will undercut profits

PERSAM currently invests about 60 percent of a growth portfolio in mining sector shares and the remaining 40 percent in the industrial sector

"Share prices are relatively low at the moment," adds Mr Burgess "We have identified many shares which are now offering reasonable returns for 3-5 year investors. Typically, we 'phase' our clients into the market over a period of several months whilst initially holding a quarter of the money in a 32-day deposit"

High income portfolios are ideal for investors who are retired or are about to retire Interest rates are high at the moment, and PERSAM advises investors to buy into fixed deposits of two years or more People who fix their interest rates at today's levels may find their investments paying higher returns than those that will be available in the near future

Participation mortgage bonds are good income-paying investments PERSAM's bonds are currently paying 18,5 per cent quarterly in advance (increasing to 19 per cent with effect from 4 July)

Black buying power set to soar by 2000

Cape Times 30/5/90 (128)

JOHANNESBURG — More than 60% of South Africa's purchasing power will be in black hands by the year 2000 and black car ownership will have almost trebled, McCarthy group chairman, Brian McCarthy told a Motolek dealer conference

He said black car ownership would rise to well over one million from the current total of 370 000, while the number of car-owning whites would fall. By the turn of the century 30 out of every 1 000 blacks in South Africa would be car owners, compared with 20 at present.

"It is projected that black ownership of the national car park will go from 9% in 1982 to 21% in the year 2000, whereas white ownership will drop from 70% to 55%," McCarthy said

These estimates are for cars only and exclude more than 100 000 minibuses owned by blacks

Not only will the car park become blacker — it will become older, with the average life of a car extending beyond 10 years in the new South Africa, he added.

"Cars will be smaller, lighter, more aerodynamic and more fuel-efficient. Electronics will represent 20% of the car's value as against 5% now," he said.

Asked where South Africa's vehicles would come from by the turn of the century, McCarthy said "I believe by then our market will be shared by the Germans and the Japanese to an even greater extend than it is today."

Turning to skills shortages, McCarthy said the training and advancement of blacks was not the responsibility of large companies only The issue concerned everybody in business

"Withing 10 years an additional 200 000 managerial jobs will need to be filled. Based on the projected numbers, there will be only 40 000 whites qualified to fill those positions," he added.

McCarthy said the longer term outlook for the motor industry was encouraging.

"At the moment, however, the industry is going through thin times — in line with the downward phase in the economy. This is illustrated by the fact that new car sales last month were the lowest for any april since 1986 — and we thought times were bad even then"

He said McCarthy group, which has annual sales of around R3bn, was showing its confidence in the longer term growth of the motor industry by pressing ahead with a R30m nationwide expansion and modernisation programme

BDay 30/5/90 (128)

McCarthy sees big black swing to car ownership

MORE than 60% of SA's purchasing power would be in black hands by the year 2000 and black car ownership would have almost trebled, McCarthy Group chairman Brian McCarthy told a Motolek Dealer conference in Johannesburg yesterday

He said black car ownership would rise to more than a million from the current total of 370 000, while the number of cars owned by whites would fall By the turn of the century 30 out of every 1 000 blacks in SA would be car owners, compared with the current 20

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Managerial

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McCarthy said the outlook for the motor industry in the longer term was encouraging

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He said McCarthy Group, which had annual sales of about R3bn, was showing its confidence in the longer term growth of the motor industry by pressing ahead with a R30m nationwide expansion and modernisation programme

"We budgeted for a difficult 1990 and have thus had no surprises What is gratifying, however, is that McCarthy Group has continued to increase its share of the country's new vehicle market in spite of the difficult trading conditions that have prevailed"

McCarthy has 12% of the new vehicle market, compared with 10,3% in 1984 Conditions in the motor industry will remain tough for the next 12 months, he said

"We should see the start of an upward phase by the second half of next year" — Reuter

Pepkor venture is paying off

By Jabulani Sikhakhane

Attempts by the Pepkor Group, to broaden ownership of the group and encompass people from whom it draws its custom, appear to be bearing fruit.

The company's recent venture with black shareholders on the Reef, Pep Reef, has posted outstanding results for the year ending February 1990. After tax profits increased 407 percent to R142 000 on a turnover was up 169 percent to R3,768 million.

The number of trading outlets doubled from three to six, this being financed from the company's own resources and the issue of shares.

Directors warn that further expansion plans in the forthcoming year, coupled with anticipated difficult trading conditions, are expected to add further pressure on margins

Pep Reef was formed in 1989, with a black majority shareholding, following the success of Pep Peninsula which boasts 30 stores, to give the black community an opportunity to share in Pep's success

Pepkor Group directors believe that by spreading share ownership through all levels of society, a wider distribution of wealth is achieved and it also serves to demonstrate the value of the free enterprise system to people who have sometimes had cause to doubt it.

The years ahead may well see an expansion of Pepkor's partnership philosophy into neighbouring countries and perhaps even further afield.

Teachers' 'no salary' claims are rejected

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Star 11/4/90

Education Reporter

The problems in education at coloured schools, which has resulted in a "chalks down" strike by Transvaal teachers, were being addressed by the Department of Education and Culture of the House of Representatives, a spokesman said at the weekend

The Ministers' Council said in a statement that there were problems which required careful consideration at national level It said claims by the Action Committee of Teachers, including that some teachers had not been paid for up to 10 months, were "blatantly untrue".

The department recognised that salaries for April were delayed because of administrative problems, but said this was sorted out the next month

"Every teachers owes it to every pupil in his charge to ensure that school time is beneficially and effectively used as necessary preparation for responsible participation in a post-apartheid South Africa

"The policy of the department with regard to education has already been fully stated

"Our objective is one education system in which equal opportunities and the same education standards for all the inhabitants of South African shall be provided."

Teachers downed chalk for the second time in a month nearly two weeks ago

Other demands include one single education department, the provision of equipment to schools, and a living wage

Politics clouds the black market

THE formidable power of the black market has roused the interest of developers and retailers alike — but they are being held at bay by vested interests within the urban black community.

Retailers have responded to the political resistance to "putting township money into white pockets" by offering partnerships to black businessmen, while developers have offered participation to private investors within the community.

But the general attitude within the property industry is optimistic.

Leadenhall partner Philip Vermeulen says: "Once the political situation is normalised a lot of resistance will fall away.

"Local shopkeepers would prefer to keep competition out, while the taxi industry stands to make a lot of money as long as people have to travel into white CBDs to shop.

"But the consumer wants brand names, and he wants them in convenient locations."

Scrapping of the Group Areas Act is expected to have little impact on shopping trends in established centres, where retailers and developers pitch their products at an income-based market rather than one defined by race.

CAPE TIMES 12/6/90 (128)

Survey shows huge income disparities

Own Correspondent

JOHANNESBURG — Statistics published recently by the SA Advertising Research Foundation (SAARF) demonstrate continuing huge income disparities in SA, with 74% of black households earning less than R700 a month in the 1988/9 period compared to 7,9% of white households (see table).

The figures are part of the latest All Media and Products Survey (Amps), which is produced annually and is aimed at the advertising and media industries.

About 16 400 households — urban and rural — were surveyed in the period August 1988 to April 1989.

The extent of the wealth gap is further illustrated by statistics at the upper end of the scale which show only 2,4% of black households earn more than R2 000 a month compared to 65,8% of white ones

And while recent studies have shown a substantial narrowing of the black/white wage gap in the last decade, the SAARF figures suggest no such narrowing — and possibly a widening — of the racial gap in household income.

The paradox, one economist said, was probably due to soaring black unemployment. While the wage gap between formally employed blacks and whites was narrowing in percentage terms, larger numbers of unemployed blacks reduced average black household income

The AMPS survey showed average white household income standing at R3 297 compared to R521 for blacks — a ratio of 6,3 to 1

The comparable ratios extracted from AMPS figures in 1984 and 1985 were 6,7 and 5,8 to 1 respectively.

JCI economist Ronnie Bethlehem and Rand Merchant Bank's Rudolf Gouws said they would require more time to systematically evaluate the data, but said they were "not surprised" by the inequality.

Bethlehem said the figures were alarming but roughly in line with a University of Natal study a few years ago

Huge income disparity in SA

B|Day 12/6/90

ALAN FINE

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□ To Page 2

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Monthly household income, 1988/89

Income group R Month	Whites	Coloureds	Asians	Blacks
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ave R month	3297	1059	1604	521

Graphic FIONA KRISCH Source AMPS

Disparity

B|Day 12/6/90

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□ From Page 1

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Bethlehem said the figures were alarming but roughly in line with a Natal University study a few years ago

"They highlight the extent of poverty in SA, and reinforce the perception that the problem relates to the distribution of poverty They also invite the question of what can be done about it — the 'redistribution' question," he said

He was also concerned about whether there was any narrowing of inequalities

He said that from 1970 to 1985 the black share of non-agricultural income had risen from 20% to 30% If this trend was not continuing it would probably be due to increasing unemployment, he said

Gouws said the AMPS figures showed "the enormity of the task which lies ahead", and that it would not be possible to eliminate the disparities "in a few years or even in a generation".

He said such figures might increase the desire of some to eliminate the differentials by punitive measures, but he cautioned against it

"What is needed is the elimination of apartheid and the opening up of opportunity through massive increases in education and training," he said

Black retail trade a developer's dilemma

B1 Day 12/6/90

THE black consumer holds the key to the future of SA's retail trade, yet development for this market is a minefield of contradictions

The developer sits on the horns of a dilemma On the one hand, he has a social obligation to help meet the aspirations of the black retailer — and sometimes political pressure is brought to bear on him to do so

On the other hand, he must satisfy consumer demand, which strongly favours the national trader

McCormick Property Developments MD John McCormick says "The philanthropic approach would be to develop a centre entirely tenanted by black entrepreneurs — but it would be a guaranteed failure"

McCormick has built nine successful shopping centres in rural areas during the past seven years

"I aim to achieve a balance By bringing in the brand-name retailers, I draw people to the centre — and they flow over into the shops owned by local traders

"We also encourage the informal sector to come in and at Isithebe have provided washing and storage facilities for them There is no reason why their presence should conflict with the standards of a First World retail centre"

Watchword

First World quality is the watchword in such developments It is a condition of tenure for his food major, for example, that it offers a full range of services, such as a bakery, butchery and delicatessen

In addition to constructing new centres, McCormick is involved in reviving a number of unsuccessful developments

"Some rural shopping centres are built like fortresses They are uninviting and their facilities — such as ablution blocks, public telephones and open spaces where people can relax together — are either non-existent or totally inadequate

"Black people living in rural areas are accustomed to travelling as much as 150km to shop They would have no hesitation in boycotting a centre which failed to bring them the right products or which they believed was of inferior quality," he says

The market does not only have immense buying power, it is also exceptionally sensitive to political pressure The developer of retail centres in rural areas needs to be a skilled diplomat seen to be bringing at least as much into the community as he is taking out of it

"In many of our centres, the national tenants effectively subsidise the smaller traders — in a reversal of the usual situation They recognise that for a local business to fail because the rent is too high could be disastrous for the entire centre," says McCormick

"We also encourage involvement in schemes aimed at upgrading the community For instance, my company is active in developing schools and promoting education

"Centres like ours provide an opportunity for First World traders to share their knowledge with their Third World counterparts," he says

"We are increasingly seeing partnerships between local businessmen and national chains All our fast food tenants are local franchise holders and the trend is developing in the liquor and hardware lines"



A significant characteristic of rural shopping centres is their open plaza-style design

Sat 15/6/90 (128)

How to read a balance sheet — 10

The income statement

Continuing our popular series by Richard Buchholz of accountants KPMG Aiken & Peat.

We have concentrated on the company balance sheet, which represents its financial position in terms of assets, liabilities, (share) capital and retained profits at a particular time.

Theoretically a company could draw up a balance sheet as often as it liked but the position changes so little from day to day that this would be a waste of time.

Usually companies produce monthly balance sheets for management's information and a full set of financial statements at the end of their financial year. A year is chosen by convention because it represents a useful, practical period on which to report to shareholders.

The cycle of the buying and selling activities that take place between each balance sheet date is recorded on the company's "income statement".

As we saw in Part 4, the income statement represents the link between the balance sheets for one period and another.

For our purposes we shall assume that our model company PTI is reporting on a full year's activities. When referring to an item in the income statement, we shall assume that it relates to a full year.

If you study a set of financial statements you will notice that there are usually very few items shown in the income statement.

A comprehensive income statement is included below. This should be retained, as we will refer to it from time to time.

Most of the details of the income statement are provided in the notes to the financial statements. These will be considered later. In the typical example which follows, note also how we disclose comparative figures.

Typically, the first item in the company's income statement will be TURNOVER, which represents total sales. In the case of our model company PTI this would be the total value of all spades sold in a year. In a manufacturing company, turnover is likely to be the largest figure in the financial statements.

Sometimes you will not actually see a rand figure under this caption — companies are legally obliged to disclose only the percentage increase over the previous year's turnover and they may choose not to disclose actual figures for strategic or competitive reasons.

You will notice also, when you look at an income statement, that the turnover figure is always underlined. This is intended to show that turnover does not fit into the actual calculations on the income statement and it is shown for information only.

The next important item in an income statement is OPERATING INCOME, which is a derived figure representing the income generated by the normal operating activities of the company.

This figure therefore will vary directly with the sales and purchasing activity, as well as other costs for marketing, distribution and administration which the company has to incur to operate normally.

Operating income, by definition, is the profit generated before items such as interest and investment income are taken into account.

Interest is paid or earned on amounts borrowed or lent, and investment income is income earned from investments the company holds; neither usually arises from the normal operating activities of a typical manufacturing company.

A simple example illustrates how operating income is derived (for a refresher, refer to article 4):

		R
Sales (turnover)		10 000
Less:		
Cost of sales		7 500
Gross profit		2 500
Less:		
Selling expenses	500	
Admin expenses	500	
Distribution expenses	500	1 500
Operating Income		1 000

As you can see, this is very similar to the mini-income statement we considered in Part 4.

It is important to note we have not yet deducted the interest expense (nor added investment income) as these will be considered later.

The selling, administration and distribution expenses are also known as "overheads" and represent all such expenses that have not previously been included in the "cost of sales".

Cost of sales usually represents some or all of:

* The cost of raw materials used in products sold to customers during the year.
* The cost of labour used to make products sold to customers during the year.
* The costs of items such as factory rent, electricity, water and the like, which are incorporated where possible in the cost of the products sold to customers during the year.

The company would aim to be able to say with accuracy that the full cost of the product it sold would include the cost of all of these elements.

The way in which these costs are applied to cost of sales (to products), and which costs actually are included in the cost of a product, varies from company to company, but the principles are the same.

Cost accountants are typically responsible for these allocations.

From our income statement example, we can see that operating income equals gross profit less overheads (excluding interest and investment income and any other non-operating costs of income).

In this simple example, we have disclosed the full breakdown of operating income, but companies are not legally required to do so.

All they are required to disclose are some of the important operating costs, such as depreciation and lease charges, but these are usually shown in the notes to the financial statements to keep the income statement brief and neat.

The next items usually found in an income statement are the non-operating items such as interest paid and investment income.

Interest paid represents all interest paid on overdrafts, loans and other borrowed amounts, and investment income would include interest and dividends the company received during the year from the investments, if any, that it holds.

These are important to consider separately from operating income as they are normally not a product of the company's operating activities, and analysts need to remove all such items when they analyse the company's true performance. We will look at this later.

MONDAY: Taxation, an expense that probably rings alarm bells for all.

Income gap even wider

By DESMOND BLOW

MORE than half of all black households in South Africa had an income of less than R400 a month up to April last year, according to statistics published by the South African Advertising Research Foundation (SAARF).

Less than three percent of white households had a similar income.

A further 23 percent of black households had an income of less than R700 a month, while only about five percent of white households earned that amount.

Despite efforts during the past decade to narrow the gap between white and black incomes, statistics show there is still an enormous difference. In fact, the ratio has increased since 1985 due to increased unemployment – more among blacks than whites, economists say.

The figures are based on a survey of about 16 400 households – urban and rural – from August 1988 to April 1989.

The extent of the wealth gap is further illustrated by statistics that show that less than three percent of black households earn more than R2 000 a month, while nearly 69 percent of white households have that income.

The figures are part of the latest All Media and Products Survey (Amps) which is done annually for the media and advertisers.

The survey shows the average monthly white household income was R3 297 compared with R521 for blacks – a ratio of 6,3 to one. In the 1985 survey the ratio was 5,8 to one.

Rand Merchant Bank economist Rudolf Gouws said unemployment would continue until there was an upswing in the economy.

"As long as interest rates remain high there cannot be an upswing and I believe this will take a year to 18 months."

Gouws said ANC deputy president Nelson Mandela's call for continued sanctions was not having a real effect, as overseas investors would be unwilling to invest in South Africa until the country stabilised and they knew what sort of economy to expect in future.

Nationalisation and the talk of nationalisation had frightened them off, he said, and no large-scale investments could be hoped for until the talks between the government, the ANC and others had been finalised, which could take several years.

However, the government's political concessions had assisted the ecomony in that the government was now able to turn over some of its foreign debt.

Investing for the over-40s

Edited by Magnus Heystek

Tax break for share investors

The removal of the tax on dividends paid to equity investors — announced in the March Budget by Finance Minister Barend du Plessis — was welcomed by the investment community, for it at last provides a source of tax-free income which also has a chance of capital appreciation.

However, this additional benefit is unlikely to boost activity and share prices materially on the Johannesburg Stock Exchange, says Syfrets portfolio manager Patrick Chapman

Mr Chapman says the private investor holds only a small percentage of the shares listed on the JSE and sentiment and fundamentals still play a far stronger role than would any tax breaks on dividends investors would receive

He advises clients that this tax dispensation — which can boost investment income by about 40 percent — does not necessarily mean a signal to go out and spend

Mr Chapman warns "Part of the income from your investment portfolio or your holding of unit trusts will certainly comprise interest on the liquidity invested in the money market

He did not give them undertak- Labour Affairs (Saccola)

Call for better deal for nature conservationists

128 Star 20/6/90

Pretoria Correspondent

The Public Servants' Association (PSA) has called for a massive salary injection for nature conservationists

This includes a 40 percent pensionable salary increase for nature conservation officers, as well as the implementation — backdated to 1983 — of a new dispensation for research technicians

A report in The Public Servant magazine describes the 465 nature conservation officers, research technicians and conservation scientists as a "crisis group"

Gross starting salaries for learner conservation officers with matric were R642 a month and those for qualified nature conservation officers R1 139, while the average salary of the 343 nature conservation officers employed by the State and Cape and Transvaal provincial departments was R1 610 a month

This, the article said, was R409 a month less than that of any similarly qualified personnel in the public service The TPA responded by saying it had consistently given support for better salaries

Town clerks' increases spark row

By Louise Burgers, Municipal Reporter

The Federation of Municipal Trade Unions yesterday warned that labour peace in local authorities countrywide was under threat from a decision to give town clerks a 10 percent pay increase, thereby restricting the increases of all other municipal employees.

The salary adjustments of town clerks, the chief executives of city and town councils, were determined by the Town Clerks Remuneration Board, which effectively put a limit on the salary and wage adjustments of employees on lower scales.

Dr Lorraine Lotter, vice-president of the federation, which represents 240 000 municipal employees nationwide, said the 10 percent increase for town clerks came at a time when Industrial Councils around the country were involved in labour disputes where amounts of more than 10 percent were being sought by workers.

Dr Lotter is also the president of the Johannesburg Municipal Employees Association, which represents all 13 unions in the city council.

No effect

In terms of the Town Clerks Remuneration Act the salary of no municipal employee was allowed to exceed that of the town clerks, which was "fair enough", but when they (town clerks) only got a 10 percent increase it restricted the increases of every other employee

The Act overrides the Labour Relations Act. Some Industrial Council decisions had no effect when employees went to them over their salaries because of the limit imposed by the Town Clerks Remuneration Act

Dr Lotter said this made a mockery of the Labour Relations Act

She said they had obtained legal advice and were reserving their rights. She emphasised, however, that strike action was not contemplated because it was illegal.

Unions objected vigorously to the Act when it was promulgated in 1984 and have met with various Cabinet Ministers over the years, to no avail.

"Ministers do not want to listen and our employees are fed up We have tried to avoid drastic action and look at what has happened."

Consumers' outlook gloomy

WHITE consumers' outlook on their financial situation over the next 12 months has deteriorated to its lowest level in nearly five years, according to the Stellenbosch University-based Bureau for Economic Research (BER)

In addition, they have grown more pessimistic in their views on the near-term future of the SA economy

BER director Ockie Stuart says in the bureau's latest trade and commerce survey report the findings indicate that spending on high-priced goods is likely to be "very sluggish" during the second half of the year

The index reflecting white consumers' views on their financial situation dropped from 112 to 90 during the second quarter — on a par with the figure for the fourth quarter of 1985 and the lowest measured since then.

"Blacks also reported an anticipated deterioration in their financial situation, but their index is still somewhat above that of whites," he says

The index measuring white consumers' attitude on the near-term economy dipped from 105 in the first quarter to 97, slightly below the neutral 100 level. The index for black consumers was even lower at 92

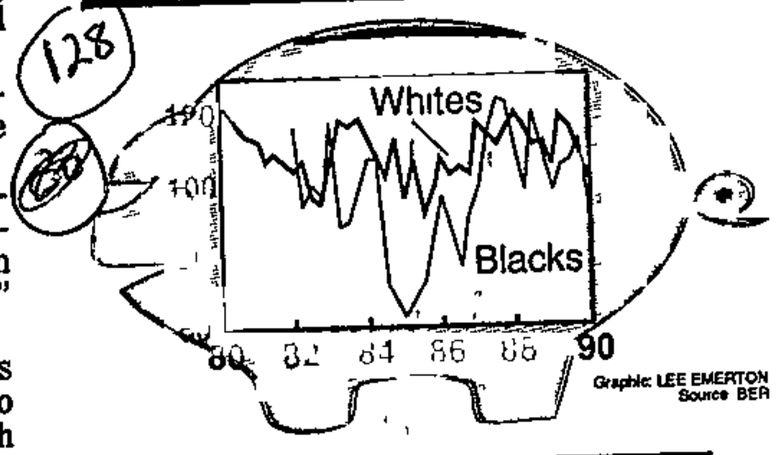
"The implication of these drops is simply that both groups will be reluctant to buy goods, particularly on credit," Stuart says

These factors contributed to a feeling among all consumers that it was not a good time to buy products such as domestic appliances, cars and furniture.

"The index figure of 80 measured in the case of whites is the lowest in three years Black consumers also view the current time as being bad for buying high-priced goods, but they are not quite as pessimistic"

According to Stuart, the tempo of activity in the wholesale, retail and motor sectors is slackening "fairly rapidly"

Personal finances



SYLVIA DU PLESSIS

Wholesalers' sales volumes during the survey period failed to match expectations, while retailers — the majority of whom plan to place fewer orders in the third quarter — anticipate demand to become more sluggish

Sales of both new and used motor vehicles also failed to meet forecasts, with the majority of dealers projecting further declines. Even the spare parts sector found the going "a little bit tougher than usual", Stuart says

The BER's survey of the SA manufacturing industry found manufacturers' business confidence has "turned negative" for the first time since 1987

Stuart says the main constraints hampering business activities were the current level of short-term interest rates, insufficient demand, the skilled labour shortage and current general political policy.

Sanctions as a constraint "eased somewhat", but the extent to which this can be ascribed to talks about the easing of sanctions is uncertain

Threat of nationalisation focuses minds and scores tactical success

THE pattern of income distribution in SA is one of the most unequal in the world, according to the Institute for Futures Research of Stellenbosch University.

In the 1989 edition of its annual publication, Business Futures, the institute points out that SA's "Gini coefficient" — an internationally accepted formula which measures the inequality of income distribution on a scale of 0 to 100 — is above 60.

The accompanying graph in essence indicates that the top 10% of income earners receive as much as 50% of the total annual income in SA, while the poorest 50% earn only 10% of the total income

This extreme socio-economic inequality is to a very large degree racially based The top 10% of income earners receiving half of total income are almost exclusively white, while the bottom 50% earning a 10th of total income are almost exclusively black. The average income of whites is more than five times higher than that of blacks

Furthermore, the absolute level of income of a very large proportion of the population is very low Besides the fact that at least 20% of adult blacks are effectively unemployed, statistics in a recent edition of the Innes Labour Brief indicate that even the income of the majority of employed blacks is below that required for decent subsistence at this stage Business Futures estimates that "at least half of all South Africans live in conditions of extreme poverty"

Little security

Further, due to the fact that the ownership of assets is even more skewly distributed than income, most whites have some form of property or built-up savings which can be liquidated or provide access to credit in case of sudden catastrophe like the loss of a job — and can afford to devote part of their income to insuring themselves against a loss of possessions.

By contrast, most blacks have little or no security or buffer against catastrophe or loss, and cannot afford to insure their possessions Thus, even many of those not living in extreme poverty are living "on the edge" — with the enduring prospect of lapsing into extreme poverty if a job or possessions or the life or health of an income-earning spouse are lost

The extremely unequal situation of "rich whites and poor blacks" is largely attributable to more than a century of systematic racial discrimination in the SA political economy

This began with the seizure of black land, forced labour, influx control and business restrictions in the 19th century — and was intensified by further influx control, job reservation, inferior education, inferior spending on other social infrastructure, unequal pay for equal work, and prohibitions on property ownership and on much black business activity for most of the 20th.

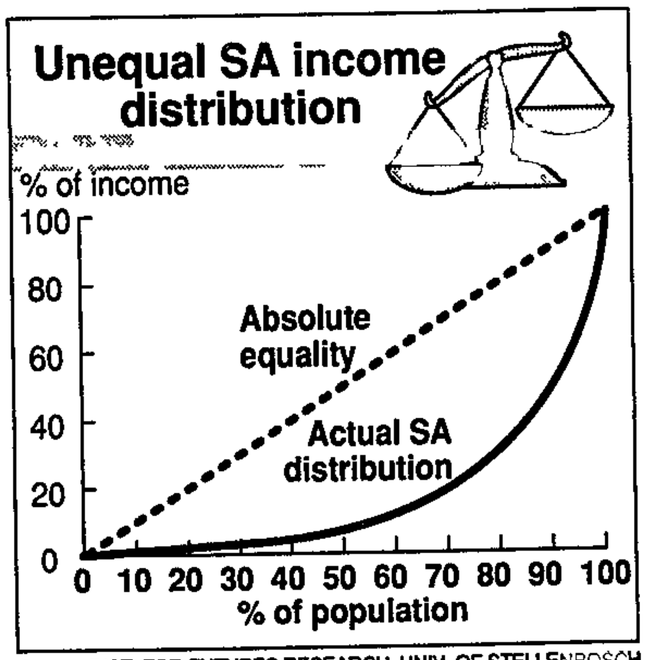
Against this backdrop, ANC leaders have in recent months put forward the concept of nationalisation of certain private business sectors as a mechanism of redistri-

NICK BARNARDT

bution This immediately sparked business uncertainty as well as extensive public debate From the international business and financial community and from the domestic white population, the response to the idea of nationalisation has been predictably negative

I share the general scepticism surrounding nationalisation as a future option, for two main reasons Firstly, domestic financial considerations render any substantial nationalisation impossible Government's debt already totals some R85bn, and already some R12bn tax revenue per annum is devoted to paying interest on this debt

There is simply no way any SA government can borrow the tens of billions of rands needed to buy the mining



Source INST FOR FUTURES RESEARCH, UNIV OF STELLENBOSCH
Graphic: FIONA KRISCH

industry alone from the private sector, and pay the added billions of rands in interest per year

And to pay for the nationalised industries with tax revenue would necessitate so big a tax increase as to kill off much of the private economy — or massive cutbacks in more essential components of existing government spending Furthermore, the need for higher spending on basic services like education, housing and health will be a far greater priority for any future government than spending billions of rands on purchasing private industries On simple fiscal grounds, nationalisation as a future strategy is unrealistic and impracticable

Secondly, nationalisation is a highly discredited economic strategy in the international arena Besides the complete failure of nationalised economies in Eastern Europe and the Soviet Union, there has also been a concerted move away from nationalisation and towards privatisation both in Western industrialised countries and in developing countries in Asia, Africa and South America in the past decade

One of the most spectacular failures of nationalisation in the 1970s and probably the fastest move away from it in the 1980s occurred on SA's doorstep in Mozambique In Zambia, President Kaunda recently announed plans to sell government-controlled parastatals, saying "we made one gigantic error"

The abject failure of nationalisation across the African continent, in which governments sped an average 10% of their budgets subsidising the losses of government-controlled business enterprises, is one of the major reasons for the new governments of Zimbabwe in 1980 and Namibia in 1990 refraining from major nationalisation moves

Due to SA's open economy and the country's urgent need for infusions of international investment and loan capital (realities which form the basis of any call for sanctions), no future SA government can afford to apply economic strategies which would scare off foreign business, investors, and bankers

All in all, nationalisation can be discarded as an economic strategy It is financially impracticable and internationally discredited The ANC leaders themselves, as informed and intelligent people, are probably fully aware that it is simply not a viable future option They can be assumed to have utilised the concept of nationalisation mainly as political rhetoric

Special fund

As a tactical manoeuvre, this has been highly successful The reduction of inequality and the restructuring of the economy has been moved into the centre of the unfolding political arena, sharply into the focus of public debate and high on the agenda of the business sector

This is demonstrated, inter alia, by the government placing R3bn in a special fund for socio-economic upliftment, private business enterprises providing large amounts for alleviation of poverty, looking with new eyes at the the social needs of their own black employees, and hurrying to confer with ANC leaders on ways of building a new economic future together; and newspapers and journals carrying increasing reports on inequality and all sorts of new creative ideas about how to reduce inequality without nationalisation

Suddenly, the question is no longer whether redistribution and reparations are necessary, but how they can best be achieved without damaging the country's long-term economic growth performance There is a growing acceptance of the need for economic restructuring in SA — a restructuring of priorities, institutions, government finance and overall investment spending, development incentives and opportunities, and eventually in the pattern of income and wealth distribution

In short, the great "economic restructuring" debate has at last taken off in earnest While a number of factors have played a role in this regard, it largely demonstrates the tactical success of Mandela's rhetoric

☐ **Barnardt is TrustBank chief economist.**

Sharp increase in number of big earners

PRETORIA — The number of big earners in SA increased sharply between the 1988 and 1989 tax years

In 1989 4 345 people received pay packets totalling between R150 000 and R200 000 for the year This compared with 3 782 in the same bracket during 1988

A total of 2 076 taxpayers earned more than R250 000 in 1989, according to Inland Revenue statistics released yesterday

They paid R336,6m in taxes or 3,22% of the total of R10,5bn collected Comparable figures for 1988 show 2 003 in the highest listed bracket who paid R348,943m or

GERALD REILLY

3,38% of the R10,321bn collected

At the other end of the scale there were 315 887 (436 112) taxpayers getting pay packets totalling between R10 000 and R15 000 in 1989

They paid R212,189m (R353 776m) or 2,03% (3,43%) of total collected

These decreasing figures at least partly reflect the influence of trade unions in negotiating wage increases for large number of workers, one economist said

In the R45 000 to R50 000 bracket the number in 1989 was 65 974 (61 160), in the R50 000 to R60 000 bracket 82 642 (69 235), in the R60 000 to R70 000 bracket 42 997 (33 292), and R70 000 to R80 000 23 981 (17 337)

Those in the R80 000 to R90 000 bracket increased sharply from 10 129 to 14 078 in 1989 The same trend was noted in the category R90 000 to R100 000 The 6 564 in this category in 1988 rose to 8 587 in 1989

Economists point out the increasing numbers moving up into higher tax categories indicate the rich consequences of bracket creep for the exchequer

Pay packets are thinner, says the Reserve Bank

ANDREW GILL

A SLOWING down of the rate of increase in total nominal remuneration of employees was apparent in most sectors of the economy, most noticeably in mining and general government, said the latest Reserve Bank quarterly bulletin

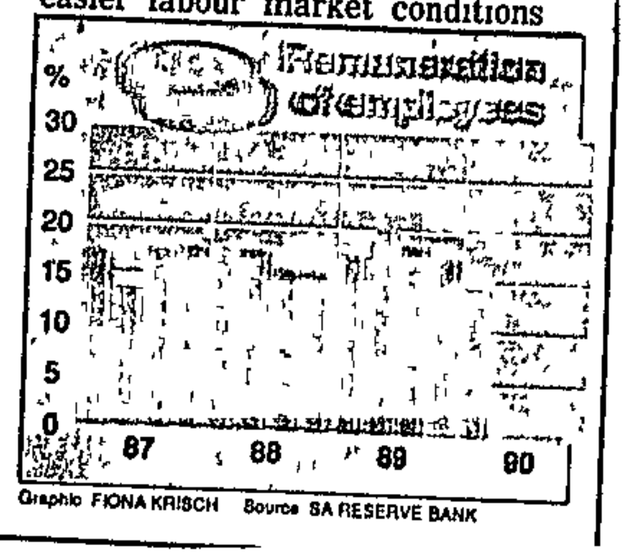
The annualised rate of increase in the total remuneration of employees slackened to about 10% in the first quarter of 1990 compared with a 23,5% increase in the first half of 1989 and a 12,5% increase in the second half of 1989, the bulletin said

In the mining sector the slowdown was attributed to, among other things, a gradual reduction in the number of workers employed, especially in the gold industry where marginal or vulnerable mines had been cutting back on their operations.

The fact that the National Union of Mineworkers had only submitted their wage demands in the second quarter of 1990 was another factor, the bulletin said

In general government, an overall increase of 10% was only granted from the second quarter of 1990 compared with a 15% adjustment in 1989 that came into effect in the first quarter of the year

The gradually lower rates of increase in nominal remuneration in other sectors in the first quarter of 1990 was a reflection of apparently reduced rates of new job creation and easier labour market conditions



Graphic FIONA KRISCH Source SA RESERVE BANK

inflation down, especial- in the year if the desired Sapa

Economic growth seen as first priority for SA

Own Correspondent

JOHANNESBURG — Redistribution of income was a function of economic growth in well-managed economies and not the reverse, as some influential people in SA argued, Standard Bank Investment Corporation MD Conrad Strauss said yesterday

Addressing the East London branch of the SA Institute of International Affairs, he said those economies which had put economic growth as their first priority were performing best.

Both Taiwan and Korea, for example, had grown at a "breakneck" pace but had sharply reduced inequalities of income at the same time Their successes arose from prioritising economic expansion on the realisation that the key to competitiveness was productivity

The work ethic was an essential weapon in the race towards international competitiveness, he said

Another had been a move from economic nationalism and protectionism to acceptance of mutual dependency, open international economic links and a guiding perspective of the world as one market.

"It is now understood that unduly heavy protection of domestic industry as a means to rapid growth in the long run is counter-productive. The home market becomes too attractive to potential exporters, prices rise and international competitiveness is lost"

But, he said, sub-Saharan Africa in 1985 accounted for 16% of the world's poor "By the end of this century this will have risen to over 30%, representing 250m people.

"In the past decade, industrialised countries increased their real GDP by about 3%, developing countries by 4,3% The corresponding figure for sub-Saharan Africa was 1%

"In the same period, industrialised countries increased their export volumes by nearly 5% and developing countries by 6,1% Sub-Saharan Africa's growth was zero," he said

SA had performed almost equally badly — in real per capita terms it had grown steadily poorer since the early 1970s — but it had "sufficient dynamics" and a strong infrastructure to act as a catalyst for the revival of the region as a whole.

SA in general and Johannesburg in particular would probably become the region's "financial hub"

"The Development Bank of Southern Africa could become a regional development bank, serving not only SA but a new southern African economic community," he said

The change now under way in this sub-continent was potentially "as profound and unsettling" as that of Eastern Europe

"One would, however, expect that internal political legitimacy on the part of a new SA government would result in an end to the coercive diplomacy of the past and a move to a more collaborative posture

"A commitment to an acceleration of economic co-operation could do much to reinforce and sustain this change"

Protea boosts premium income

Sto. 15/8/90 (128)

Finance Staff

Composite insurer Protea Assurance recorded a 28 percent increase in premium income to R97,9 million during the six months to June 30. At 134,4 percent, the solvency margin remains virtually unchanged, reflecting the group's considerable financial strength.

Net asset value per share has climbed from R23,24 to R29,42. However, current market conditions have adversely affected the short term results. The group was hit by an ongoing deterioration in the motor account, by the Welkom tornado in March and by extensive fire damage to a Pretoria electronics factory in April.

This, together with a "disturbing" escalation in the crime rate contributed to an underwriting deficit of R13,9 million, compared with the loss of R1,6 million for the 12 months to December.

In view of the group's inherent financial strength, however, the interim dividend has been maintained at 20 cents per share on earnings of 17 cents per share.

Managing director Tony Crank says that the underwriting loss illustrates the difficulties currently being encountered by the insurance industry.

Protea's life division saw a dramatic 47 percent increase in premium income.

Time Holdings sees 18% earnings decline

Taxed earnings of property and insurance group Time Holdings fell 18,6 percent in the the half-year to June

Despite worsening economic conditions, the fast-growing commercial property and financial services divisions continued to perform satisfactorily, reporting strong growth in income and profits.

Time's housing arm, accounting for 45 percent of group turnover, however, was hit by poor trading conditions and a loss of R3 million was incurred.

"Large-scale unrest, coupled with continuing high interest rates, has resulted in extremely difficult trading conditions for the housing industry this year," says executive chairman Colin Hibbert.

"Action has been taken to cut overheads and, provided there is no further deterioration in the economy or the unrest situation, we expect the division to return to profitability in the near future." — Sapa

Bloch raises earnings and dividends

Star 27/8/90

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Bloch has reported a 20 percent improvement in dividends from taxed income of R801 151 for the 12 months to June

The final dividend of 2,4c a share, compared with 1989's 2c, brings the total for the year to 4,2c (3,5c) a share

This came from earnings of 4,3c a share against 3,6c in 1989 and 3c for 1988 (16 months).

Bloch derives most of its income from royalties paid for the use of trademarks by trading companies in the Bloch supermarket group, which operates in the southern, western and eastern Cape.

Chairman Bernard Rabinowitz says the advance in taxed income to R801 151 (R672 546) was achieved in the face of a slowdown in the economy.

"Royalty income grew by 17 percent and interest received by 48 percent due to larger cash balances and high interest rates, he says." — Sapa

Productivity not keeping pace with wage increases

WAGES and salaries increased by an average of 25 percent per person a year while output has not gone up at all, Manpower Minister Eli Louw said in Johannesburg yesterday

Speaking at a dinner in honour of national productivity award winners, Louw said South Africans as a nation could not consume more than was produced.

"If we cannot produce more per person, we cannot consume more per person.

"Already we find that we are pricing ourselves out of international markets," he said.

The Government and the private sector must work together to develop training methods.

Louw said he wondered if organised labour, which in the past had used the marketplace as there was no other political forum, would continue along this path.

"Will this approach still be appropriate in the new South Africa where different circumstances will prevail and where everybody will be required to make a maximum contribution to wealth creation?"

He warned against excessive demands within the labour market by "have nots" and growing labour unrest causing growing unemployment, lack of investment and poor returns on capital. - *Sapa*

Black spending helps to foil lower earnings trend

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B10ay 4/9/90

MERVYN HARRIS

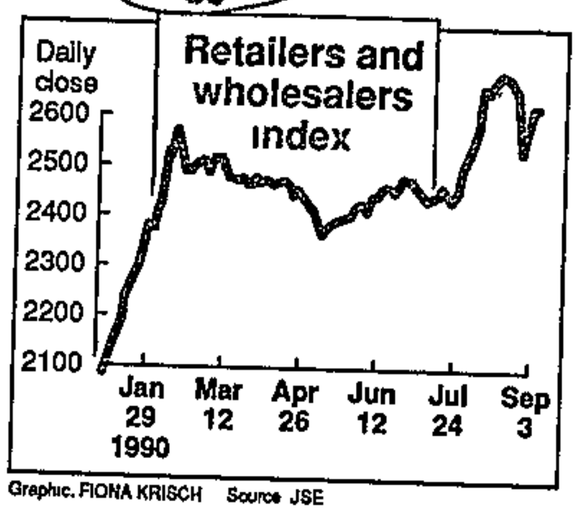
WAGE increases for black workers above — or at least in line with — the inflation rate, could be the major reason why many consumer companies are bucking the general trend of lower corporate earnings, say analysts.

The rent holiday in Soweto and other black townships could also have increased the availability of black discretionary income. The ending of the boycott should, therefore, have an impact on spending patterns.

Consumer durables and semi-durable goods are usually hit hardest in a recessionary climate But results from Wooltru, Foschini and furniture groups J D Group and Rusfurn show they are weathering the storm better than most other companies, and Pepkor has indicated earnings are on an uptick

Ed Hern Rudolph's Syd Vianello ascribed the improved performances of these companies to black workers spending the money they had been receiving in above inflation-related wage increases

"As people's needs and aspirations improve, they spend more money on items which enhance their status These include things such as good clothing and furniture in the house," he said



Graphic: FIONA KRISCH Source: JSE

This view is shared by other analysts who have been surprised by the resilience of consumer-based companies, which normally feel the crunch of a downturn more than other companies

Mathison & Hollidge's Aloma Jonker said that the relaxation of HP restrictions earlier this year helped furniture companies put in good performances

"The lifting of the restrictions released pent-up demand for furniture. Foschini does a lot of credit sales, which do well in recessionary times, and Wooltru was boosted by its image of a quality store.

"But not all companies have done that well, which suggests that good management is a crucial factor Those companies best able to manage stock turns and margins have shown the benefits"

But both Jonker and Vianello see more difficult times for consumer companies in the months ahead, as the recession bites deeper

Jonker noted that clothing inflation was running higher than the CPI, which could put the squeeze on companies Moreover, the growth in furniture sales was already showing signs of weakening

"The months ahead are going to be difficult and it will all come down to how management copes with the situation," she added

Vianello said increasing retrenchments in the labour market, as the economy remained in the doldrums, would also slow the rate of growth in expenditure on consumer goods

Wage gap between blacks and whites 'remains substantial'

SIXTY-eight percent of black families live on less than R600 a month, according to research published yesterday by the SA Institute of Race Relations (SAIRR)

Research officer Ahmed Jooma says in Social and Economic Update that the average household subsistence level (HSL) of urban African households is R564 a month, whereas 60% have a monthly income of less than R500 a month

Jooma says that in 1981 black workers collectively earned about half the amount whites did

Despite a narrowing in the wage gap between race groups (blacks are now earning 70% of what whites are), the difference in the income level between blacks and whites remains substantial

Business Day Reporter

He says official figures estimate that there are three million unemployed people in SA Two million of those are subsistence farmers and people in the informal sector

Statistics indicate that about 400 000 people enter the job market every year, although there are very few jobs available

There are 13,6-million economically active people in SA and the homelands, 58% of whom are employed in the formal sector A total of 2,7-million blacks were employed in the informal sector in October 1989

The black infant mortality rate declined from 76 per 1 000 live births in the four years between 1970 and 1974 to 62 per 1 000 in the years 1983 to 1987

From 1980 to 1984, the infant mortality rates for Indians, whites and coloured people per 1 000 live births were 20, 13 and 57 respectively — a decline in comparison with the period between 1970 and 1974 when figures were 38, 20 and 98 respectively

Wage shocker

Sowetan 5/9/90

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A TOTAL of 68 percent of all African families live on less than R600 a month, according to research published yesterday by the South African Institute of Race Relations.

Writing in the latest edition of Social and Economic Update, Ahmed Jooma, a research officer at the Institute, shows that 68 percent of urban African households have an average household subsistence level (HSL) of R564 a month, whereas 60 percent have an HSL of less than R500 a month

Jooma says in 1981 African workers collectively earned about half the amount whites did.

Despite a narrowing in the wage gap between race groups - blacks are now earning 70 percent of the amount earned by whites - the difference in the income level between blacks and whites remains substantial.

Turning to the subject of unemployment, Update notes that official figures estimate that there are three million unemployed people in South Africa Two million of those are subsistence farmers and people in the informal sector.

Statistics indicate that about 400 000 people enter the job market every year, although few jobs are available

Jooma's research suggests that this is because of the mismatch between the academically oriented system of education and the need for people with technical skills.

Currently there are 13,6 million economically active people in South Africa and the homelands, 58 percent of whom are employed in the formal sector.

A total of 2,7 million blacks were employed in the informal sector in October 1989.

Despite poverty and poor living conditions, however, statistics prove that the infant mortality

Millions live on less than R600 monthly

rate for all population groups is declining, according to the SAIRR

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From 1980 to 1984, the infant mortality rate for Indians, whites and coloured people per 1 000 live births were 20, 13 and 57 respectively. - Sapa.

64 teachers dismissed

SIXTY-FOUR primary and high school teachers in the Moutse area have been dismissed by the Department of Education and Training

A spokesman for the Moutse Teachers Union told the *Sowetan* yesterday that the teachers were served with letters of dismissal on Friday He said they were expelled with effect from August 1 for allegedly being absent from work for 14 days.

The spokesman said the DET went ahead and dismissed the 64 in spite of its announcement that teachers who had not attended classes since July 10 would have their salaries adjusted as a reprisals

A DET spokesman yesterday confirmed the dismissals. He said as far as the DET was concerned, the teachers would remain dismissed until they had proved that they were not absent from work for the said period.

CAPE TIMES 5/9/90

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Cape

R564 a month for 68% of blacks

JOHANNESBURG. — A total of 68% of all black families live on less than R600 a month, according to research published yesterday by the South African Institute of Race Relations.

Writing in the latest edition of Social and Economic Update, Mr Ahmed Jooma, a research officer at the Institute, shows that the average household subsistence level (HSL) of urban black households is R564 a month, whereas 60% have a monthly income of less than R500 a month.

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RACE RELATIONS FM 14/9/90

POVERTY FOR MOST

More than half of all black families live on a monthly income of less than R500 a month — a figure 12% lower than the poverty datum line, or household subsistence level (HSL) of R564 for black families

The HSL is calculated by the Institute for Planning Research at the University of Port Elizabeth (128)

Ahmed Jooma, a research officer at the Institute of Race Relations, writes in its latest *Social and Economic Update* that, despite a narrowing in the wage gap between race groups (blacks, coloureds and Indians in the same categories of work now earn 70% of what whites do, compared to half of white earnings in 1981), the difference in income levels between white and black South Africans remains substantial

This is exacerbated by a mismatch between an academically orientated system of education and the need for people with technical skills, Jooma found This meant that though 400 000 people entered the job market each year, there are not enough employment opportunities There are now 13,6m economically active people in SA and the homelands, of which 58% are employed in the formal sector.

The significance of the informal sector is growing and by October 1989, 2,7m blacks were employed in it

Despite poverty and poor living conditions, Jooma notes, infant mortality for all population groups is declining The black infant mortality rate declined from 76 per 1 000 live births between 1970 and 1974 to 62 per 1 000 from 1983 to 1987 From 1980 to 1984 the infant mortality rates for Indians, whites and coloureds per 1 000 live births were 20, 13 an 57 respectively — a decline in comparison with the period between 1970 and 1974 when figures were 38, 20 and 98 respectively. ■

Black salaries are lagging far behind

DESPITE the pace of political reform, the average black employee is almost six years behind his white counterpart in salary

Black Jobs MD Dalene Stiff says over the past two years her company has monitored salaries paid in Johannesburg in several categories.

"Based on a portfolio of more than 10 000 black job applications, we have found blacks are earning the equivalent of what white workers with similar qualifications and experience were being paid during 1984," Stiff says

"This is particularly true in small to medium-sized companies and in posts such as administration clerks, telephonists and general office secretaries

"The major corporations are an exception, upholding their claim of equal pay for equal work and equal opportunity regardless of race, sex or creed"

No option

A company can often save up to 50% on a salary be employing a qualified and experienced black person

At the same time, economics dictate that many black people have no option but to take the job at a below-average salary

"The gap can be attributed to a perceived supply and demand situation," Stiff says

"The perception is that there is a shortage of skilled staff — and if an employer insists a white person be recruited, the employee could be in a position to demand remuneration at an inflated level

"On the other hand, the oversupply of black jobseekers ensures black employees accept what they can get because the alternative is no job at all"

Other factors also put the employer into a strong bargaining position when recruiting a black employee, she says

For example, few blacks below senior management level are recruited through traditional channels, such as recruitment agencies

This is partly because many agencies prefer not to devote their resources to job categores that pay less than R1 500 a month

Explosive

As a result, black people in these fields are recruited by word of mouth, by answering classified advertisements and by knocking on doors

"The salary gap between white and black staff is a potentially explosive issue that could become important in the SA of tomorrow," Stiff says

"Political parties to the left are already calling for the redistribution of wealth and accelerated black advancement

"Pressure from the political quarter to redress salary imbalances will be led by trade unions"

The personnel recruitment industry, she says, has a part to play in defusing this situation

"By bringing together black office staff and employers, the industry can play a mediating role

"The opportunity is there to help close the salary gap, ease unemployment and help employers discover the skills shortage is not as drastic as many would have us believe," she says

Black motor ownership to double in 5 years

By SELLO RABOTHATA

BLACK buying power holds the key to the future growth of the South African motor industry, according to the country's largest motor vehicle distributor, the McCarthy Group.

"It is the potential growth in the black market which convinces the (McCarthy) board that, in the longer term, the growth of the motor industry will exceed that of the overall economy," group chairman Brian McCarthy tells shareholders in his annual statement.

He says black ownership of vehicles is projected to increase from the current level of about 25 per 1000 of population to 40 per 1 000 within the next five years.

"Should this occur, by the year 1995 there will be 1,24 million units on the road owned by members of the black community compared with 650 000 in 1988," says McCarthy.

He adds that current white ownership, at 484 units per 1.000, is considered to be close to saturation point. He says that although the current slow growth in black buying is to be expected under prevailing circumstances, the situation is aggravated by the difficulties which buyers experience in obtaining credit.

"The actions of certain black communities in withholding rent or bond repayments obviously influence financial institutions in the granting of credit generally.

"It is to be hoped that leaders within those communities will emphasise the self-defeating nature of these moves."

Violence

He adds that the level of violence and unrest has undoubtedly affected the overall motor vehicle market.

A simple example would be the decline in sales of mini buses (largely to Sabta) which has been influenced by the significant increases in insurance premiums as a result of their vulnerability to unrest action, as well as to their inordinately high accident rate

Omnia (128) Sker 1/10/90

Omnia Holdings increased distributable income to R3,1 million for the six months to June, compared with R2,6 million for the comparative period last yer

Turnover rose to R157,4 million, up from R134,9 million last year

An interim dividend will be considered at the company's November meeting. — Reports by Finance Staff and Sapa.

CHEERS!

W/E Mail 5/10 - 11/10/90

Here's to the harmonious, happy new South Africa ... just watch the beer ads

EMMA GILBEY reports on the new non-racial adverts and the people who make them



MEET Roddy He's young, coloured 20-something — a bit of a thinker Roddy's the kind of guy who wants the new South Africa to be a more open place You know, the kind of place where people really talk to each other and tolerate differences

Meet Roddy's friends Mike's the black one He's creative — works in a theatre Mike would like us to be judged as human beings and not on colour When that happens, Mike feels the colour issue will disappear

Philip, Roddy's white friend, believes South Africa could become a role model for the way people can work out problems It won't be easy but, hey, it sure will be exciting

Do you know these people? If you watch television you do Here's a clue

"The rules are changing with every year
Thus is the future, thus is the beer
Yesterday's over —
We'll take it from here."

And finally

"Ohlsson's lager —
My kind of beer"

Yes, these are the Ohlsson drinkers, the architects of the new South Africa. The middle class consumers of today and tomorrow sitting and drinking and sharing a few thoughts Or so South African Breweries would have you believe But is it true? About 85 to 90 percent of the beer market is made up of black, lower income, blue collar workers How do they identify with the less traditional, better off characters in the beer adverts?

They don't necessarily have to — a key word in the advertising industry is "aspiration"

"As people come into cities they tend to identify with the new city lifestyle with people they would like to be the phenomenon is one of aspiration," says Bruce Starke, SAB's advertising guru

"We reflect what is happening to a small number of people If that is desirable to a broader mass then they aspire to that"

"Our ads are aspirational but reachable," says Larry Shiller of Coca Cola, describing the Sprite adverts where a fun-loving group of blacks and whites are jet-skiing and dune surfing

"We have always been quite careful to integrate in a natural way"

What you don t see, but what Coca Cola's clients have been able to watch, is a five-minute inhouse documentary on the making of the latest South African Coke commercial It shows a group of white guys in suits sitting around saying things like "Coke is a great product so we need a GREAT ad, ' and making the decisions

The only blacks involved in the process — apart from the actors — are a photographer and a kid entering data on a computer terminal

What you don't hear about is the abuse and ridicule that industry sources say SAB's field workers have to put up with from those who dislike the new society beer commercials

To PAGE 2

Brighter economic future seen by black consumers

BIDaily 11/10/90 128

SYLVIA DU PLESSIS

RECENT political developments in SA have boosted black consumer optimism regarding the near-term economic future, the Stellenbosch University-based Bureau for Economic Research (BER) has found.

Accordingly, black consumers — for the first time in nearly eight years — now believe it is a good time to buy durable goods.

The survey found the black consumer index surged to a level of 112 in the quarter ended September from 92 in the previous quarter, as a result of advances made by their political leaders. The indices are compiled in such a way that zero represents extreme pessimism, 100 neutrality or a no-change situation and 200 extreme optimism.

The BER said advances made by their political leaders had created "overly optimistic" expectations among black consumers, which could cause "many problems" as negotiations proceeded. Only after a new government had been formed could black leaders afford to dampen these expectations.

By contrast, white consumers grew more pessimistic in their views on SA's near-term economic future that index fell to 88 in the survey quarter from 97 — implying reluctance of white consumers to buy on credit

"The fact they are worried about the economic outlook implies they must be worried about their job security as well. If this is the case, then obviously savings will benefit at the cost of sellers of expensive goods."

White consumers also continued to regard current market conditions as bad for purchasing durable goods, but — like black consumers — were more optimistic regarding their own finances.

This was probably because they planned to spend less and save more, rather than because they expected salary increases, the BER said.

FW's visit 'unremarkable'

Star 12/10/90

Star political writer **SHAUN JOHNSON** analyses the factors behind this weekend's low-key meeting between President de Klerk and British Prime Minister Margaret Thatcher.

The most remarkable thing about President de Klerk's imminent visit to British Prime Minister Margaret Thatcher is that it is unremarkable.

Whereas earlier invitations from Mrs Thatcher caused immediate uproar in anti-apartheid circles, this — the most friendly tete-a-tete yet — has excited no more controversy than standard courtesy calls to the United Kingdom from other leaders of countries of middling importance in world politics

The lack of political charge attached to Sunday's lunch at Chequers reflects "an amazing development", according to top-level British diplomatic sources. "The meetings are becoming routine," one said, "and who would have believed that possible? The distance travelled this year is extraordinary."

The sources said the relationship between Mrs Thatcher and Mr de Klerk had blossomed in the course of the two earlier mould-breaking meetings — one last June, the other in May this year — to the extent that the South African president and his wife would be welcomed "as friends to a family affair" at lunch with the Thatchers on Sunday.

Chequers

It is significant that Mr de Klerk is to be entertained at Chequers rather than being given an hour at Number 10," said the sources "She now regards him as a friend and one of the more remarkable world leaders She recognises he has had more international impact than any South African leader since Jan Smuts, and sees in him a lot of (Soviet President Mikhail) Gorbachev — he is extremely brave and is going through the rapids trying to find a new system

"She is impressed by Mr de Klerk's integrity and also his strength of character He tries to do the right thing, but he's no patsy He sticks to his course under pressure, which is exactly what she herself is good at. She really likes him"



Earlier visit . . . President de Klerk and Mrs Thatcher meet at Chequers, the Prime Minister's country residence, in May this year.

The personal rapport between Mrs Thatcher and Mr de Klerk has come about in clear stages At their first meeting in London last year there was "a very frank exchange, during which she expressed her pent-up frustrations about Mr de Klerk's predecessors, and about lost opportunities Now most of the things she argued for, he did, and in some cases actually went further and faster.

"So by the time the second meeting came around, her demeanour had become supportive and interrogative. Her attitude was 'How are you doing?'" At the May meeting — also at Chequers — Mrs Thatcher made an impromptu speech, "even slightly emotional", in which she said her government had "waited so long to welcome a president of South Africa the way we would like to, and now we can" The seal was set on a political affair, and it was therefore "automatic" that when Pretoria informed Downing Street that Mr de Klerk would be docking at Southampton, an invitation to see Mrs Thatcher was forthcoming

They believe that from Whitehall's side, the political business of the meeting will not extend much further than receiving an update on developments in South Africa

"I don't think you'll get hard British change on sanctions from this meeting We regard sanctions as a wasting argument anyway she lifted the voluntary ban as a matter of policy, to encourage Mr de Klerk, in February The arms embargo will stay, the European Community sanctions are for the EC to decide

Isolation

"But she will say to him that as he moves further forward, international isolation will collapse further — this will lead ineluctably to normalisation She wants to see South Africa back as a full member of everything This will not happen quickly, but the sanctions and isolation tide, which was incoming, has now been outgoing for a year"

Mrs Thatcher is expected, however, to seek reassurances that Mr de Klerk intends to scrap the Group Areas and Land Acts when he reopens Parliament in February

The British analysis of the way in which negotiations are progressing in South Africa — and this represents Mrs Thatcher's own view — is that while brief periods of "stalling" are to be expected, the process itself is on solid ground "She is not overly roseate about the prospects," said one diplomat, "but holds out a lot of hope for an outcome which could even constitute Africa's last chance to get out of the mess in which it finds itself"

She is particularly concerned about South Africa's declining growth rate, however, believing "external finance has got to start flowing back in, or none of the leaders will have anything to show their constituencies She hopes the day is close that the ANC will itself start calling for investment"

Regarding political players in South Africa beyond the Government, her attitude is less warm, although she retains respect for ANC deputy president Nelson Mandela, with whom she had "a surprisingly good meeting". "Although she is worried by some of his statements, she thinks he has tried hard for negotiations".

The arm's-length nature of the relationship is demonstrated, however, by the fact that Mr Mandela will also be in Britain in transit soon, and there is very little likelihood of his meeting Mrs Thatcher

Sources say there is no prospect of the British Prime Minister "dumping" Chief Mangosuthu Buthelezi, on whom she has conferred political favours in the past ("that's not her style"), even though she has reportedly been irritated by some of his recent actions Nevertheless, diplomats predict he will be granted an audience with her before the year is out

The current British "bottom line" on an acceptable resolution to the South African problem would be "one-man, one-vote with no racial vetoes, but with checks and balances" This conforms, in principle if not necessarily in detail, with the thinking of the likes of Constitutional Development Minister Gerrit Viljoen, and is a further indication of the dramatic improvement in formal bilateral relations, symbolised by Sunday's meeting, and almost unthinkable only two years ago," said a senior British source

Indian award for Mandela

NEW DELHI - India announced yesterday it was awarding its highest civilian honour to Mr Nelson Mandela

Mandela, only the second non-Indian to be given the Bharat Ratna, will receive the award tomorrow from President Ramaswamy Venkataraman

The only other non-Indian to receive the award was Afghanistan's Khan Abdul Ghaffar Khan *Sapa-Reuter*

India gives Mandela R2-m, pledges more

Star 16/10/90 (A) (129)

NEW DELHI — The Indian government has set aside a R2,8-million fund that will be "readily available" to the ANC in a free South Africa.

And, presenting Nelson Mandela with a cheque for about R2 million, Prime Minister V P Singh told him a larger aid package would be worked out

The ANC deputy leader was given what amounted to a State welcome, including a guard of honour at the presidential palace but excluding a 21-gun salute

Speaking at the ceremony, Mr Mandela told his hosts that Indian statesman Mahatma Gandhi — who began his movement while in South Africa — "is our own national hero", adding that Indians and oppressed blacks had suffered the inhuman treatment together.

"History has condemned us to seek each other out and deal with each other as members of the same family," he said.

He told his hosts that his talks with the South African Government were "constructive and on course". — Sapa-Reuter.

Keep up anti-SA sanctions, Mandela asks India

NEW DELHI — Mr Nelson Mandela yesterday called for continued sanctions against Pretoria, saying apartheid was the root cause of recent violence among blacks

He also said the violence was orchestrated by pro-apartheid forces

"It is calculated to weaken the ANC and abort the process of achieving a peaceful resolution of the conflict created and maintained by apartheid," he added

"Apartheid is in the last throes of its demise and the present violence is indicative of that," he told a cheering throng of about 12 000 people at the Indira Gandhi Stadium

New phase

"We have landed at a new phase of history," Mr Mandela said, adding that recent political developments were "victories of the people achieved by courageous resistance and sacrifice"

The final step was the dismantling of apartheid "That is why we have called for the maintenance of sanctions"

Mr Mandela arrived in New Delhi to a welcome befitting a head of state

Cavalry troopers led his cavalcade past flag-waving schoolchildren to the presidential palace where he reviewed a military guard of honour



WARM WELCOME Mr Nelson Mandela is greeted by Indian Prime Minister Mr V P Singh yesterday as he arrives on a five-day visit to a head-of-state welcome Picture REUTER

Mr Mandela said it had long been his ambition to visit India, and praised Mahatma Gandhi as the inspiration for the movement against apartheid in South Africa

Gandhi led India to independence in 1947 with his revolutionary non-violent campaign

"It was Mahatma Gandhi who first applied and organised the discipline of political resistance and established the tradition of non-violent struggle in South Africa," he told reporters at the arrival ceremony

"We have since been influenced by that perception," Mr Mandela said at the start of the tour that will take him to Brunei, Australia Indonesia, Japan and Malaysia

Mr Mandela is to receive India s highest civilian award, the Bharat Ratna, during an official ceremony today

Tomorrow he is to fly to Agra to visit the Taj Mahal before travelling on to the Hindu holy city of Varanasi to receive a doctorate from the Banaras Hindu University Sapa-Reuter

Japan takes no action for racial insult

Sowetan 18/10/90

TOKYO - Japanese Prime Minister Toshiki Kaifu, fending off criticism in parliament, said yesterday he would not dismiss his Justice Minister for comparing American blacks to foreign prostitutes in Japan.

Kaifu told parliament for the second successive day that Justice Minister Seiroku Kajiyama deeply regretted his remark and had apologised.

The Prime Minister brushed aside opposition demands that he sack Kajiyama for a gaffe that has outraged black communities in Japan and the United States.

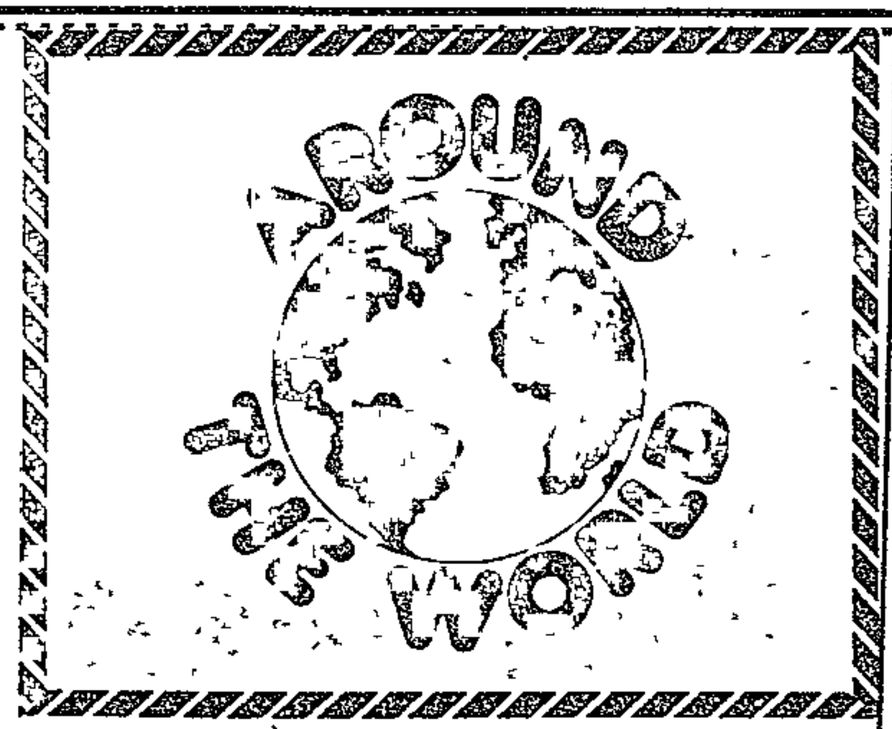
After a tour of Tokyo's red-light area in September, Kajiyama told reporters American blacks and foreign prostitutes working in Japan were similar because both ruined good neighbourhoods.

Wary of US anger, Kaifu said yesterday the government was planning ways to enlighten Japanese people about minority groups.

Mr Misoji Sakamoto, chief government spokesman, said the Prime Minister was considering a formal apology to the United States for the slur.

He said Kajiyama yesterday sent a letter of apology to the US congressional Black Caucus.

The Caucus has called for a boycott of Japanese goods in the United States and passage of a resolution submitted to Congress calling on Washington to demand that Tokyo sack the Justice Minister and apologise to Americans - *Sapa-Reuter*



Mandela receives R13-m from India

NEW DELHI - ANC deputy president, Mr Nelson Mandela ended an official visit to the Indian capital yesterday and left for some tourist spots, carrying a 13-million-rand cheque in his pocket for his movement. Sowetan 18/10/90

"We have received everything we have asked for - love, affection and material support," Mandela said at an official send-off ceremony at the presidential residence.

He departs tomorrow for Brunei. 12C

At a banquet on Tuesday night, Prime Minister VP Singh presented Mandela with a check for 5 million dollars from the government "as a token of solidarity" for the anti-apartheid movement. - Sapa-

Novelist wins top British literary award

LONDON - Critic and novelist AS Byatt on Tuesday won the Booker Prize, Britain's most prestigious literary award, for her tale of two young scholars probing the lives of two imaginary Victorian poets.

The five judges deliberated two hours before awarding the prize worth almost R100 000 to Byatt for "Possession," one of six finalists in the 21-year-old competition.

Ascending to the podium after television executive Sir Denis Forman, chairman of the judge's panel, announced the prize at a banquet, Byatt said her book was about the joy of reading

"My book was written on a kind of high about the pleasures of reading," Byatt told the audience at London's Elizabethan Guildhall, seat of the city's Lord Mayor She added that the Booker Prize was beneficial because it caused excitement about books.

Passion

"Modern scholars have partly forgotten how to read with passion," she told British Broadcasting Corporation (BBC) television earlier.

Having recently also won the R109 000 Irish Times-Aer Lingus prize for international fiction for the same work, the author said after the ceremony she "should think carefully about what to do with the money" - *Sapa-AP*

EARN MORE

Americans are unhappy

urged, usually through intimi-

The legal-notices sections of

There have been denials and

What he said is proving de-

Star 18/10/90 (12)

Mandela promotes sanctions



Nelson Mandela lays a wreath at the memorial to India's independence leader Mahatma Gandhi in New Delhi.

● Picture by Reuter

Nelson Mandela is spending most of his time in the Far East accepting accolades from wellwishers But, as Star political writer SHAUN JOHNSON reports, he has an urgent message to deliver to his hosts behind closed doors — to reverse the trend, initiated by the State President, to relax sanctions against South Africa

On the surface, Nelson Mandela's Far East tour is all about pomp and praise, with precious little in the way of real political content.

This is misleading In fact, besides the razzmatazz, the ANC deputy president must discharge an earnest task before his return to South Africa at the beginning of November chiefly, he needs to plug the ever-widening holes in the sanctions dyke

In an interview before he left for India with Mr Mandela, ANC deputy head of international affairs Stanley Mabizela conceded that State President F W de Klerk had achieved considerable diplomatic success in the course of his recent foreign forays, and said part of the purpose of the ANC's Far East trip was to "stop that trend"

Seek assistance

Mr Mabizela, who returned recently to South Africa from exile, is deputy to ANC international affairs chief Thabo Mbeki, and is regarded as an influential figure within the organisation

He said that while Mr Mandela would receive a rapturous welcome in India, Malaysia, Brunei, Australia, Indonesia and Japan as an "internationally recognised champion of human rights", he would also be "seeking the assistance (of those countries) in ensuring that sanctions are maintained.

'Not true'

"Some people think we are still being unnecessarily hard, that the eradication of apartheid has indeed reached the point of irreversibility, and we have to explain that is not true"

The governments of India and Malaysia were of particular importance in this regard, as India enjoys an influential position within the Commonwealth and the Non-Aligned Movement, while Malaysia currently occupies the chair of the Commonwealth Foreign Ministers Committee on Southern Africa

"We shall be urging these governments to use their influence with other members, asking them please to stick by us, to maintain sanctions"

Mr Mabizela admitted that the ANC was aware "that indeed there are some areas (in the world) where the sanctions question is collapsing This is to be found in many countries, particularly in Africa

"We have got to view these things objectively," he said "With the countries of Africa, which are the biggest busters of sanctions, one has got to accept the reality on the ground

Votes

"Economically, they are having a tough time of it, and they think that if they could link up with South Africa as soon as possible, they could solve some of these economic problems which are bearing down on them so severely

"This is why some of them have decided even to go against some of their own votes at the Organisation of African Unity or at the United Nations, and reopen trade relations with South Africa"

Mr Mabizela said the ANC hoped the latest Mandela tour would arrest the trend

He would not go so far as to say the Mandela trip would "regain the initiative" from President de Klerk, who he saw as "very persuasive in the way he goes about things" However, he was sure "that the opposing position" would be taken note of

Move afoot

"If you remember," he said, "at the time that Mr Mandela undertook his tour to Europe, Africa and the United States, a big move was afoot in the European Community to lift sanctions altogether

"The tour reversed that, and it is from that point of view that this tour becomes very important"

He said the ANC remained resolute in its belief that sanctions should not be lifted until "all apartheid laws" had been eradicated

This was likely to be the last trip for Mr Mandela this year, although a number of countries want him to visit, including Ghana, Senegal, New Zealand, China, Brazil, Argentina, Venezuela and Cuba

Mandela gets royal welcome

Sowetan 17/10/90.

(129)

CALCUTTA - The deputy president of the ANC, Mr Nelson Mandela, received a tumultous welcome in Calcutta yesterday when he arrived in India's Marxist stronghold.

Tens of thousands of people lined the streets cheering Mandela as he drove into the chaos of Calcutta, one of the world's most crowded cities.

The Indian government has been treating Mandela like a visiting head of state during his five-day visit, but in Calcutta he received a welcome usually reserved for royalty

Pictures of Mandela and paper bunting festooned the streets. Huge cardboard cutouts, showing him with a clenched fist, dominated many city intersections.



NELSON MANDELA

Mandela arrived from the Hindu holy city of Benares in an Indian Air Force plane flying the flag of the ANC, and the West Bengal state's ruling Marxist leaders rolled out the red carpet for him.

Almost the entire Cabinet of Chief Minister Jyoti Basu was at the airport to receive the ANC's deputy president.

Schoolchildren struck brass gongs and tens of thousands of people waved Indian and ANC flags as Mandela's motorcade drove to the governor's palace.

Long-time residents said they could not recall a similar reception for a visiting dignitary since Britain's Queen Elizabeth came nearly 30 years ago.

Mandela was to address a public rally later in the day at the city's famous Eden Garden cricket stadium, which has a seating capacity of nearly 100 000.

It was not known if Mandela would meet the 1979 Nobel Peace prize winner, Mother Teresa whose Missionaries of Charity runs homes for the destitute and dying in Calcutta - *Sapa-Reuter*

Higher incomes for poor 'crucial for redistribution'

DURBAN — The underprivileged should be helped to earn higher incomes in order to eliminate the unbalanced distribution of wealth, Sanlam senior GM Walter Scheffler said at the Afrikaanse Handelsinstituut Congress (AHI) yesterday.

Scheffler said the concept of redistributing wealth "had explosive potential and it is important to define precisely what is meant by it"

"If it is a question of a redistribution of capital — that is, expropriation or alienation of assets — we can forget about economic growth

"We will then probably have to concentrate on preventing a civil war, or handling it"

He said the only meaningful way to obtain a more justifiable distribution of income was to have a relatively larger income flow to the poorer section of the population

If it was only a question of redistributing the existing cake, the most productive part of the community would be worse off and would be inclined to produce less or even to stop producing, for example, by emigrating

"One should, therefore, create a larger cake so that the desired redistribution could be brought about without throttling to death the current productive entrepreneur through higher taxes or other limitations," he said

The answer necessarily lay in economic growth. To achieve this the average level of training would have to be increased

It was not only a question of spending more but spending more effectively.

Scheffler said that to attain more effective expenditure, the communities concerned would have to co-operate

"A larger investment in SA's peoples should be made so that we can become more productive To bring that about we will have to be satisfied with a less luxurious infrastructure otherwise sufficient funds will just not be available. We would simply have to adjust our standards to a a lower level and be prepared to make adaptations

"It is also important that the expectation of quick riches among the underprivileged should be tempered by our black leaders to a more realistic expectation, otherwise the new SA may possibly result in ungovernable chaos."

Star 29/10/90 (128)

Waltons strengthens its balance sheet

By Ann Crotty

Waltons' income statement for the six months to end-August will not provide shareholders with much cheer. Turnover up eight percent, margins squeezed, tax rate up and, earnings virtually unchanged at 21,5c (21,2c) a share

But the end-August balance sheet should generate considerable enthusiasm The improvement on end-August '89 reflects the success of management's extensive efforts to cope with underperforming subsidiaries, generally tougher trading conditions and, high gearing

Long-term loans and liabilities are down 31,6 percent to R71,5 million (R104,6 million) Tighter working capital management can be seen in the reduction in working capital to R133,4 million (R138,3 million) which was achieved despite the turnover increase and the impact of inflation

Within working capital, current liabilities were down 13,4 percent to R141,4 million and current assets were down 9 percent to R274,9 million (R301,7 million)

The major benefit of this, and the fact that there was no repeat of the financial '90 write-offs, was a reduction in gearing from 119 percent to 60 percent. This also reflects a significant reduction from the end-February '90 figure of 79 percent.

On turnover of R335,6 million (R310,6 million), operating income was up 6 percent to R48 million (R45,8 million). There was a slight squeeze on margins — down from 14,7 percent to 14,3 percent. The reduced level of borrowings meant that finance charges were down 21,5 percent to R11 million (R14 million) The tax rate — which had previously benefited from film partnerships — was up from 45 percent to 50 percent.

Attributable income was up from R13,8 million to R14,7 million (There was an increase in the number of shares in issue)

Car ownership by blacks 'set to double'

CAR ownership among blacks is likely to double in the next decade because of rising incomes and a deteriorating public transport system with spiralling fares, a transport study has found

Statistics show that blacks own about 400 000 cars out of a total of 5-million in SA The expected growth rate could translate to nearly 1-million cars owned by blacks by the end of the decade

The survey, conducted by the Transport Research and Consultancy, says trends suggest the urban black household may have a real income growth of about 3% a year in the next few years

Researchers C G Wilmot and N J W van Zyl, in a paper on black travel attitudes, said "If this trend continues, together with other trends on the relative costs of alternative modes (of transport), it is predicted that the number of cars owned by black households will more than double by the year 2 000."

The authors say that if bus and train subsidies are cut and commuters have to pay increased fares "they may be encouraged to buy their own vehicles to use to travel to work".

Only substantial improvements in public transport servicescould significantly weaken the trend towards increased car ownership, the researchers say

THEO RAWANA

☐ On Friday, the Soweto region of taxi association Sabta said it would increase fares on all routes in the area on Thursday. Regional chairman Pat Mbatha said all taxis operating in Soweto townships would increase fares by 20c.

Also on Friday, the Transport Department said that bus fares would increase from today The department would not be increasing its subsidies to bus companies and the hike in the fuel price would have to be passed on to the commuter

Transport director general Rönnie Meyer said the increases would range from 5% to 10%, depending on the route

LD GROUP HOLDINGS LIMITED
(Registration number 02/00343/06)

Analysts forecast even tighter finances in 1991

GRETA STEYN

CONSUMERS are heading for a year of even tighter finances in 1991 as inflation eats into disposable incomes while interest rates and taxes remain high.

Two economic forecasts yesterday projected consumption spending next year would remain virtually stagnant in real terms. The Bureau for Economic Research projected a 0,9% real increase in consumption spending and Old Mutual saw "little, if any" increase

The BER was somewhat more optimistic than Old Mutual. It said in its latest Economic Prospects that there could be a recovery in consumer spending in the second half of next year, although on a per capita basis real disposable income was projected to decline.

Old Mutual economist David Mohr said yesterday the economy would bottom only by the end of 1991. The Old Mutual said in its latest Economic Monitor three factors would put consumers into a tighter financial position next year compared with 1990.

Labour remuneration would grow at a slower rate than this year's 15% and little increase in employment was envisaged The second factor was that the income tax relief in this year's Budget was not likely to be repeated next year and the third was the impact of inflation in the wake of the petrol price increase.

Mohr saw high underlying inflationary pressure in the economy aside from the influence of the petrol price hike. He said the housing and imported components of the consumer price index (CPI) had been the main forces behind the downward trend seen until August this year when the year-on-year increase was 13,6%.

Excluding these components, the CPI was still 15,6% higher in August than the same month in 1989. This was evidence of a relatively high rate of increase in consumer prices in general. A weaker rand and high unit costs of labour would provide added impetus for the negative trend.

Our Cape Town Correspondent reports that Mohr said that so far, at least, the current recession had been much milder than the previous one, while meaningful progress had been made in slowing down the growth of money supply, reducing inflation and building up foreign exchange reserves.

And although gold had so far performed disappointingly, he thought this could improve if higher oil prices pushed up inflation overseas.

He also said there was "scope for a further moderate fall in long-term interest rates over the next year.

"This view is based on the expectation of a continued deceleration in economic activity and the corresponding mild decline in short-term interest rates."

Pay expected to rise 13,8% in '91

B Iday 6/11/90

WAGE and salary increases are likely to average 13,8% in 1991 — just above an inflation rate of 13,5% — says the Stellenbosch Bureau for Economic Research.

Value added tax (VAT) may replace general sales tax (GST) next October without any change in the rate.

In its latest forecast, Economic Prospects, for 1990-1991, the BER believes that in spite of rising unemployment, pay rises will not lag behind inflation as labour unions will still be able to negotiate large increases in wages

"It is also uncertain whether the government will be able to contain next year's salary increase for civil servants to the same extent as they did this year. It appears as if the total increase in the remuneration of employees for 1991 could be close to 14%," the report says.

Real disposable income is expected to fall by 1,5% per head next year compared with a drop of 2,1% this year, while real personal consumption expenditure is expected to rise by 0,9% next year compared with a rise of 0,5% this year

BER expects the banks' prime

Own Correspondent

lending rate to decline steadily next year, from its current level of 21% to about 17% "At the same time the inflation rate could decrease from its current level of 15% to 11% by the end of next year."

The BER says that with VAT replacing GST without any change in the rate, "mo e tax will be earned by way of indirect taxes because the base will broaden, thus leaving scope for a reduction in direct taxes on individuals

"We anticipate, however, no more than a provision for bracket creep in next year's Budget."

Disposable incomes for 1990 will increase at a rate roughly on a par with the inflation rate During 1991 consumer prices are expected to rise of 13,5% and consumer disposable income by a percentage point higher

"This means that consumer spending could begin to recover fairly early in the second half of the year."

However, in real terms disposable income per head would decline

The BER anticipates that by mid-1991 the media will give much attention to an upswing early in 1992 or earlier, and boost overall confidence

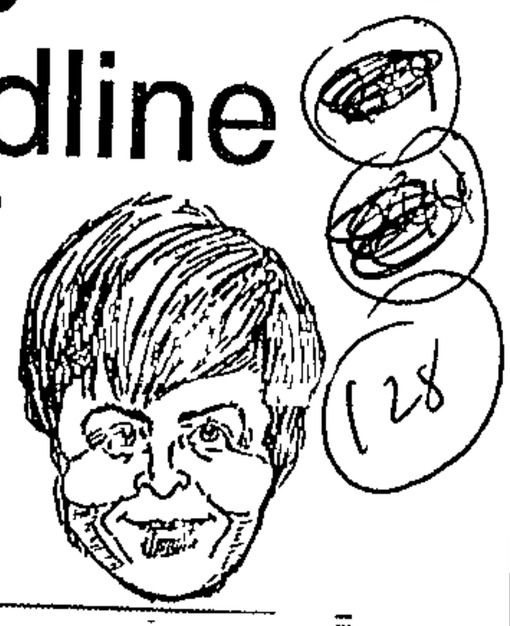
People v prices: *Struggling to survive on rural wages*

Fight to stay above the breadline

w/Mail 9/11 - 15/11/90

CRITICAL CONSUMER

Pat Sidley



I STAYED in a hotel near Rustenburg this week that pays its staff in the region of R150 to R250 a month, depending on the type of job. Some members of staff also get a roof over their heads, and some food

But the degree of difficulty they must have in supporting their families and contributing to their own quality of life strikes home after a trip to the local café — a typical rural general dealer with all the goods needed to sustain life.

A loaf of brown bread at the new (still controlled) price of R1,05; a litre of milk at the uncontrolled price of R1,90 (higher than at many places in Johannesburg); half a dozen medium eggs at R1,50; mielie meal at R3,50 for 2,5kg and a can of coke for less than the milk at R1,20 are what many people would buy on a regular basis.

For the cleaning woman earning R150 a month, the amount would not sustain life in any meaningful way, nor would it keep her children from malnutrition The prices simply do not bear any relation to wages — when there are any wages at all.

The food inflation rate has been increasing at a higher rate than the general inflation rate all year. For the year ended in September, the food-only consumer price index rose 17,3 percent — before the recent spate of petrol price increases, which will add to the prices everywhere and be exaggerated in country areas.

The leading items contributing to the food price increases are fresh fruit and vegetables (which ward off many significant malnutrition-linked diseases), milk, eggs and dairy products. None of these items are governed by price controls.

Agriculture minister Jacob de Villiers says he believes free enterprise will keep the price of bread down when controls go. The evidence shows the contrary: as soon as controls go, prices leap up and keep on moving.

Perhaps the old days of inefficient control boards were not so bad after all — with a few modifications.

It operated in a system including co-operatives, single channel marketing and guaranteed prices to farmers The system meant farmers were ensured that their costs were covered, wholesalers could not make a percentage fee — as this was where the co-operatives and control boards operated — and, in many instances, retailers, millers, bakers and other producers were restricted from charging what they liked.

The problem was that the system was open to corruption. It protected a small minority of landowners (white farmers) and saw to it that their interests were paramount.

Now with subsidies all but phased out, price controls about to bite the dust and tax on all foods about to send the rest of the prices through the ceiling, it is time to find a way to get food into mouths.

It is a question the government is giving thought to, and one which many charities, like Operation Hunger have been working with for some years

And unless private enterprise gives some constructive and unselfish thought to the idea, they may find themselves nationalised by the ANC which is also looking at the problem of how to feed everybody.

The government, according to well-placed sources, has looked at the idea of food stamps and rejected them as being difficult to manage and open to corruption. Apparently, it favours the idea of subsidising charities so that Operation Hunger, say, would get government money to ensure that it fed the many millions who are hungry.

Pick 'n Pay and even some of the control boards favour the reintroduction of subsidies.

The current vogue among white free marketeers, and the minister of agriculture, is to imagine that competition will keep prices low But in the dairy industry (and a few others) this is thwarted by the licensing system which ensures there is only one dairy per area.

An idea floated by an economist recently suggested that instead of increasing basic food prices, and instead of putting Value Added Tax on to those currently exempt from GST, the government should tax luxury imported goods further.

Whatever measures are resorted to in an attempt to feed the population, they ought to be dealt with urgently — or there is a possibility that instead of the kind of violence South Africa has been hit with at the moment we will have bread riots.

Backs to the wall for many, but blacks spending merrily

ST Times

By CHARMAIN NAIDOO 11/11/90

BUOYANT black consumer spending is keeping the economy ticking over in spite of high interest rates and recession in most of the corporate sector.

Large pay increases won by trade unions last year — and the fillip to disposable income provided by rent boycotts — have underpinned sales of food, clothing and furniture

But the rest of the economy is in steep decline

The furniture industry reports good sales for September and is optimistic about Christmas

A Business Times investigation of the real economy finds that the corporate sector is feeling recession most keenly

A bank economist says companies are reducing stocks, a devastating blow for their suppliers But outside motor and building, companies that sell to consumers are not doing too badly

The economist says. "South Africa learned a valuable lesson in 1984 when the prime overdraft rate soared to 25% Individuals and companies reduced debt between 1985 and 1989 Companies cut back on personnel long ago

"They were running lean before recession struck. As a result, fewer have gone to the wall and outside the parastatals and the mines, there have not been huge layoffs

"The mines are suffering. They are slashing spending on consumables and on development. That hurts thousands of companies supplying them

Screws

"Many consumers feel the effects of high interest rates and fuel prices and many are broke because they have been laid off

"But because of industrial action, tens of thousands of blacks have had pay increases way ahead of inflation — and they are still spending

"They are also resorting more and more to credit. That is why money supply is slow in falling The Reserve Bank will have to keep the screws on longer than many thought"

Rudolf Gouws, economist at Rand Merchant Bank, warns that many companies will reduce pay increases this year "Households with debt will find their disposable income under pressure Consumer spending will slow down"

Mr Gouws says interest rates will take longer than expected to fall He believes they will start falling in the first quarter of 1991 with a shallow incline throughout the year

"We will have to wait until things improve abroad The US, UK and Canada are all in recession Trouble in the Middle East, the high oil price and European problems affect us

"The world, which is our market, will have poorer economic growth next year SA's exports earnings will suffer"

Volkskas, Bankorp and First National Bank have made hugely increased provisions for bad debt Banks report that although matters are not desperate

- More mortgage borrowers are in arrears and houses ands flats are being repossessed
- More credit cards are being revoked
- Lending institutions are working harder to get people to pay their card debts
- The number of judgments for bad debt has risen from between 30 000 a month to more than 40 000

Terry Power, Standard Bank divisional general manager, home loans, says the bank's arrears problem is not alarming

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Pinch

John Stewart, director for commercial services at Information Trust Corporation, says companies are feeling the pinch

"The number of liquidations has increased The recession may not be as bad as that of 1984-85 but I don't believe we're at the bottom"

Standard Bank's card division general manager, Alastair Graham, says arrears are "substantially higher than last year"

In money terms, arrears are up 30% — in real terms, only about 12%

Checkers managing director Serge Martinengo says the chain is 36% over budget on bad debt

Black spending seen as a booster for retail groups

B1 Day 14/11/90. (9) 128

MARCIA KLEIN

BLACK consumer spending has contributed significantly to the resilience of retail groups in the economic downturn, say industry analysts.

September sales of furniture were up by 23,5% on the same period last year, TVs by 38% and appliances and audio by more than 50%, according to the latest Furniture Traders' Association (FTA) statistics.

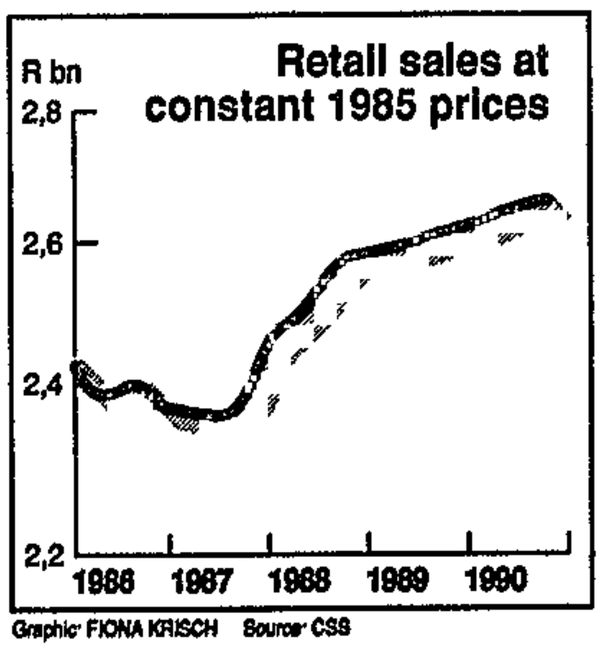
FTA executive director Frans Jordaan said yesterday while there were no separate statistics for black spending, he would estimate it at about 60% of retail sales.

He said black consumer spending was "carrying the day", and as salaries had increased so had disposable income

With the easing of restrictions, blacks were more able to meet credit requirements. Electrification of the townships had also been a contributing factor.

Furniture retailers which posted growth in earnings recently included Ellerine (50%), Morkels (46%), Rusfurn (54,5%) and J D Group (32,8%).

Retailers included Wooltru (35%), Pick 'n Pay (19%), Edgars (24%), Specialty Stores (27%) and Shoprite (16%).



Graphic FIONA KRISCH Source CSS

Industry sources said while black consumer spending was a major contributor, effective and strategic management had also been a significant contributing factor.

Perry & Associates partner Neil Ross said companies which had proved to be resilient — such as Pick 'n Pay, Woolworths, Shoprite and Makro — had approached the situation from a strategic point of view.

Those who dealt with the black market, such as Shield Trading, had also done particularly well, while companies whose growth had come out of white-oriented markets had not.

Ross said the furniture sector had been particularly resilient and groups such as Ellerines — which dealt with the black market and which were buying durables — had done very well.

The black end of the market was far more bouyant, and Shield and Makro were indicative of good black performance, he said.

Industry observers said this may be why Checkers was battling and although the OK group did deal with the black consumer, its results were affected by strikes.

Although Woolworths operated predominantly in a white market, it had identified opportunities from a strategic point of view, they said.

Mathison and Hollidge analyst Aloma Jonker said retailers had been resilient due to their sound financial structures, and many retailers — such as Edgars — had the benefit of selling on credit.

While the black market had been buoyant, Jonker said there was likely to be a slackening off.

ANC focus on growth

CMA Times 28/11/90

By AUDREY D'ANGELO
Business Editor

THE new SA will need significant growth so that "the pressing problems of economic inequality, poverty and stagnation" can be addressed, Tito Mboweni, head of the ANC department of economic policy, said in Cape Town yesterday.

This can best be achieved in a mixed economy. But the engine of growth must be redistribution, to increase the spending power of the masses, Mboweni said

He was speaking at a conference on the economic future of SA, organised at the Cape Sun by London-based Euromoney Publications

He said the ANC favoured a mixed economy with a public sector, a private sector, a co-operative sector and a small-scale family sector The state should promote the acquisition of managerial, technical and scientific skills among all sectors of the population — especially the black people "And, finally, property for personal use and consumption shall be constitutionally protected"

Redistribution 'the engine'

The economy should follow a new path of growth through redistribution rather than greed "Redistribution is not seen as an optional extra but rather as a necessary requirement for growth to occur"

Redistribution of income would provide the means for mass consumption This would stimulate mass production, particularly in labour intensive industries

Mboweni said that given the level of regional disparities "a major potential for future growth actually does lie in a strategy for regional development"

But, differing from "the bantustan-centred programme of the NP", this should aim at the creation or development of industrial districts on the basis of collective efficiency rather than cheap labour, with firms and the state co-operating.

Pointing out that SA goods seemed to have entered other markets in Southern Africa "fairly successfully" in spite of sanctions, Mboweni said these trading relations were "positively in SA's favour"

Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe imported a total of $2,3m worth of goods — of which about 70% were manufactured — from SA in 1982 and exported a total of $411 worth, mostly raw materials, to SA

"Future regional relations will in our view have to be based not on domination but on mutually beneficial and negotiated agreements"

Mboweni said a new democratic SA would encourage foreign investment "A post-apartheid society will also have to negotiate to become part of international economic agreements such as the Lome Convention of the European Economic Community

"This will afford us some possibilities of entering the European market, particularly after 1992"

The crunch has come

Star 1/12/90

MAGNUS HEYSTEK

BRACE yourselves for the worst Living standards have already recorded a very sharp drop this year and another sharp drop is expected next year

The much-vaunted "soft-landing" of the economy is now turning into one of the longest post-war recessions since World War 2

Reserve Bank

While many people have already felt the "adjustment process in the economy" in their pockets, latest statistics from the Reserve Bank graphically illustrate just how bad the situation is

At the same time there is no indication that the Governor of the Reserve Bank has any intention of reversing his stance on interest rates Interest is set to remain at current levels until well into the first quarter of next year in an effort to wring inflationary expectations out of the system

With no economic growth forecast for this year and next, Governor Dr Chris Stals shows no sign that he intends dropping interest rates While some analysts have been suggesting a cut of half a percentage point before Christmas, this view has now been discarded February is now the favourite forecast time for a reduction of interest rates

A whole range of statistics illustrate just how bad the position is for the average consumer The main culprit for this sharp deterioration in the wealth of the average South African is the sharp increase in personal taxation Despite several promises over the years, South Africans jointly and individually are now paying more tax than ever before.

In only 10 years South Africa has been changed from a tax paradise to a tax nightmare And for this we have only one culprit to blame a profligate government which tried to spend itself out of constitutional and political quagmires

A second major factor has been the country's persistent inflation rate, which averaged 14,6 percent over the decade 1980 to 1989

Income

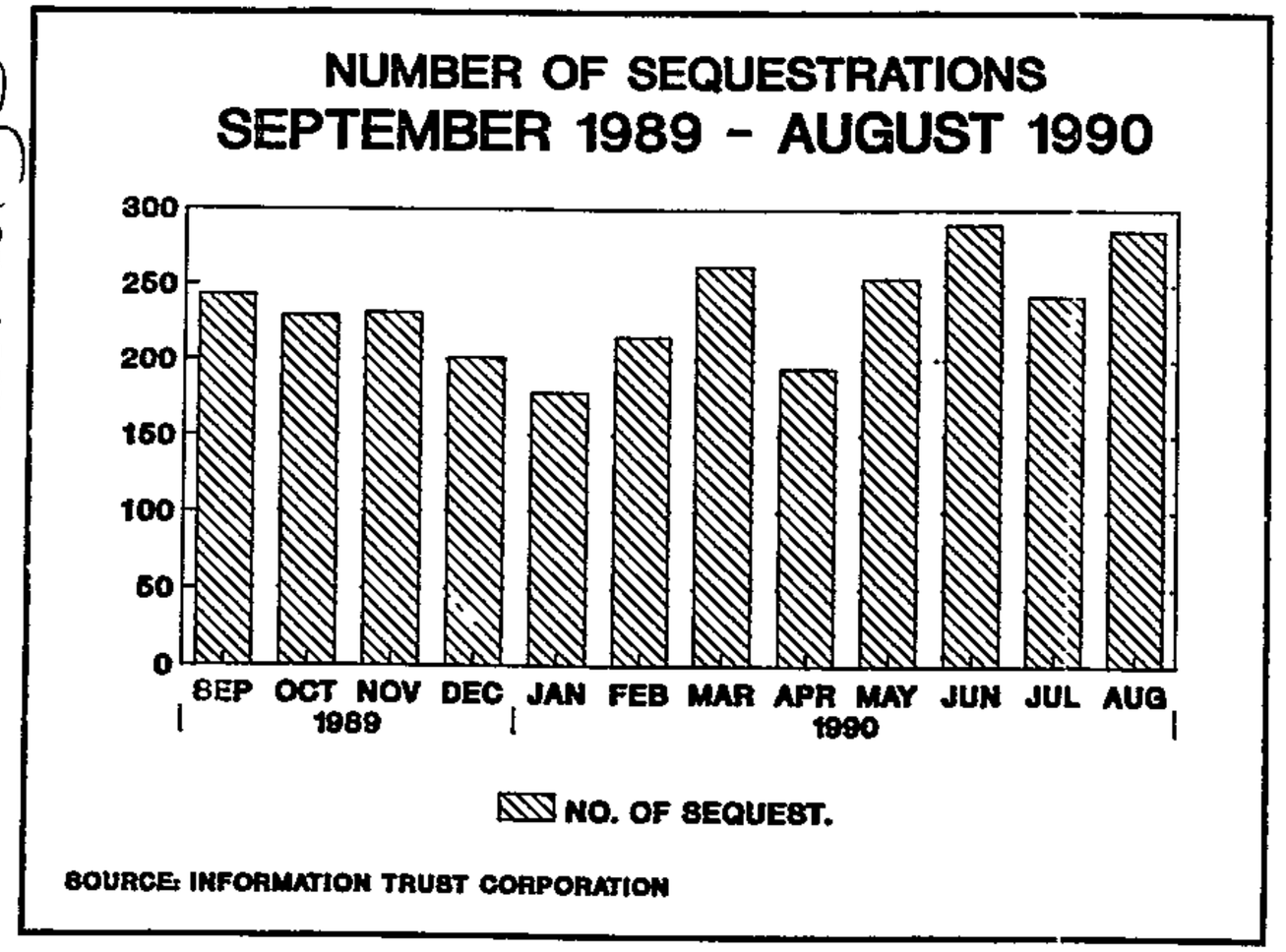
Whichever way one looks at it, there is no doubt that the average South African has been badly battered since 1980

- While current income has grown by 16,6 percent per annum, direct taxation has increased by 22,9 percent per annum
- Personal disposable income per capita after tax and inflation has declined by 7 percent over this time, equivalent to an average annual decline of 0,9 percent.
- Wealth per capita is set to decline by a staggering 3 percent this year
- Average taxation (the ratio of personal taxation to income before tax) has increased from 7,5 percent in 1981 to an estimated 11,4 percent this year
- The average propensity to consume (rather than save) has increased from 93,6 percent in 1981 to 99 percent. South Africans have become a nation of spenders rather than savers
- The average South African now only saves 0,8 percent of his post-tax income as opposed to 5,9 percent in 1981

Adam Jacobs, economist at Volkskas, says this will drop to a disturbing 0,4 percent this year

From these figures there is only one conclusion to be drawn the financial position of the average individual has worsened considerably over the past eight years

High inflation and rising taxation has forced people to save less and spend more in order to maintain their standards of living But the well has run dry and this will be reflected by a further steady erosion of living standards in the years to come.



Retail spending spree set to end

GRETA STEYN

THE surprising retail spending spree experienced this year is set to come to an end as unemployment grows, a study by Bankorp economist Emile van Zyl shows.

The recession has so far failed to dampen consumer spending, but its effects on unemployment and spending will be seen in the months to come, he says.

The study finds that the increases in overall retail spending this year have been nothing short of spectacular — real increases of about 11% were recorded for furniture, 10% for appliances and 9% for TV sets and audio equipment in the year to August from last year. The highest increase was for jewellery, which rose by almost 23%. Overall sales grew by 19,2% in September from a year ago, or 2,8% in inflation-adjusted terms.

Retail sectors feeling the pinch of the recession include textiles (down 7,9% in real terms in the period January-August 1990 from 1989), clothing and shoes (down 0,2%) and books and stationery (down 2%).

Apart from black spending power, another factor pushing up retail sales has been replacement of obsolete goods. Van Zyl says consumers have realised that postponing purchases this year in the hope that interest rates will fall is futile.

"The fact that the cash-to-credit ratio of sales has remained more or less static indicates that the purchasing of certain luxury items could be postponed no longer. People earning real interest rates would also have been in a position to buy."

The effect of salary and wage hikes had probably not been significantly positive, he says.

Reserve Bank figures show the year-on-year increase in the nominal wage per worker was a relatively low 14,3% in the first quarter of 1990. This is down from the peak of 18,2% in the last quarter of 1989. However, economists say the rate of increase for black workers has probably been higher than for whites. Unemployment is expected to offset some of the positive effects of the recent growth in black economic power.

Bursary winners announced

Star 8/12/90

BLACK consumers account for more than 50 percent of total retail market sales .. yet the black advertising copywriter or account executive is one of a rare breed.

"Gone are the days when whites alone can decide what's good for blacks, particularly in terms of buying," said Denise Stamm, deputy MD of Grey Advertising and chairman of the Darryl Phillips Bursary Fund.

Four years ago, in an attempt to start addressing this problem, Grey Group chairman Darryl Phillips started a bursary fund which aims to foster black talent in the advertising industry

Three bright youngsters each year — students who have successfully completed their first year of university — are awarded full bursaries to the University of the Witwatersrand.

Stamm announced the 1991 recipients at a function in Sandton last week.

They are Welhemina Magomotsi, Mxolosi Vincent Norman and Nonhlanhla Gumbi, all first-year students at the University of the Witwatersrand

Welhemina is a dramatic arts student whose ambition is to act and to direct films and theatre

Medal 128

Mxolisi, a husband and father, is also in dramatic arts ... and is an outstanding trumpet player in addition to his interest in screenplays and commercials.

Nonhlanhla is a commerce student with excellent business acumen. In 1987 she was awarded a silver medal by the Black Management Forum for her efforts in the Junior Achievement Programme.

The bursary covers their tuition fees, residence fees, books and a personal cash allowance They will work for one of the Grey Group agencies during their holidays and will be offered full-time positions on completion of their degrees.

"It is particularly important at this time that every effort be made to ensure that talent is nurtured wherever it is found," Stamm says.

"One former bursary fund student who went on to work for us as a junior copywriter, Gladwin Marumo, is now in the United States on a Fulbright Scholarship," says Stamm.

"Although we are sorry to have lost him, we are delighted to think that we played a role in his development."

Let's buy black - Phil Khumalo

Sowetan 13/12/90

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By ALI MPHAKI

IMAGINE Nelson Mandela buying his grocery at one of the black-owned stores? That would be symbolic and would give credibility to black business.

This is the view espoused by director of Business Challenge, Mr Phil Khumalo, in his year-end speech and challenges facing black business in 1991.

Khumalo, speaking in an exclusive interview with *Sowetan* yesterday, said black businessmen always uplift their politicans but the latter seldom reciprocate.

"I think its about time our political organisations initiated a move to support black business. Buying black would willy-nilly empower us to be economically strong.

"I think there are many commodities which could be sourced out through black hands. I yearn for the day when I would hear our leaders say on platforms that black business is imperative. Politicians must realise that the liberation of our country also depends on our economic power," he says.



MR PHIL KHUMALO

Khumalo stresses the importance of buying black and further exhorts politicians to persuade the people that black economic support is a major tool to get black business into the mainstream economy.

Khumalo warned black business that 1991 would be tough a year, what with the latest economic indicators reflecting a widespread weakness within the world's major economies, the US, Britain and France.

"While 1990 would go down as a bad year for black business mainly because of the political unrest and the ungorvenable townships, there is a need for co-ordination and effective communication between business and politicians.

"It will be very foolish for us to look at our economy after independence. That would be too late."

Lambasting some members of the black business community, Khumalo said some are just out there to make a quick profit.

He called for reconciliation between business and the community "as soon as possible", suggesting that black business should offer temporary jobs for students during school holidays.

Visible

"Admittedly, we have not been very much of assistance to our communities. While there are organisations like Nafcoc, Fabcos and others, we need individual business to play their role as visible as possible. Each businessman must make it his duty to employ temps during holidays."

He said he was worried about the shabby service offered at township shops, and urged each businessman to decide as policy that any staff member showingcontempt to a customer should be dealt with as quickly as possible.

MARKETING (128

SIZING UP BLACKS

F(M 14/12/90

Ten years after its ground-breaking survey of the black market, *A Window on their World*, the Bates Wells advertising agency has produced an update on black attitudes, *A Window on our World*

In 1980 the black market was considered marginal, but it's now clear that blacks will soon dominate almost all retail sectors

Over the next 10 years, blacks' share of TV sales will increase from 48% to 64%, of grocery sales from 64% to 76%, and of beer sales from 72% to 83% Blacks will be a minority in just a few markets. Their share of car sales will rise from 22% to 36% and of microwave oven sales from 3% to 10%

Bates Wells organised 19 discussion groups among middle-income blacks as part of the survey The findings show that the underlying attitude of blacks towards whites is little changed in 10 years Though whites might be more polite, they still display an undercurrent of hostility towards blacks and a desire to dominate, blacks believe As in the 1980 survey, blacks find whites aloof — they cannot comprehend that whites may not have any desire to know their neighbours. Whites are seen as disrespectful to elders and uncaring about their families

Many blacks feel that shopowners still treat them as potential thieves They resent the fact that shop assistants still steer black women to the cheaper lines, even though quality and not price is their most important concern

Good news for business is the changing attitude towards economic systems Ten years ago communism was thought of in Utopian terms Now respondents are wary of communism and particularly of Communist Party leader Joe Slovo

Most respondents believe that a mixed black and white government would be preferable once a new constitution is settled. Today, as in 1980, education is the priority but the second most important thing then, removal of the pass laws, has fallen away. Job equality is as important as before but the previous desire for a *greater* say in politics is now for an *equal* say

Certain issues rate lower with blacks than with whites Blacks show considerably less interest in ecology, crime and the population explosion

Respondents expect a continued disparity between black and white incomes over the next three to five years but feel that in 10 years there will be equal job opportunities and an equal distribution of resources. Certainly marketers can look forward to a more confident, aspirational black population

Bates Wells research director Beatrice Kubheka says "What were once distant hopes for these respondents are now definite expectations In fact, some expected instant fulfilment of these expectations"

Bates Wells also organised six white discussion groups, which were much less optimistic These show whites are resigned to lower living standards and a worsening economy due to stayaways and the threat of nationalisation In short, they expect SA to become more like a Third-World country, "dirty, inefficient and multitudinous" They also consider the expectations of blacks to be unrealistic. ■

F1M 14/12/90 (128)

Recession no bar to consumer spending

Star 17/12/90 (128) Star 17/12/90

By Derek Tommey

The recession — engineered by the authorities to squeeze inflation out of the economy — has not stopped consumer spending from moving steadily higher, the Reserve Bank admits somewhat ruefully in its latest quarterly bulletin

Total real private consumption expenditure has risen continuously in the 1989-90 downswing — the official euphemism for recession — and it increased in the third quarter at a somewhat faster pace than in the previous five quarters, says the Reserve Bank

The increased spending was particularly noticeable on durables such as cars, appliances and furniture and was an indication, though the Reserve Bank does not say so, that some people had a fair amount of money to spend

Although spending on semi-durable goods declined in the first two quarters, it recovered in the third quarter, which saw more clothing, footwear and household textiles being bought

The Reserve Bank attributes this increase in spending to a number of factors

- Wage increases in the public service
- Relatively high union-negotiated wage settlements In the first half of 1990, the unions succeeded in negotiating annual nominal wage increases of more than 20 percent on average for their members
- The lowering of income tax rates for individuals
- The non-payment of rent and services in a number of black townships, which effectively transferred real disposable income to certain lower-income groups.
- The high spending rate and low saving rate in many low-income households, together with an effective shift of real personal disposable income from higher- to lower-income recipients
- A general climate of rising expectations in the current climate of rapid socio-political change and anticipated socio-political change
- Buying ahead of anticipated price increases - specifically of new cars
- The progressive electrification of black and other residential areas, which has increased the demand for household appliances
- A general replacement of certain durable goods because of the increased average age and relatively low real level of private households' stocks of these goods

However, figures issued by the Reserve Bank show that while higher salaries and wages have helped boost consumer spending, they have also helped reduce company profits

The year-on-year increase in the nominal gross operating surplus has steadily shrunk since the third quarter of 1988 from about 28 percent then to about eight percent in the third quarter of this year, it says

In this period salaries and wages rose from 56,5 percent of the operating surplus to 60 percent

The increased share of labour in this surplus was general throughout the economy, but particularly notable in the mining sector where labour's share rose from 48 percent in the second half of last year to 56 percent in the third quarter of this year

The figure of 60 percent in the third quarter was fractionally higher than at any time since at least the start of the 1980s, and was reached despite the downward trend in total formal-sector employment

The Reserve Bank warns that this move towards the redistribution of income to workers at the expense of shareholders could lessen incentives for entrepreneurial effort, innovation and investment and, therefore, affect the longer-term development potential of the economy

Consumers keep credit growing

128

DT 18/12/90

GRETA STEYN

CONSUMER demand for credit has remained strong, while there has been a dramatic fall-off in credit extension to banks' corporate clients.

Defying the recession, banks' hire purchase (HP) books grew comfortably faster than the inflation rate, notching up a 17% increase in September 1990 from the same month last year — mainly as a result of demand from individual consumers.

An analysis by Nedfin of the BA9 figures said: "This increase can be attributed mainly to consumer lending, both on rentals and HP. The banks involved in consumer lending appear to have increased their portfolios, particularly for motor vehicles.

"Building societies, now also included in instalment credit, have made inroads into this market, mainly by reducing interest rates to borrowers."

The Reserve Bank Quarterly Bulletin also notes the dual trend.

The average level of banks' general and mortgage advances to companies declined by R400m between the second and third quarters of this year, according to the bulletin. Credit growth "tended to be concentrated to a growing extent on lending to individuals and households rather than to corporate clients."

The latest HP figures are further evidence that some areas of the economy have remained buoyant despite the recession. The increase in banks' HP books in the September quarter was R1,15bn — the highest quarterly increase since the fourth quarter of 1989.

Similarly, spending on durable goods was more than 3% higher in real terms in the first three quarters of this year compared with last year. Evidence of recession was limited in the third quarter to agriculture and manufacturing.

The Quarterly Bulletin noted that the annual rate of increase in credit to the private sector had slowed from a peak of more than 30% in October 1988 to 15,4% in September this year — still exceeding "both the more recent measured inflation rates and the rates of increase in the M3 money supply".

But the Bank pointed out that the inability of certain corporate customers unable to pay their debts would result in automatic credit extension through the capitalisation of interest payments.

Commerce paints a gloomy picture

B1 Day 21/12/90

128

MARCIA KLEIN

THE commercial sectors, including consumers, retailers, wholesalers and motor retailers, paint a "gloomy" picture of consumer spending next year

However in a survey of the commercial sector, Stellenbosch University's Bureau for Economic Research (BER) at says it is neither confident nor pessimistic about consumer spending in 1991

It says the level of consumer spending could be about 1% higher than the 1990 level, in real terms, if sales of consumer goods improve during 1991

The services and non-durable sectors will show growth, but durables and semi-durables will not perform well during 1991, the BER says

On the positive side, it expects wages to grow 14% in nominal terms, which is marginally higher than the anticipated inflation rate

Other positive factors are that monetary policy will be relaxed during 1991 and fiscal policy will be stimulatory rather than restrictive A negative factor for consumer spending is waning confidence

However, there could be a possible improvement in confidence from mid-1991 onwards

While consumer confidence is "holding up well", the BER says, there are signs of a deterioration which would result in retail sales — buoyant up to now — declining more rapidly from early 1991 onwards.

Unlike the other commercial sectors, the volume of retail sales for the fourth quarter has outstripped those of a year ago and many retailers expect further positive growth in the first quarter of 1991.

However, they expect sales of durable goods to be down in the first quarter and are starting to cut back on the placing of orders, which would affect non-durable and durable goods Cutbacks may have their origin in overstocking, the BER says

It says a deterioration in conditions in the retail sector is suggested by the fact that the ratio of cash to credit sales is negative and that most retailers reported retrenchments.

While news is good on the inflation front in terms of selling prices, the BER says the outlook for lower prices is not as promising

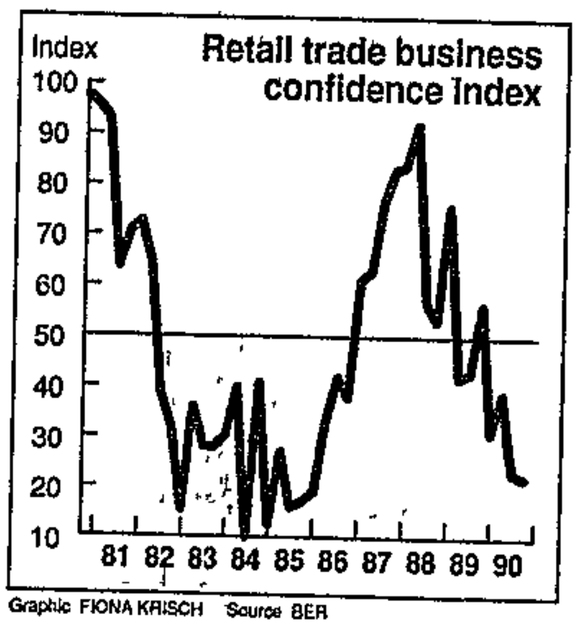
In the wholesale sector, fourth quarter sales volume was down

Wholesalers placed fewer orders in the fourth quarter and fewer still will be placed in the first quarter of 1991 There were more retrenchments in the fourth quarter

The decline in sales of new vehicles and used cars in the fourth quarter is expected to continue in the first quarter of 1991

Black consumers are confident about SA's short-term economic future, but there are signs of this confidence deteriorating.

The majority see the present as an inappropriate time to buy high-priced goods such as durables, the BER says



Graphic FIONA KRISCH Source BER

Buyers go on a spending spree

More cash for cars

A HIRE PURCHASE spending spree has been reported by the country's banks.

Consumers have bought R1 154 million of furniture, cars and other goods on HP and rentals in the September quarter - the highest amount since the last quarter of 1989, which included Christmas shopping

A total of R27 080 million was owing to banks from HP on September 30, up from R25 926 million at July 31 in spite of Reserve Bank restraints to stop banking institutions extending their lending, says a report by Nedfin

"The banks involved in consumer lending appear to have increased their portfolios, particularly for motor vehicles.

Building societies who are now into instalment credit have made inroads into this market, mainly by reducing interest rates to the borrowers," says Nedfin

Upswing

Latest industry figures indicate that the furniture industry is enjoying an upswing in the volume of sales

Most banking institutions have report a downturn in the demand for credit facilities, but this is not reflected in the September quarterly figures

According to bank executives, this low demand has continued into the December quarter.

"Consumer bad-debt write-offs have increased progressively during the year, and there is the further possibility that February and March could see an upsurge, which is traditional after the Christmas spending spree, says Nedfin

Current high interest rates are also having an effect on small businesses and other commercial organisations

High-geared companies are struggling to meet their interest commitments and business insolvency is expected to increase in the New Year.

Recession, debt dampen outlook

Sowetan 21/12/90

MONEY and jobs are short and consumers at every level are struggling to keep ahead of debt - but the Western Cape has the potential to break the grip of the economic recession.

This is hopeful message leading economists have for the region as consumers go on a Christmas spending splurge

But it is not all good cheer on the economic front. While the seasonal Christmas upturn is expected to bring a welcome boost, the effects of the downturn are daunting

Many Western Cape industries have had to retrench staff and resort to short-time working for the first time in years as demand has dropped.

Some of the region's biggest industries - clothing, footwear and furniture have been hardest hit as consumers save their earnings for essentials like food, housing, transport and education.

Economists warn that one of the greatest reasons for concern is the vast and growing number of people who have little hope of finding jobs in the near future.

At the same time, the Stellenbosch Bureau for Economic Research warns that growing unemployment coupled with "unrealistic" trade union wage demands have destabilised the labour market and created a climate of social unrest.

LABOUR REPORTER

The national debt on loans, including mortgages, has soared by a staggering 72,2 percent to R284-million in the past year - with the Cape having its fair share.

More people have had to give up their houses because they could not make mortgage repayments and, while the property market has remained buoyant, the region has a housing backlog running into thousands, especially in the low-cost sector

While tourism in the Western Cape has remained buoyant, the recession has dampened the industry's growth rate and while steady growth is predicted, it is very sensitive to violence and unrest.

Reeling from assorted price increases - especially fuel, and the concomitant consumer price rises - consumers are struggling.

Diversity in the local economy is cited as an insurance against the effects of the recession, but certain sectors in the region are badly off.

Mr Colin McCarthy, executive director of the Cape Town Chamber of Industries says the downturn has led to a reduction in buying power and industries which suffer are those manufacturing durables like the clothing, footwear, furniture.

"The Cape is the biggest centre for footwear, clothing and textiles - and there has been a huge reduction in the demand for these products.

"Regretably there have been a number of failures, especially in the clothing industry where many factories have gone insolvent.

"The country all over is in a poor state, but the Western Cape has suffered because of the manufacturing industries here."

He argues that the Cape should concentrate on building its export capacity.

A brighter view comes from Dr David Bridgman, executive director of Wesgro, the region's development agency.

He believes the Cape has had the fastest growing economy of all metropolitan areas in the country through the '80s, becoming "the leading area in South Africa"

Gloomy outlook on consumer spending

(128)

CAPE TOWN — Consumer confidence has been holding up well but showing signs of deterioration, the Bureau for Economic Research at Stellenbosch University says in its survey of the commercial sectors.

It says retail sales, quite buoyant up to now, are likely to decline more rapidly from early next year.

However, sales of consumer goods may improve as the year progresses and in real terms the level of spending could be close to one percent above this year's.

Most of this growth will be experienced in the services sector and, to a lesser extent, the non-durable goods sector, while durables and semi-durables will not perform at all well in 1991

As for the outlook for consumer spending in 1991, most analysts are fairly gloomy and while the bureau is not overly optimistic it is also not overly pessimistic.

It expects a growth of close to 14 percent in nominal terms in salaries and wages — marginally higher than the expected inflation rate

It says money policy will undoubtedly be relaxed throughout 1991 and fiscal policy in general is expected to be stimulatory rather than restrictive

However, many factors may have a negative effect on consumer spending, one of which is waning confidence, but this could improve from the middle of next year.

Black consumers remain fairly confident about the short-term economic future of the country and expect an improvement in their financial situation

But, in spite of these favourable attitudes, their confidence is deteriorating and most viewed the present time as being inappropriate for the buying of high priced goods such as durables

Results for white consumers were not available

Business conditions in the wholesale sector have deteriorated a lot since a year ago and most respondents reported the fourth quarter's business conditions as unsatisfactory. They projected a further worsening in the first quarter of 1991

While many retailers were looking forward to reduced rates of increase in prices, the probability of lower increases was rather small

Although the fourth quarter volume of sales was quite good, 60 percent of the respondents said general business conditions had deteriorated and 49 percent expected a further deterioration in the first quarter of 1991.

Most motor dealers (64 percent) reported fewer sales of new vehicles and 61 percent said this trend would continue in the first quarter

Used car sales were also down on those of a year ago although the number of participants who reported in this fashion was smaller than in the previous survey. However, they expected a bigger drop in sales in the first quarter of next year

Demand for spare parts was also expected to decline.

Dealers were actually overstocked with new cars and also with used vehicles — Sapa

INCOME- 1991

Tough year ahead for consumers, says expert

Sowetan 3/1/91

128

DEVELOPMENTS on the domestic and international fronts point towards a tough year ahead for consumers, says Old Mutual chief economist Mr Dave Mohr.

"The country will have to live well within its means to repay, at least partially, its foreign debt That implies that spending will have to be curtailed to generate a savings surplus, from which the debt is repaid

Mohr added that such a process was not conducive to economic growth in the short run, as it implied strict economic policies.

"Our economy has also suffered from the sharp fall in the foreign prices of gold, silver, copper, steel and platinum - some of our main export commodities

"Coupled with recent increases in the oil price these price movements complicate the servicing of our foreign debt and reinforces the need for a strict economic policy, such as high interest rates," he said

"The consumer has borne the brunt of these developments For example, the prime overdraft rate rose from 12,5 percent at the beginning of 1988 to its present 21 percent To worsen matters, consumers went on a borrowing spree during the second half of the eighties, with bank credit (mainly overdrafts) rising by 86 percent during this period.

"With interest rates at their current high levels, the pain to consumers is obvious."

Mohr said consumers were further suffering from the Government's attempt to reduce inflation.

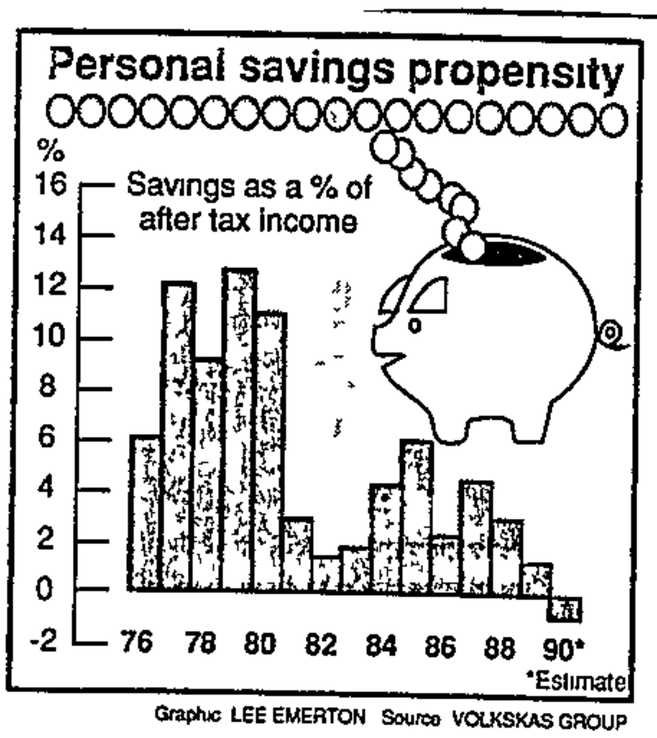
"After such a long period of high inflation an attempt to reduce it includes no soft options and a degree of lower economic growth can be expected."

On the positive side, he said political developments over the last year benefitted the economy as foreign creditors were more willing to roll over some of our debt. However, at least a billion dollars will have to be repaid in 1991

"Although the Reserve Bank can be expected to be very cautious in reducing interest rate, the over borrowed consumer and deeply indebted companies can expect light relief from a reduction in the prime rate during 1991. It is Reserve Bank policy to keep a 5 to 7 percent margin between the inflation rate and the prime rate, thereby maintaining positive real rates.

"That means at most a reduction of 3 to 4 percent in the prime rate can be expected.

"The other area where the economy could potentially receive a boost next year is in the form of lower personal tax rates, as the state President promised in a recent speech. However, there is very little scope for any significant tax reductions as the pressures on Government spending will not ease " he said



Graphic LEE EMERTON Source VOLKSKAS GROUP

SA splashes out — into red

GRETA STEYN

SOUTH Africans are collectively in the red — they borrowed more than they saved last year for the first time since 1953

That is, according to a projection by Volkskas economist Adam Jacobs, based on an analysis of Reserve Bank figures for the first three quarters of 1990

Individuals spent more than their after-tax incomes last year for the first time since such figures began to be collected in 1953

Reserve Bank data show that individuals spent R1,63bn more than their after-tax income in the first nine months of last year South Africans were thriftier in 1989, saving R2,1bn over the comparable period

Although contractual savings — for example pension fund contributions and life assurance premiums — amounted to about R31bn in 1990, this was wiped out by credit spending

"These low, and now even negative, personal savings have far-reaching consequences

"Without the support of sufficient savings, investment cannot be financed in a non-inflationary manner and interest rates will remain relatively high unless investment drops sharply," Jacobs says

☐ To Page 2

SA in red

☐ From Page 1

Savings can rise only at the cost of lower real expenditure, unless after-tax incomes increase Jacobs believes it is unlikely that disposable incomes will rise this year, hence there is little scope for further significant increases in consumer spending next year

"Should the high tendency to consume continue in 1991, there is little hope of getting the economy back onto a sound footing

The weak savings performance could be ascribed to a number of factors, including a greater increase in direct personal taxation than in current income, a shift in buying power to lower income groups with a higher propensity to consume and continued high inflationary expectations

SA cost of living on increase – survey

Star 10/11/91.

Star Bureau

LONDON — South Africans, burdened with high interest rates and spiralling inflation, should take comfort in knowing that compared with other countries, they rank a lowly 59th.

A survey of 160 countries shows that the most expensive are Finland and Japan, followed by Zaire — which has 90 percent inflation

According to the survey, the world's cheapest country is India.

Leapt

A loaf of bread for which South Africans pay, on average, R1,75, costs R2,20 in Zaire, while a litre of petrol costs R1,45. For a R49,50 restaurant meal a Zairois would part with the equivalent of R90,05.

But the survey acknowledged that the cost of living had gone up in SA over the past year, the country having been previously ranked 68th

Britain, which occupied 59th spot in the previous survey, has leapt 21 places to number 38, ahead of the US at 41.

China, which 10 years ago was the world's cheapest place, is now 18th on the global table of shopping costs.

Ad campaigns for blacks 'are off the mark'

B Day 11/1/91

MARCIA KLEIN

MANY SA companies are wasting money by launching poorly prepared and often patronising marketing campaigns to woo the largely ignored "slumbering giant" — the black market.

This was the view of Transworld Promotional Services head Mara Minnaar She said many marketers were reacting frenetically to what they saw as easy money without having an in-depth understanding of the values, relevant symbolism and aspirations of the black consumer

It was estimated that by 1995 black consumers would account for two-thirds of all retail sales

"The South African black market is not new, and neither is it gullible or simplistic, and marketers had better be well prepared if they want a slice of the action," said Minnaar

National Sorghum Breweries executive chairman Mohale Mahanyele said marketing in SA was reaching less than 10% of black consumers, and focused marketing was rare

He said many concepts were brought in from overseas with the assumption that what was good for the black American, for instance, was good for the black South African

Mahanyele, a member of the State President's Economic Advisory Council (EAC), said marketing had failed in the basics of finding out what the consumer wanted, and company money was often wasted on promoting products which did not get off the ground, or on employing "hit and miss" tactics.

Marketing in SA needed to be innovative, focused and regionalised

Marketing trends reflecting "African pride" were becoming fashionable

Mahanyele mentioned Sales House as an example of a company which had perfected its marketing strategies to the black consumer SA Breweries had also "caught on" to what the black consumer wanted

Minnaar said that while black consumers had adopted certain Western values, they remained strongly influenced by tradition and culture

"Black South Africans are more community conscious and family orientated than their white counterparts They are more quality conscious and brand loyal — within their means — and will spend time finding a retailer offering the brand they want ... Proof of this is the high number of brand names becoming generic terms in the black market"

An "ideal platform" was to market through clubs and the community Promotions with lasting benefits were those which did something positive for the community while the products remained competitive.

Integrated Marketing Research chairman Teddy Langschmidt said marketers had become far more sensitive in recent years, but they still made mistakes because of "long-term conditioning".

However, most people perceived advertisements as having good things to say about products and "consumers tend to look at them forgivingly"

Black people accounted for less than 1% of advertising agency employees, said Langschmidt, and most adverts were conceptualised by and tested on English-speaking whites before being translated. This did not mean the products would fail They would be interpreted "in terms of the consumer's experience".

The piggy-bank is empty and in hock

Star 12/11/91

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Money Matters

MAGNUS HEYSTEK



SOUTH Africans have now officially stopped saving

Instead, for the first time, they spent R1,6 billion more than their after-tax income in the first nine months of last year.

Nothing has happened since then to suggest that they have changed their spending and savings behaviour.

This is nothing short of a national disaster But the deafening silence from the authorities, who have directly contributed to this dismal state of affairs, indicates that little is likely to be done about it.

The implications of these statistics for the economy is severe It dashes any hopes for an early revival of growth as consumers will have no disposable income left

Social unrest

This means several quarters, if not years, of sluggish growth, which will inevitably lead to higher unemployment, rising crime and social unrest

According to the Reserve Bank's bulletin, South Africans "dis-saved" by R1,6 billion in the first nine months of last year, against a positive saving of R2,06 billion in the same period of 1989.

This ongoing spending spree, in most cases by individuals desperately trying to maintain their living standards in the face of rising costs and higher taxes, has been financed by drawing down bank and building society savings, loans and advances from financial institutions and trade credits.

Trade credits, in particular, have become a major source of finance and in many areas of the economy completely overshadow credit given by banks.

Adam Jacobs, a highly respected economist at Volkskas who highlighted these figures in a survey this week, says the gradual decline in the savings propensity of individuals over the past decade — which has now turned negative — can be attributed to a combination of several factors.

These include:

- A greater increase in direct personal taxation than in current income — better known as "fiscal drag"
- Interest rates on available deposits being too low.
- High inflationary expectations.
- A poorer agricultural year in 1990 than in 1989.
- A shift in buying power to the lower income groups, whose average propensity to consume is higher.

As Mr Jacobs says: "These low, and now even negative, personal savings have far-reaching consequences.

"Without the support of sufficient savings, investments cannot be financed in a non-inflationary manner and interest rates will remain relatively high unless investment drops sharply."

Personal savings will, however, have to improve and can only rise at the cost of lower real expenditure, unless they originate from an increase in after-tax income

That, however, is unlikely in 1991

At the same time, and equally disturbing, is the concomitant increase in the debt levels of the average consumer.

The longer interest rates remain high, the smaller the likelihood of individuals repairing their battered debt profiles.

Banks have been tightening up on their credit regulations but a bank squeeze can be expected if the current trends in savings and debt continues. At some stage the banks will start cutting off credit in the face of higher debt risks.

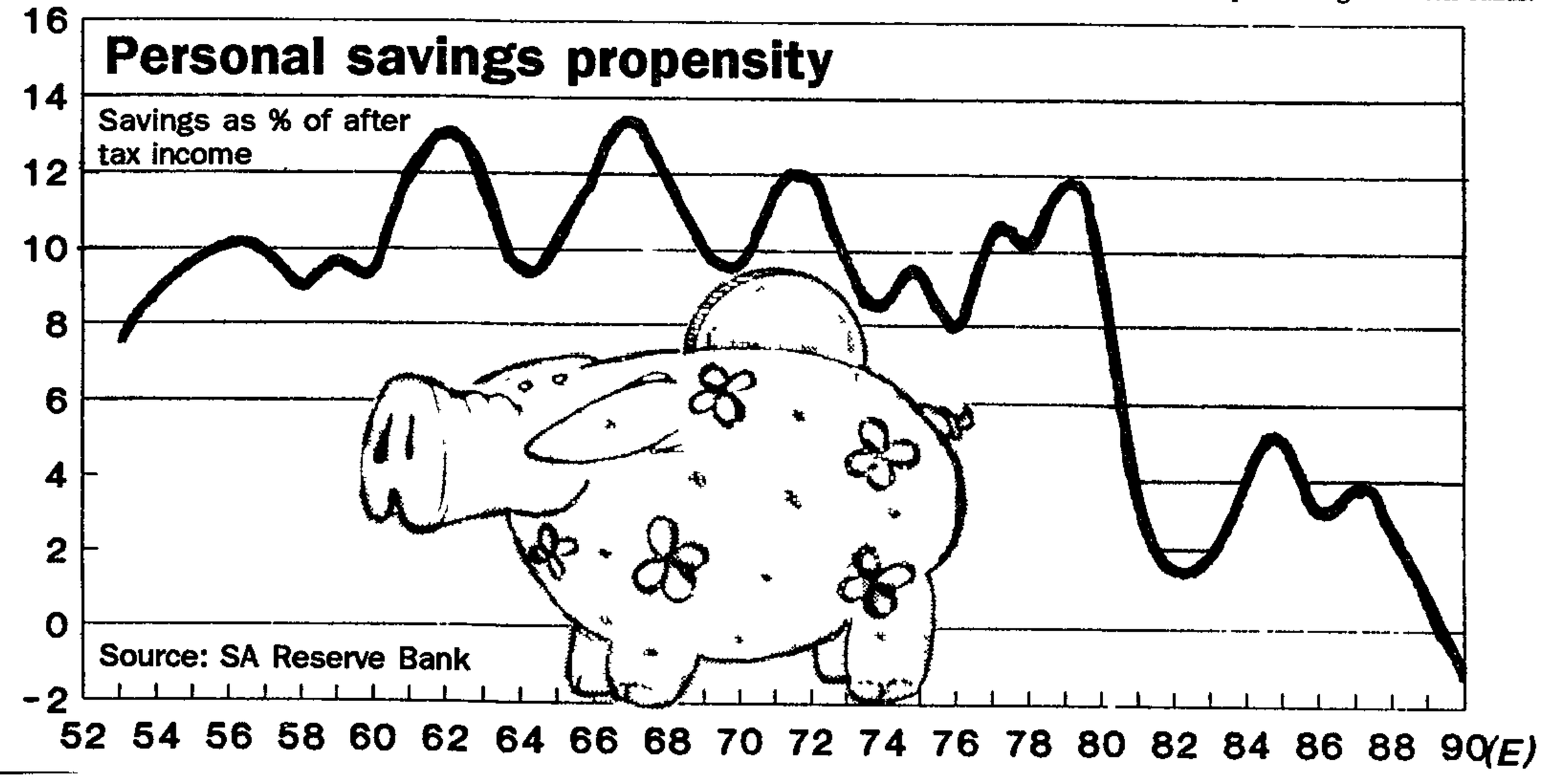
Individuals will start saving again only under certain conditions, the most important being that they receive real after-tax growth on savings.

No real growth

Even at the relatively high levels of interest rates today, savers are still not earning any real growth on their money.

The solution to this looming crisis lies squarely in Pretoria. But it now seems that even the withholding tax, which would have greatly improved the after-tax returns on savings, has been put on the back-burner.

In the meantime, while government finds many reasons why it cannot give savers a square deal, individuals will keep on voting with their rands.



Personal savings pinched

SEAN VAN ZYL

THE extent of government expenditure continued to put pressure on taxpayers and was one of the prime reasons for the low level of personal savings, Metropolitan Life's former chairman Pepler Scholtz said in the latest annual report

However, despite the negative effect on the long-term savings market — through fiscal drag, higher inflation and interest rates — Metropolitan's premium and dividend income would continue to grow at a healthy rate

He expressed concern about the increasing incidence of AIDS and HIV infection. But, he said, "sound and professional underwriting of new business" would enable the company to achieve continued growth and profitability.

Metropolitan MD Marius Smith said about 63% of the company's business was in the black market with Asians and coloureds accounting for about 17%. Whites represented 20%.

Metropolitan would benefit from new business arising from higher disposable incomes once more blacks became involved in the mainstream economy, Smith said. Metropolitan's business in the black market had grown by more than 12% over the past five years

Smith said Metropolitan's six-month results to end-March were in line with the company's projected growth of about 25% on the previous year's figures, and the first three months of the 1991 financial year were slightly better than budgeted for

Huge boost for social spending on the cards

ARGUS 31/1/91 p8

Political Staff

HUGE increases in social spending are on the cards in the parliamentary session starting tomorrow, the Minister of Finance, Mr Barend du Plessis, has announced.

The government had to act if the imbalances in South African education, health, housing and pensions were to be overcome, he said.

Mr Du Plessis, who delivers the Budget on March 20, was quoted in the National Party mouthpiece, Nationalist, as saying the large, low-income part of society should be incorporated with all speed in the numerically small modern sector.

'Worst case'

"Steps must be taken to remedy not only absolute and severe poverty but also perceived relative deprivation," he said.

In terms of an international formula measuring unequal income distribution, South Africa was almost a "worst case".

While South African blacks were markedly better off than most in sub-Saharan Africa, they ranked badly domestically.

Mr Du Plessis said the fact that income disparities were linked to colour and non-participation in central government made the South African situation worse.

He said a shift in income distribution should ideally occur through economic growth. But the economy had in the last decade not been able to address these inequities.

The government recognised that deliberate action was necessary — both to accelerate the generation of work and income among the have-nots, and to channel the fruits of growth into creating the balance

Mr Du Plessis said there was an unacceptable face to capitalism. In every civilised country today there was some form of redistribution of income and opportunities on the path to a more just and stable society.

Policy statement

He said rising spending in this area would, besides being financed by added revenue through economic growth, have to be off-set by a reduction in expenditure in the more traditional areas of the budget.

● Mr Mike Ellis, Democratic Party spokesman on health, is expecting President De Klerk to make a major policy statement on Aids when he opens parliament.

"I think the government is going to pay great attention to the Aids crisis this year — and it is going to come from the State President down.

"I believe that the State President himself must become involved in this problem," Mr Ellis said.

The rich get poorer

S/Times 3/3/91

HOW THE GOOD LIFE HAS SLIPPED AWAY FROM WHITE SOUTH AFRICANS

A MASSIVE shift of wealth from whites to blacks is taking place almost unnoticed in South Africa

But though it has left whites poorer and less privileged, it has hardly improved black prosperity, partly because of burgeoning black numbers.

The startling shift may leave some whites pining for "the good old days" of cheap education and health care and low taxes

When white power was at its height in 1976, when John Vorster was boss and before Soweto erupted, a white patient in a state hospital paid R7,50 a day

There, in lily-white surroundings, the best medical attention was lavished on him. Even heart transplants were relatively cheap

Today, unless the white patient is poor, he goes to a private hospital such as the Sandton Clinic, where tariffs run to R339 a day, medicines and doctors excluded.

Erosion

If he gets into a provincial hospital and earns more than R1 850 a month, he'll pay R170 a day for just the bed The cost of a provincial bed has risen at a compounded annual rate of 23 percent.

Higher medical costs are just one aspect of the dramatic erosion of white privilege in the past 20 years.

The huge shift in wealth is revealed in studies by Unisa's Bureau of Market Research.

According to a research document by Professor Piet Nel and Professor Helgard van Wyk, whites' share of total income after tax fell from 69 percent in 1960 to 53 percent in 1987

SPECIAL REPORT by DAVID CARTE

(see graph), while that of other races has risen from 31 percent to 47 percent.

Black incomes have risen almost three times as much as those of whites, as the graph shows.

Real white personal disposable incomes rose 116% from 1960-1987, while that of blacks has risen 318%

The process of redistribution has happened in several ways during the past 15 years

FIRST, through budgets that have deliberately channelled more money to blacks for the past 10 years

SECOND, through "hidden taxation" in the form of higher medical and education costs, petrol taxes, higher municipal rates and reduced subsidies to farmers.

THIRD, the skilled labour shortage obliged the scrapping of job reservation, enabling blacks to do more skilled work.

The **FOURTH** spur to relative black economic progress has been the aggression of black trade unions, which were legalised only in 1975 The drive for a "living wage" increased black wages by more than 20 percent last year alone.

Fearful of alarming its white supporters, the government has done little to highlight this redirection of wealth. As a result, it has been given little kudos from blacks, or from the world at large.

Whites are also being shouldered with rising education costs.

Fees

In a typical Johannesburg northern suburbs' high school seven years ago, parents voluntarily contributed R200 to the school development fund.

Now contributions by parents are often as high as R900 — a rise of more than 20 percent a year Next year, when many schools convert to Model B, fees are expected to rise by 30 percent or more. In three years, according to an estimate by parents at a Johannesburg school, fees could be as high as R2 000 a year — and compulsory

In the days of John Vorster, whites had virtually exclusive and use of some of the best roads in the world, at a fraction of today's cost.

Just a few years ago municipal rates, electricity and water cost most households less than R30 a month Today those charges are moving up towards R500 a month. Once municipalities are integrated, rates are expected to quadruple.

Sales tax was introduced as a nice fair tax on consumption, spread right across society at two percent.

But as the sales tax rate quickly leapt to 13 percent, income tax rates went up progressively until the top marginal rate peaked at 45 percent on an income of only R60 000 two years ago In the meantime, inflation pushed nearly everyone with a job into a higher tax bracket.

In 1988, taking into account GST, petrol tax etc, the government was taking nearly half of the income of persons earning more than R60 000

In the old days, when whites earned 70 percent of incomes and paid 80 percent or more of the tax, exchequers shamelessly spent virtually all tax revenue on them.

A pittance went to black education. The only meaningful tax money that went to blacks was, ironically, spent on enforcing apartheid.

Last year R28-billion — 40 percent of the budget — was spent on health education and welfare. Much of this went to whites, but the blacks' share of it increased far more.

The biggest part of the budget goes in salaries and wages to state employees, and the lion's share of that still goes to whites. But now pay scales are being equalised and the portion going to black employees of the state is soaring.

Homeland governments and the tricameral parliament have been important, though wasteful, instruments of redistribution.

Whites have felt the erosion of their privilege quite keenly

On the other hand, blacks have not felt the benefits nearly so markedly because of muted economic growth and their growing numbers

Tens of thousands of blacks in employment have attained middle class, First World lifestyles, but millions are unemployed and destitute.

A major income gap is developing between "insiders" with jobs and "outsiders" with none.

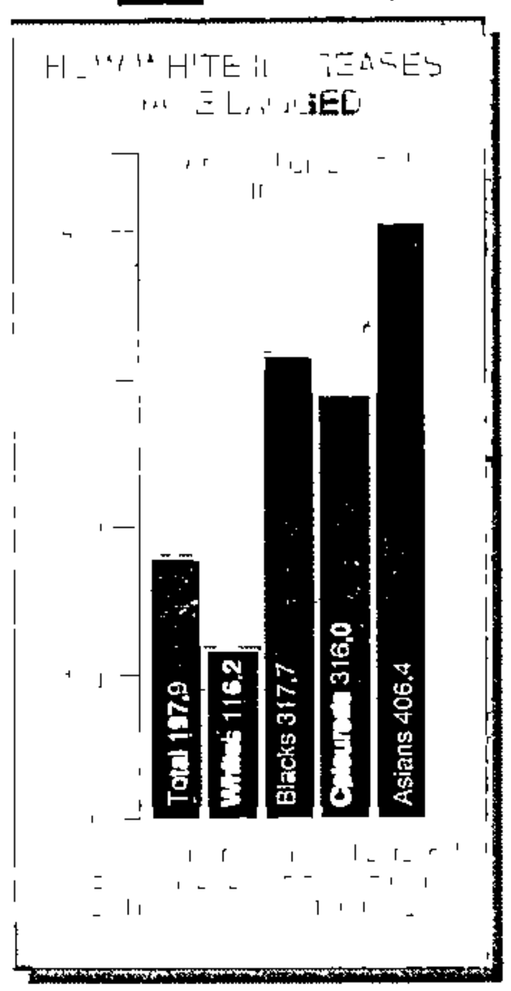
In spite of a massive redistribution effort, income disparity in SA is still among the worst in the world.

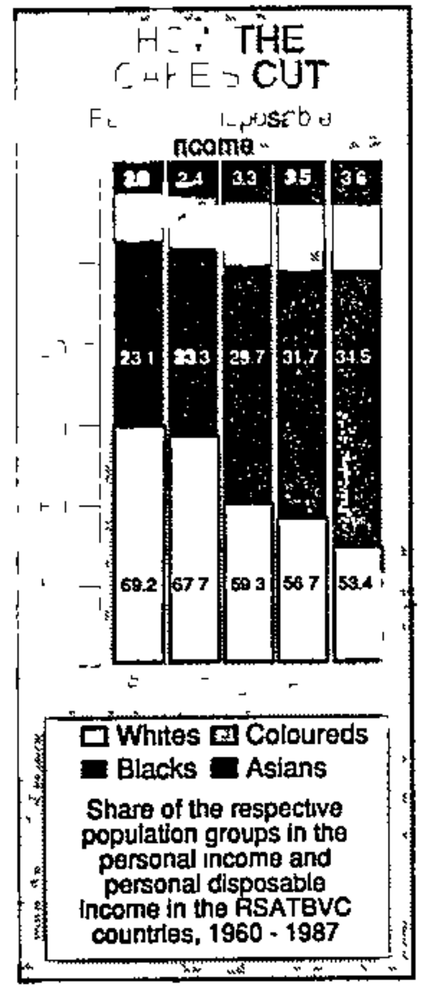
This week the Vatcom report pointed out that 16-million people — 44 percent of the population — live in poverty and 2,3-million are in dire need. These days, some are white Operation Hunger is feeding 20 000 whites across the country

Hunger

Using 1985 rands for calculation purposes, researchers worked out that whites' income per head in 1988 was R8 717, while that of blacks was R1 039

Professor Nel said. "If we had achieved higher growth in the 70s and 80s blacks would have had a far larger share of a much bigger cake And whites would not have gone backwards. Growth is the only way to prosperity"





Share of the respective population groups in the personal income and personal disposable income in the RSATBVC countries, 1960 - 1987

Need to reduce income disparities, says Anglo chief

CAPE TIMES 16/3/91

By PIETER COETZEE
Financial Editor

SA's income distribution is not unusual when compared with other countries at a similar level of economic development and urbanisation, said Anglo American chairman Julian Ogilvie Thompson.

Speaking at the Sacob Transvaal regional conference, he said developing societies are prone to high levels of inequality precisely because they are developing.

"In the debate on the economic future of SA reference is often made to SA's Gini Coefficient (the standard measure of income distribution) being worse than any other country in the world.

"No one disputes apartheid's moral repugnance and that income disparities in SA are large One goal of future economic policies must be their reduction.

"But it is vital that businessmen along with others understand the phenomenon of inequality in SA and elsewhere. It is simply not helpful to bandy about the Gini Coefficient as if it explains or summarises everything.

"To do so also leads to a misleading perception that among the population at large that SA is a rich country," he said.

"SA's difficulty lies not in the division between the 'haves' and 'have-nots', but in the fact that apartheid, by limiting participation in the economy, has ensured that this division has occurred mainly along racial lines."

He said the SA business community recognises, as does government, that the new SA must address the deeply felt and justified grievances of those South Africans who have benefited least from what economic growth there has been.

Its concern is to find the most effective means of doing so, not just in the initial years but in the long term — ensuring that immediate claims are not satisfied at the cost of increasing the incidence of poverty, as in many South American countries.

"If SA faces economic problems broadly similar to those of other developing countries, we have a pretty good idea of the general policy environment conducive to economic growth."

Countries both in Eastern Europe and throughout Africa are desperately attempting to move away from the old dirigiste models replete with a plethora of controls, to the only economic system that works. This is a market economy:

- Where factors of production are priced according to relative scarcity.
- Where inflation is kept under control, interest rates are positive in real terms to encourage savings and hence investment and taxes are broadly in line with international levels.
- Where the country's comparative advantage is turned to account in a way which maximises broad-based development and some appropriate incentives encourage exports.

If, however, business is successful to make its case for limited government and a market driven economy on a long-term basis, it needs to raise a constructive vision of the future.

This must demonstrate that the economic growth ensuing from appropriate macro-economic policies, together with sustained co-operative business/labour/government programmes to tackle poverty, will make a tangible difference in the short to medium term in the provision of secure shelter, elementary health care and at least primary education.

Ogilvie Thompson said that government and the private sector have both come to the conclusion that much greater socio-economic investment has to take place in spite of a tight economic policy and environment.

Over 40% of the Budget is now being allocated broadly to socio-economic investment.

The private sector, in addition to existing social investment funds, has now launched the Private Sector Initiative with some R550m over five years to complement the government-sponsored Independent Development Trust of R2bn created last year.

While recognising the need to maximise social investment, it is necessary to ensure that all programmes which the private sector contemplates, are based on sound holistic analysis and appropriate policy.

'Income distribution in SA not unusual for a developing economy'

South Africa's income distribution is not unusual when compared with other countries at a similar level of economic development and urbanisation, says the chairman of Anglo-American, Julian Ogilvie Thompson

Mr Ogilvie Thomspson, speaking at the South African Council of Business (Sacob) Transvaal Regional conference on Friday, said developing societies experienced high levels of inequality because they were developing

"South Africa's difficulty lies not in the division between the haves and have-nots, but in the fact that apartheid, by limiting participation in the economy, has ensured that this division has occurred mainly along racial lines"

Commenting on the South African economy, Mr Ogilvie Thompson said the country's overall level of foreign indebtedness was currently low and improved access to foreign capital markets in the past year could bring a period of zero net outflows and a return to some inflows

"Ironically, the ending of the outflows and a return of some inflows will now provide a significant support for the domestic economy just when the global economy is slowing"

Higher growth

With the change in direction in government economic thinking in the past few years, the macro-economic framework necessary for sustained higher growth in South Africa was now in place.

Mr Ogilvie Thompson warned, however, that without a major breakthrough, economic performance in South Africa in the next five years would probably be so poor that it would neither stem the disintegration of black society, nor meet minimum black socio-economic expectations, nor prevent a further decline in white living standards — Sapa

Many in SA 'pitifully poor'

B1Day 21/3/91 (128)

Political Staff

CAPE TOWN — Gloomy but frank acknowledgement of the extreme levels of poverty in SA were made yesterday by Finance Minister Barend du Plessis

In 1989, some 44% or about 16-million people of the population, including the independent homelands, were estimated to be on very low incomes

He said "One of the most daunting socio-economic issues is the great gap in development and income between people and communities

"SA has one of the most unequal distributions of income in the world, but still more disturbing are the millions of South Africans who have to make do with pitifully low incomes

"And there are similar disparities in the ownership of assets," Du Plessis said

Government's goal was a new SA with justice for all and political, social and economic equality

"It is the considered judgment of this government that the means to securing justice for all lies in the process of purposeful even-handed treatment, alike in the political, the social and the economic fields"

The theme of the 1991/92 budget was therefore "equity through growth and stability", Du Plessis said

The Budget Review, prepared by the Finance Department, stated that the extent of poverty in SA was "still extremely great

"Poverty in SA has increased over the past decade and a half

"This is reflected in the fact that the real gross domestic product (GDP) per capita has fallen since 1981 at an average annual rate of 1,5%"

Unemployment in SA had shown an upward trend since the mid-1970s

The decline in the labour absorption capacity of the economy had assumed daunting dimensions.

In 1965-1970, 73,6% of the increase in the labour force was absorbed by the formal sector, but this fell to 62,7% between 1970 and 1975, 35,4% between 1975 and 1980, 21,9% between 1980 and 1985, and "an exceptionally low level of 12,5%" between 1985 and 1990

"The implication is that only about 125 out of every 1 000 new entrants to the labour market in 1985 to 1989 were accommodated as fulltime employees in the formal sector

"Unemployment, therefore, has largely become entrenched in the South African economy as a structural problem"

The review said evidence submitted to Vatcom showed some children younger than 12, the aged, social dependents, and certain categories of unemployed needed urgent direct aid

He said some of the resources released by the SADF had to be rerouted to the maintenance of law and order and a total of R4,63bn was now provided — an increase of 53%

Rising crime, the need for certain security steps and the mass action campaign required a larger visible police presence with the emphasis changing from "reactive" to "pro-active", he said

The Minister said in the light of the high priority given to efficient policing and the need for emergency police stations, R20m of the R950m which had been set aside for urgent capital requirements was earmarked for this purpose

MPs' salaries to rise by 27%

B1Day 21/3/91

CAPE TOWN — Parliament's 308 MPs, who last year earned salaries worth R26,2m, will get a pay rise of 27,4% worth R5,6m

The overall cost of parliamentary salaries, including pensions paid to MPs, administrators and members of the President's Council, will rise by 22,7% to R104,4m

The latest pay increases for parliamentarians follow a double pay rise last year which increased MPs' salaries by 25% and Cabinet Ministers' by 17%

While no details of MPs increase were provided Ministers are to get R187 000 a year, including a reimbursive allowance of R40 278, and deputy ministers R135 000 a year, including a reimbursive allowance of R30 930

Education's slice up 27% to R16bn

B1Day 21/3/91

Political Staff

CAPE TOWN — Government has earmarked R16,1bn for education in the next financial year, with R6,833bn going to blacks — a 27% increase on last year

The Labour Party's boycott action also bore fruit as they will receive a one-off R90m and the House of Delegates R75m to address pressing needs

White education spending will total R5,950bn — an increase of 6% while the budget for coloureds totals R2,303bn (13,9%), and for Indians R977,3m (18,6%)

Finance Minister Barend du Plessis said that for years education had been the largest single component in the Budget, and in the 1991/92 tax year it would account for 19,2% This was before accounting for the contingency reserves and transfers to the TBVC states

He said R1bn had been earmarked for capital projects last year in a special fund, of which R750m had been set aside for black educational capital projects Of this R188m had been spent and the balance would be used this year

It was proposed an extra R269m be added to the rest of the R1bn fund — with R212m for capex in black education

Special steps would be taken to ensure buildings would be erected with the support and co-operation of local communities, and if possible they would involve work-creation projects

It was generally accepted that the massive backlogs in education demanded great cost effectiveness, with the emphasis on skills-orientated education, he added

A direct contribution by parents and local communities was likely to play a larger role in future educational financing

Deficit above IMF recommendation

B1Day 21/3/91

ANDREW GILL

ANNOUNCING a generally expansionary Budget yesterday, Finance Minister Barend du Plessis forecast a deficit before borrowing above expected levels and the IMF's suggested ceiling. At 3,4% of GDP, the deficit exceeds the suggested IMF ceiling of 3% and 1990's 2,7%.

Du Plessis has drawn on a R950m bonanza "emerging from the diminishing need for strategic stockpiling" for financing the deficit and a R206m input from the 1990/91 surplus after borrowing.

The remainder, R8,962bn, constitutes 3% of GDP, "unfortunately above the level of capital spending", estimated at 1,8% of GDP Moreover, loan redemptions will be about R5,4bn, bringing the net financing requirement to R14,4bn

The plan is to finance it chiefly from domestic stock sales to the amount of about R14bn, including investment by the Public Investment Commissioner (PIC).

"In the light of the relatively modest loan programmes of other public sector institutions, the state's financing requirement this year should reinforce the slightly downward trend that long-term interest rates have begun to display."

The R10,12bn requirement, said Du Plessis, was the result of "all the fiscal commitments and tax reform in particularly tight economic circumstances".

The tax concessions will result in a loss for government of R1,77bn in fiscal 1991/92, while supplementary spending proposals account for another R2,15bn of the R85bn budget

Dividends paid

Rise in consumption spending continues

Star 21/3/91

By Michael Morris

Production levels in mining, agriculture and manufacturing fell last year, but the service industry showed moderate growth, according to the Budget review

Private consumption spending continued to rise during the present downphase of the business cycle, but real gross domestic expenditure fell by about three percent in 1990, against the one percent drop in 1989

Real government consumption expenditure in 1990 was about one percent higher than in 1989, though the rate of increase was both considerably less than the 3,5 percent of 1989 and the lowest growth rate for the past 12 years

The review, by the director general of the Department of Finance, Gerard Croeser, says "Although the economy has been in a downward phase of the business cycle since March 1989, real gross domestic product (GDP) rose by two percent in 1989

"The relatively favourable conditions throughout the greater part of the year were attributable mainly to good harvests and a continued sharp increase in the volume of exports

Poor harvest

But from the fourth quarter of 1989, there was a noticeable change as a result of a poor wheat harvest and decline in mining production'

The resultant fall in the GDP continued through 1990

For 1990 the negative growth in real GDP is now estimated at slightly less than one perent Real GDP per capita fell by about three percent in 1990 after having been unchanged in 1989

After a new high for the 1980s in the third quarter of 1989, real agricultural production then fell continuously

In the mining sector the fall of one percent in the value added in 1989 was followed by a further 1,5 percent in 1990.

Real value added in the secondary sectors, which had risen by 1,5 percent in 1989, fell by 1,5 percent last year

No withholding tax on interest income

A WITHHOLDING tax on interest income would not be introduced at this stage, the Minister of Finance, Mr Barend du Plessis, said yesterday. (128)

He said in his Budget Review that the tax had been investigated by the Jacobs Committee.

"On account of the possibilities it offers for the reclassification as interest income of other income (which is taxable at normal income rates) and the possibility of arbitrage transactions, it has been decided not to introduce such a tax at this stage."

However, the Committee was continuing to investigate means of countering these practices, and was also going ahead with its investigation into a more level playing field between deposit-taking and contractual savings institutions Sowetan 21/3/91.

The role of tax incentives in encouraging savings would also be looked at further. - *Sapa*

BUDGET/'91

Individuals' savings are less than ever

INDIVIDUALS are saving less than ever - but the good news is that the rate of increase in Government spending is the lowest it has been in 12 years.

The ratio of personal saving to personal disposable income fell to only 1,5 per cent in 1990, which was half the comparable figure for the last two years.

The Finance Minister, Mr Du Plessis, said the sustained upward trend in people's spending was the result mainly of a moderate growth in people's income and a continuing growth in consumer credit.

Total real Government consumption expenditure in 1990 was about one per cent higher than in the previous year. This rate of increase was the lowest growth rate for the past 12 years.

He said total real gross domestic fixed investment fell by 1,5 percent last year. The expansion of capital expenditure by public corporations, in particular Mossgas, had prevented a still greater fall.

"Real fixed capital expenditure in the private sector, however, fell moderately while that of public authorities fell by 10 per cent in 1990.

"The decline in real inventory investment since mid-1989 was also an important contributory factor to the acceleration of the fall in total domestic expenditure.

"The prevailing relatively high interest rates led enterprises, in trade and manufacturing in particular, to hold low inventories." - *Sapa*

Consumers steadily getting more impoverished - Sanlam

The South African consumer has become increasingly impoverished since the early Eighties, Sanlam says in its latest economic survey.

It says contributing factors were the low growth rate, high inflation, sluggish provision of jobs and a higher tax burden

Growth of employment in the non-farming sector — excluding the informal sector — rose by barely one percent a year from 1980 to 1989 while the economically active population grew by just below three percent a year.

An average economic growth rate of at least five percent a year would be necessary to accommodate all new job seekers

"The buying power of the consumer's earnings is being decreased further by his growing tax burden and the increasing number of people who have to live from the available income."

Taking inflation and a population growth rate of about 2,6 percent a year into account, real disposable income on average fell by 1,3 percent a year from 1980 to 1989

Consumers have also had to face increasing indirect taxation like general sales tax, the fuel levy and customs and excise duties

General sales tax has grown by about 29 percent a year in the past decade

Events in the Middle East could delay the next upswing in the economy

The decline in total economic activity — which has been in progress for more than 21 months — is continuing unabated and extending to even more spheres of production.

Negative factors which could affect the economy this year include

- The already slow rate of expansion of the economies of the country's leading trading partners could be affected still further by the crisis in the Middle East, which would reduce the country's exports
- Consumers' finances will weaken markedly as a result of more moderate wage increases, continued high inflation and high interest rates
- Strict control over government spending will prevent economic growth from being stimulated to any significant degree by this sector

Growth is expected to continue to be sluggish and a significant upswing in activity cannot be expected before early 1992

No real growth in gross domestic product is envisaged

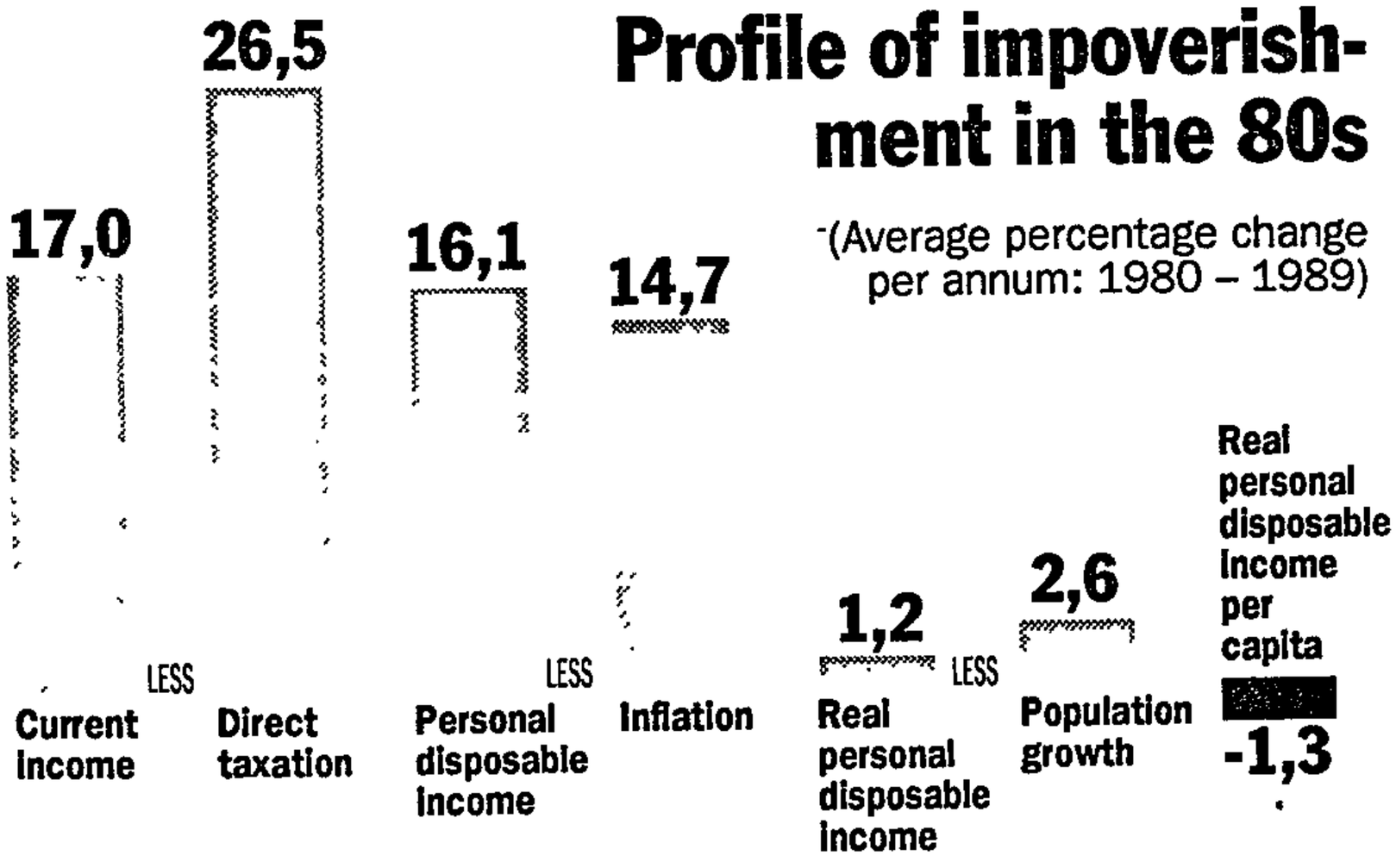
The inflation rate is expected to decline gradually, giving an average inflation rate of about . percent for the year, compare with 14,3 percent in 1990.

Because of the uncertainty surrounding events in the Midd East — reflected in a weak performance of the balance payments and possibly higher fc eign interest rates — the chanc are that a drop in interest rat will be delayed

In the capital market lon term interest rates could expe ence upward pressure in the shc term but will probably be low by the end of the year — Sapa

Profile of impoverishment in the 80s

(Average percentage change per annum: 1980 – 1989)



Consumer spending fuelling inflation rate

Star 4/4/91.

128

By Sven Lunsche

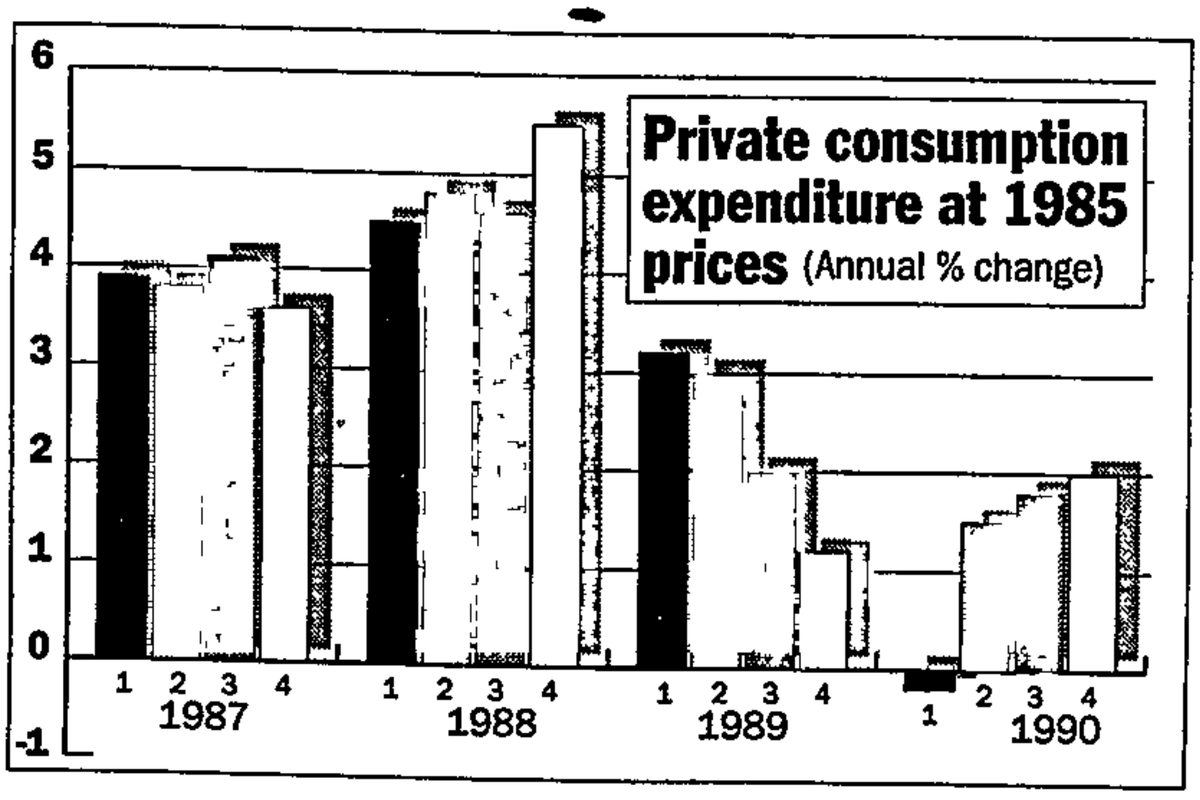
Consumer spending is continuing at unusually high levels, which does not favour a substantial reduction in the inflation rate this year

These are the key findings of a survey by the Bureau for Economic Research at Stellenbosch University (BER) and will prove a further headache for the Reserve Bank in its efforts to lower the rate of increase in consumer prices

Retail sales have proved surprisingly resilient to two years of restrictive monetary policies, which have seen key interest rates rise by around five percentage points

It is therefore surprising, according to the BER, that consumer spending has been mostly credit-financed and might increase even further, given the recent one percentage point cut in key lending rates

On balance, the BER predicts that growth in real consumer spending could be close to one percent this year, compared with the 1990 level



In 1990 overall growth was in excess of 1,5 percent.

Latest available Reserve Bank statistics show that private consumption expenditure picked up by two percent in the last quarter of 1990, compared with the same quarter in 1989 (see graph) and was widely spread over most household categories

Real outlays on consumer durables, in particular, advanced at a firm annual rate of five percent, with lower growth achieved by semi-durable and non-durable goods

In the current year the situation is likely to be reversed, the BER says, assessing the survey responses it received from retailers

In the first quarter of 1991 "a majority of retailers reported higher sales, compared with a year ago, a trend made largely possible by greater-than-expected sales of semi-durables (especially women's clothing) as well as non-durables," the BER says.

"What is remarkable in the present economic contraction is that retailers expect even better sales in the second quarter of 1991, with dealers in non-durable and semi-durable goods being the most optimistic"

This lively sales report can be largely explained by the low ratio of cash to credit sales, the BER comments.

"Sales, particularly in the semi-durable goods category, have been largely credit-financed, and can be attributed to the more lenient approach of large chain stores, which have changed over to a credit policy, greatly favouring consumer spending"

What is good news for retailers, however, is bad news for the consumer

The continued firmer trend in spending outlays is likely to lead to an acceleration in price increases over the next few months

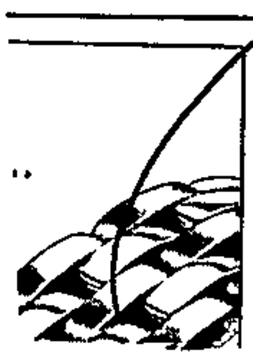
The Stellenbosch economists say wholesalers expect that both their buying and selling prices will increase faster in the second quarter of this year than in the first three months.

On the retail front, 50 percent of the respondents in the non-durables sector in general, and the food sector, in particular, expect increases in selling prices at a higher rate

"Inflationary expectations are thus high, which does not favour a substantial reduction in the inflation rate for the year"

This should be worrying for the policy-makers who are aiming at a lower inflation rate as a matter of priority, the BER says.

The bureau's survey of the motor industry shows that orders for new motor vehicles in the first quarter were down from a year ago, but better than expected.



Sentrachem sets up new marketing unit

Sentrachem has rationalised the distribution and marketing of flotation reagents for the mining industry into a new unit called Senmin

These flotation re-

The new unit will be responsible for the marketing and distribution of frothers and depressants (NCP) and collectors (Karbochem)

Senmin ge

with an improved customer service facility

Apart from its product range, Senmin will also provide a host of technical support services to

Poll: violence fuels white gloom

CAPE TOWN — Internal political tension which manifested as severe violence in black townships contributed to the relatively pessimistic view of white consumers about the short-term future of the SA economy

Only 33% of white consumers anticipated a slight improvement in the economy during the next 12 months, the Bureau for Economic Research (BER) at Stellenbosch University disclosed in its latest trade and commerce survey released today

While only 9% foresaw a considerable improvement, 55% anticipated a deterioration Of these, 33% indicated it would be slight, and 22% were "extremely pessimistic and anticipated a considerable deterioration"

However, white consumers were "considerably more optimistic" regarding their personal financial position over the next 12 months But it was expected that in 1991 salary and wage adjustments would be more conservative

On the whole the confidence level of whites was negative and had displayed a downward trend since the second quarter of 1988

The bureau was also not overly pessimistic in its predictions for consumer spending for 1991 and 1992

"We anticipate a growth of close to 14% in nominal terms in the remuneration of employees — marginally higher than the anticipated inflation rate of 13,5% for 1991"

Speculation in the media about the timing of the upswing in the business cycle combined with the consensus among economists that this recession will "not be as deep as the previous recession," could cause consumer confidence to improve even sooner than mid-1991, the bureau said

Wholesalers reported the level of sales up in the first quarter compared with the same quarter a year ago. Sales of consumer goods fared better than expected but a net majority of wholesalers expected sales to be down in the second quarter

Current business conditions were classed as unsatisfactory by 62% of respondents

In addition, a net majority of retailers reported higher sales compared with a year ago This trend was made possible by greater-than-expected sales of semi-durables as well as non-durables

Durable sales were down

"What is remarkable under the present economic contraction is that retailers expect even better sales in the second quarter of 1991, with dealers in non-durable and semi-durable goods being most optimistic," the bureau said — Sapa

Star 9/4/91

On slicing up the pie

By JO-ANNE COLLINGE

THE FREQUENCY — and intensity — of strike action and the substantial gains made by trade unions in the last two decades tell us that South Africa has an organised and militant urban working class.

Is it also a working class that sees economic issues in terms of leftist or Marxist constructs?

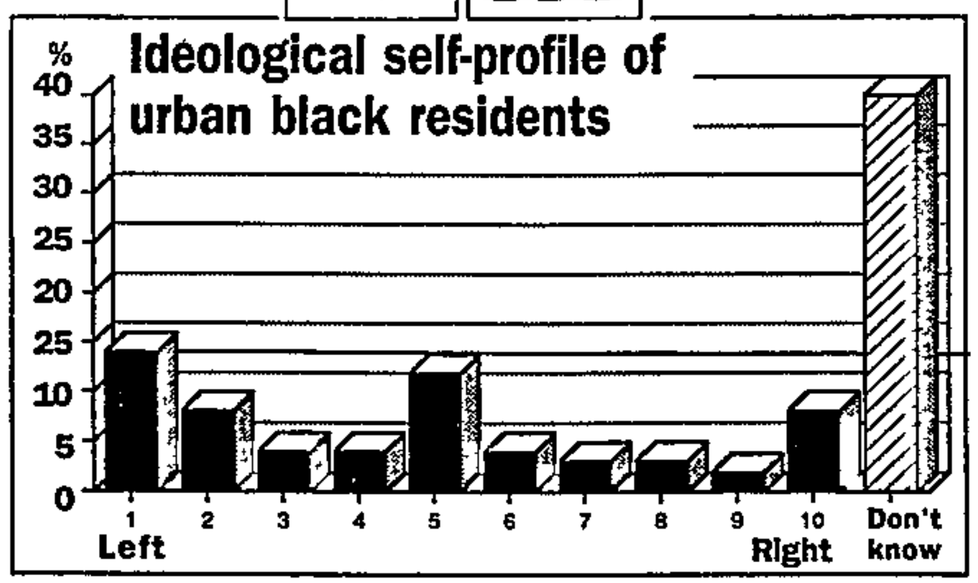
Markinor's survey offers some tentative insights on the question. It must, however, be borne in mind that the subsample on which these are based is small — 600 black residents of Durban, the PWV area and the coastal Cape cities — and that it contains a small proportion who are not workers Although there is no "working class" sample as such, information about the "black urban" sample suggests that it is composed overwhelmingly of workers or members of their families.

For instance, 30 percent of the sample were unemployed, 15 percent were students and 5 percent housewives. But three out of four respondents who had jobs declared that they were artisans or skilled, semi-skilled and unskilled workers.

Household incomes confirmed this. The average household income for this sample was R850, dropping to R616 in the Cape. And fully 35 percent of households — with an average size of 5,6 members — had an income of less than R700

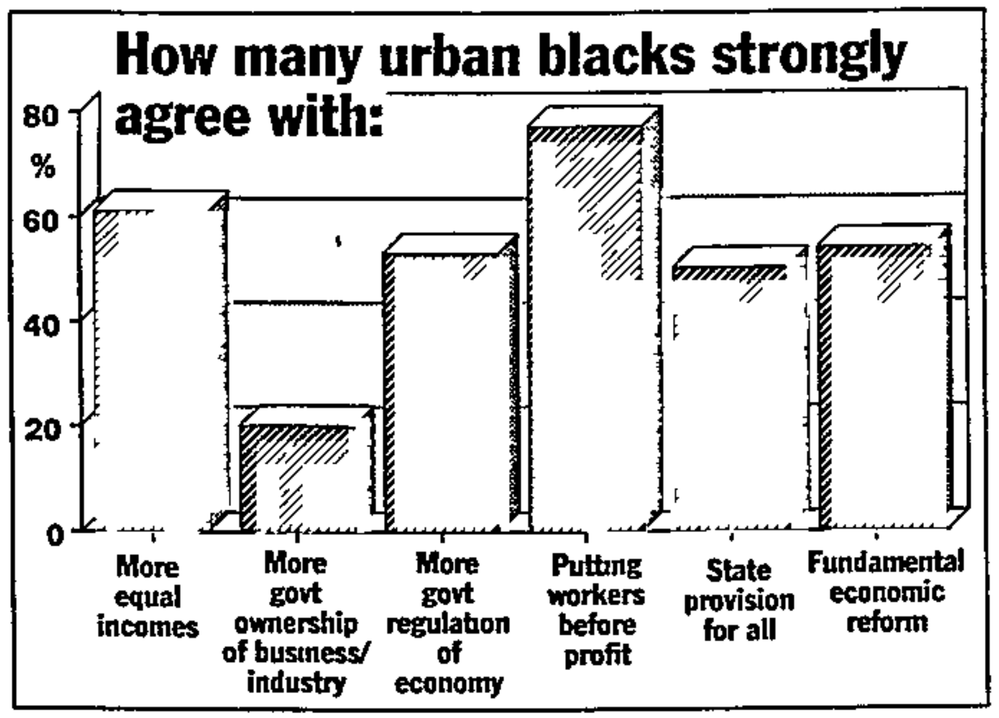
Furthermore, only 16,4 percent had completed school, while 43 percent had some high school education and 42 percent had varying degrees of primary school education or no formal schooling

SA social value study



The World Social Value Study, initiated by the Institute for Social Research at the University of Michigan, spans some 42 countries. The South African component used a locally adapted questionnaire. The sample comprised 1 236 whites (rural and urban), 200 coloured residents of Cape Town, 200 Asian residents of Durban and 600 black people in major urban centres The black, coloured and Asian sample was stratified by city and township

● More details contact Marketing and Media Research



Asked to place themselves on a Left-Right ideological continuum, 40 percent of respondents came up with a "don't know" answer Those with little formal education, women and old people were particularly reluctant to commit themselves on this question

Among those who did answer, there was a strong preference for the Left. On a 10-point scale, fully 22 percent of the black urban sample placed themselves on the far Left and 42 percent claimed they were somewhere to the Left of centre Only 20 percent claimed to be Right of centre

Does this mean the majority of workers in South Africa's cities want to see the means of production placed under their control, that they believe that only owners of capital fatten on the efforts of workers and that the State should carry the burden of economic planning and management?

No, says the survey

According to the poll, South African workers certainly want fundamental reform of the economy and a greater share of the pie. They believe the State should play a more assertive role in directing the economy But they do not look to nationalisation of industry nor to worker self-management of factories.

These are some findings.

Workers, as represented by the urban black sample, were far more likely to explain poverty in terms of injustice than the more affluent white group. Fully 64 percent of the urban black sample blamed poverty on social injustice and only 14 percent felt it was due to the laziness and lack of will of the individual.

Among whites, there was a strong tendency to blame the individual for lack of effort (43 percent of respondents) and only 30 percent felt injustice played a major role.

Despite the prevalence of the notion of injustice, only 10 percent of black urban residents associated themselves strongly with the statement that "people can only accumulate wealth at the expense of others"

A substantially greater 61 percent agreed strongly with the proposition that "wealth can grow so that there is more for everybody"

It is unlikely, by expressing this view, that respondents were looking to the 'hidden hand" of the free market to ensure that all get a better deal from a growing economy Fully 53 percent felt strongly that government regulation of the economy should increase.

In addition 61 percent expressed strong agreement with the notion that salaries should be made more equal Only 16 percent felt strongly that increased incentives were a better idea than more-equal pay

But relatively few envisaged State ownership of trade and manufacturing Only one in five respondents agreed strongly that the Government should increase its share of trade and industry Twice as many felt strongly that private ownership of commerce and manufacturing should be increased

Considering jointly the questions of ownership and management only 10 percent chose the arrangement where the State owned enterprises and appointed managers. Minimal support (8 percent) was forthcoming for the notion that workers themselves should own businesses/factories and choose their own management.

By far the most popular notion was that "owners and employees' should take part in selecting management — the idea was approved by 49 percent of respondents. In addition, 30 percent were prepared to leave the running of the show, including choice of managers to the owners

Despite its nominally leftist character, this sample showed almost equal levels in confidence in the trade union movement and big business The rating of a "great deal of confidence" was accorded the trade unions by 42 percent of the sample, while 40 percent gave the same rating to major companies.

'Quite a lot" of confidence was granted the trade unions by 34 percent of respondents and major companies won similar support from 35 percent

The existing social security system enjoys a much lesser degree of confidence in the townships This must be seen in a context where 50 percent are emphatic — and not just mildly in agreement — that the State should take the initiative to provide for all.

The survey suggests that urban workers have a keen appreciation that economic growth is vital to their well-being and is a key national goal. □

Differences, but much in common

Star 10/4/91.

By JO-ANNE COLLINGE

APARTHEID may be in retreat but it leaves telling traces — white and black South Africans are still leading lives which are materially unequal and light-years apart experientially Racial polarisation of political loyalties and approaches to the economy is hardly surprising

All of this is borne out by the Markinor World Social Value Study

What the study also suggests is that if you look beyond the questions of power and wealth, to those lesser social issues (which are often the stuff of politics in more democratic and egalitarian societies than SA), South Africans of all colours have much in common

The racially linked material differences remain striking For the white sample, the average household income was R3 930 a month, 75 percent owned their homes, 35 percent had some post-matric education and only 2 percent had no more than primary schooling Just one in a hundred was unemployed

In the black urban sample the average household income was R850 a month, only 25 percent had bought their homes, 30 percent were unemployed and 42 percent had not been educated beyond primary school The coloured and Asian groups occupied an intermediate position For instance, average monthly household incomes for these groups, respectively, were R1 718 and R1 965, and about 8 percent in both groups were jobless

The extreme material differences translate into a contrasting sense of life, the survey suggests While only 7 percent of white respondents said they felt unhappy with life, 48 percent of black people chose this answer. Nearly one in five black respondents felt strongly that they had no personal freedom but in the other groups the proportion did not exceed 4 percent

Looking at life from such different objective and subjective vantage points, can South Africans of different races see anything in the same light? Yes, suggests the Markinor report, and yes again.

Ask any South African about his or her family, religion, views on abortion, sexual freedom and air pollution and the odds are more than even that there will be broad agreement.

The odds are also that the answer will fall well to the conservative side of the spectrum of views. Here are some examples:

● The overwhelming majority of South Africans sampled describe their upbringing as religious (ranging from 84 percent of whites, at the bottom of the scale, to 95 percent of Asians) and about half attended a religious service at least once a week In both the white and black samples, eight out of 10 people declared that they drew comfort and support from religion The frequency rose to nine out of 10 in the coloured and Asian groups.

● In relation to sexual freedom, black respondents showed a relatively more liberal approach than others But still the majority position was conservative Asked whether they agreed with no restrictions whatever on sexual freedom, 33 percent of black people "tended" to agree and 38 percent tended to disagree Among whites, only 11 percent felt amenable to the idea and 71 percent opposed it.

Unsurprisingly, single mothers would probably have an easier time in the black community, where a relatively low 46 percent expressed disapproval. In other communities, censure ranged from 62 percent among coloureds to 79 percent among Asians

Across the board, there is a majority who will make absolutely no concession to homosexuality. This is how the proportion of respondents who declared it unjustifiable in any circumstances lined up coloureds 82 percent, whites 72 percent, Asians 63 percent and blacks 61 percent There is a marked disparity of attitude between English and Afrikaans-speaking whites in relation to homosexuality

On another issue, despite years of resistance to Bantu education, black people expressed more confidence in the education system than whites did

Since all black respondents were interviewed by a field worker, the chances are that the "compliance" factor on moral issues — the desire to give the "right" answer — is greater in this sample than among whites who filled out the questionnaire themselves.

But a telling response was that 53 percent of black people saw change as a new beginning while only 15 percent of whites viewed it this way.

Throughout the survey, it was not always clear whether respondents were evaluating present circumstances or a new social system that they anticipated just around the corner This may explain the fact that 66 percent of black respondents aged between 16 and 24 said they would be prepared to defend South Africa in a future war

● Tomorrow How near is the non-sexist South Africa? □

SA social value study

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● More details: contact Marketing and Media Research.

Consumer spending overcomes recession

Star 12/4/91

(128)

By Sven Lunsche

Consumer spending in the current recession has remained so strong that a leading economist believes it could herald a period of sustained economic growth.

In a surprisingly upbeat report First National Bank said yesterday such a consumer-led upswing could last between three to five years.

This, however, will force the Reserve Bank to maintain a tight rein on monetary policy and "interest rates will stay higher than many of us expect," FNB CE Barry Swart said at the presentation of the report.

The report by FNB economist Cees Bruggemans says data on the current so-called recession was nowhere close to the dismal levels of previous recessions in the 1980s.

The recession has been averted by strong consumer spending and revision of the overall spending data suggests "at best a slowing in early 1991, followed by a hint of re-acceleration later in the year," Dr Bruggemans says

"Instead of earmarking these trends in consumer spending as an early indication of a business upswing getting under way, they should be seen as evidence that the preceeding strength in consumer spending never really ended."

The continuing consumer strength has not been accidental — formal employment has remained remarkably stable and wage and salary increases have yet to show much slowing.

The FNB economist is even more optimistic on the outlook for economic growth.

"The stimulatory Budget, when coupled with an overall lack of serious employment losses and substantial private wage settlements, a low savings rate and ongoing use of credit, suggests that consumer spending will continue to grow and may actually accelerate in real terms

"In turn, such mild consumer acceleration should be conditioning business that an upswing is in the works and lead to a reversal of the destocking ardour of the fourth quarter last year"

The tight monetary policy will allow no room for real growth this year

But in 1992 growth of two to 2,5 percent could be recorded, followed by growth rates of three to four percent each in 1993 and 1994. This, however, depends on the balance of payments situation.

The real concern, however, remains inflation and Dr Bruggemans suggests the switch to VAT and the expected upswing in the economy have dashed hopes of an inflation rate of 12 percent by year-end.

It is more likely to remain at around 14 percent and the Reserve Bank would consequently stick to its policy of maintaining real interest rates of around six percent.

"There could be a further one percentage point drop in prime before the introduction of VAT, but there is little scope for further declines in the remainder of the year," Dr Bruggemans says.

Consumers hit in the breadbasket

B/Dam 15/4/91.

128

SHARON WOOD

FOOD prices have hit consumers in the stomach in the past year, with steady hikes continuing to outstrip the official inflation rate.

Central Statistical Service's consumer price index figures show food prices have been going up at an annual rate of over 15% since the beginning of 1990

There have been particularly steep price rises for milk, milk products and eggs

Fresh meat prices have climbed steadily, along with those for grain, while fruit price increases have been held at a high level of around 25% year-on-year

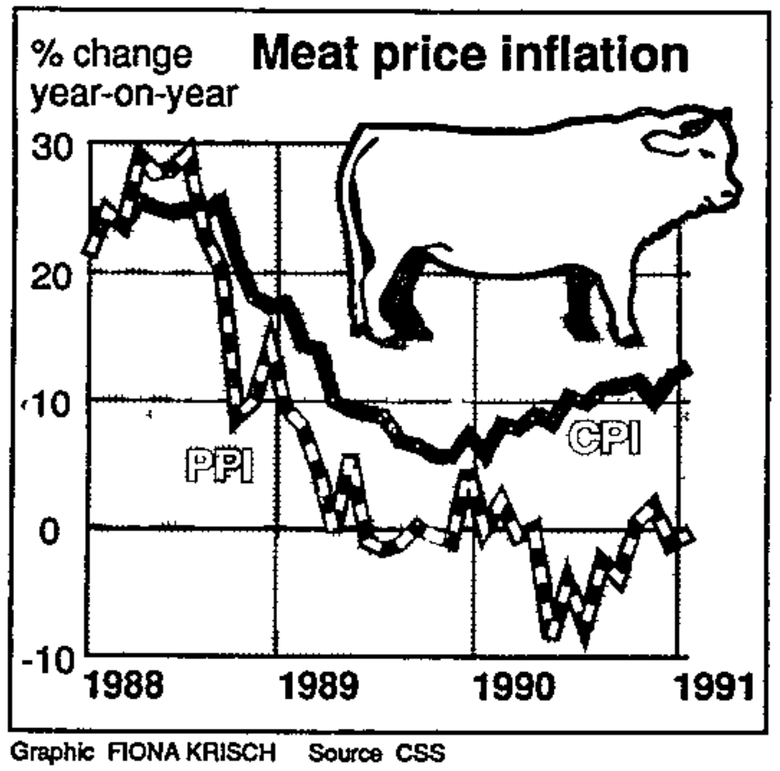
The one welcome exception is the rate of increase in the price of vegetables, which dropped dramatically after December 1990

The situation is unlikely to improve this year, with the introduction of VAT in October expected to exacerbate sharp price rises

All foodstuffs now excluded from GST will be subject to VAT, barring brown bread and mealie meal

Lower income earners are hardest hit by food prices because they spend about 55% of their income on basic items — food, clothing, footwear, rent and transport This can be compared with the 28% that higher income earners spend on basic items

The dent food prices make in lower income earners' wages will intensify with the imposition of VAT on food in October. Critics have questioned the advisability of this but the reasoning behind removing the exemption of food from indirect taxes is that higher income groups benefit more greatly from this.



Graphic FIONA KRISCH Source CSS

An area of great contention has been the large, and in many cases widening, gap between producer and consumer prices The gap between food producer and consumer prices narrowed in the last few months of 1990, but this was after a considerable widening in the first half of the year. The trend in producer and consumer meat prices is a notable case of the widening, and still unexplained gap, and it has generated much conflict.

During 1990 the yearly rate of increase in meat prices experienced by the producer was negative for most of the year

This is explained by the cyclical nature of the meat industry, where prices move up in times of restocking and down when the restocking phase is completed. Herd restocking had been completed following the mid-1980s drought, depressing auction prices for farmers' livestock.

This was confirmed by the latest Meat Board Annual Report which said that SA could expect to be moving towards a period of surplus meat supply.

It said auction prices should move sideways thus resulting in a lower real income for the farmer on a real basis

But this declining trend in producer prices has not been passed onto the consumer Consumers had to pay steadily more for meat throughout 1990 Packaging and transport add to costs, but the consumer prices for meat should still follow the producer trend.

Critics say the apparent anomalies in the meat market are caused by the high degree of control within the industry.

Some have suggested the industry should be privatised and meat sold on a futures market, which would even out price fluctuations Others suggest that an equalisation fund should be set up to give aid to the farmer during "bad times", with the fund being built up during the "good times"

The Meat Board Annual Report stressed that deregulation, which would include abattoir privatisation, was a priority but a Meat Board spokesman said this would not occur for at least the next two years The report added that the board and the Agriculture Minister differed on the approach deregulation should take — an indication that a solution to problems in the meat industry is yet to be reached

The shocks to consumers' pockets with regard to milk, milk products and eggs are disturbing, bearing in mind the much-publicised milk price war and large surpluses in the milk industry.

The annual rate of increase in milk and egg prices more than doubled in a year, rising from 12,3% in January 1990 to 26,5% in January 1991

Fruit remained consistently expensive during 1990, peaking at 32,6% year-on-year in January 1991

Vegetable price rises dropped dramatically from 48% year-on-year in January 1990 to 3% in January 1991.

The steady climb in grain prices can be attributed to both the drought, which severely affected maize and wheat crops, and the gradual removal of the bread subsidy during 1990

The total removal of the bread subsidy in the March Budget will put further upward pressure on grain prices in the next few months

BOOKS

(B20) (128)

R6bn burden for consumers

CAPE TOWN — Consumers will be R6bn a year worse off as a result of VAT imposed on a wide range of spending, UCT's Graduate School of Business director Prof Brian Kantor said yesterday

Addressing the congress of the SA Association of Quantity Surveyors, he said business, on the other hand, would pay R7bn less tax on goods B/Day 19/4/91

"How quickly these tax savings can be passed on to domestic consumers is a matter of some debate How quickly will depend above all on competition between manufacturers"

The onus was on buyers to extract as much of the advantage of tax savings from sellers as they could

"The government has taken a bold gamble in presenting what is a pro-business Budget against a background of widespread scepticism about the forces of competition The onus is very much on business to deliver"

What consumers needed most to keep down prices was a burst of investment spending by industry, Kantor said — Sapa

Credit spree but savings pick up

(128) (M) (2548)

Star 2014/91

SVEN LUNSCHE

THE average consumer is slowly rebuilding his personal savings after they hit rock-bottom in the middle of last year

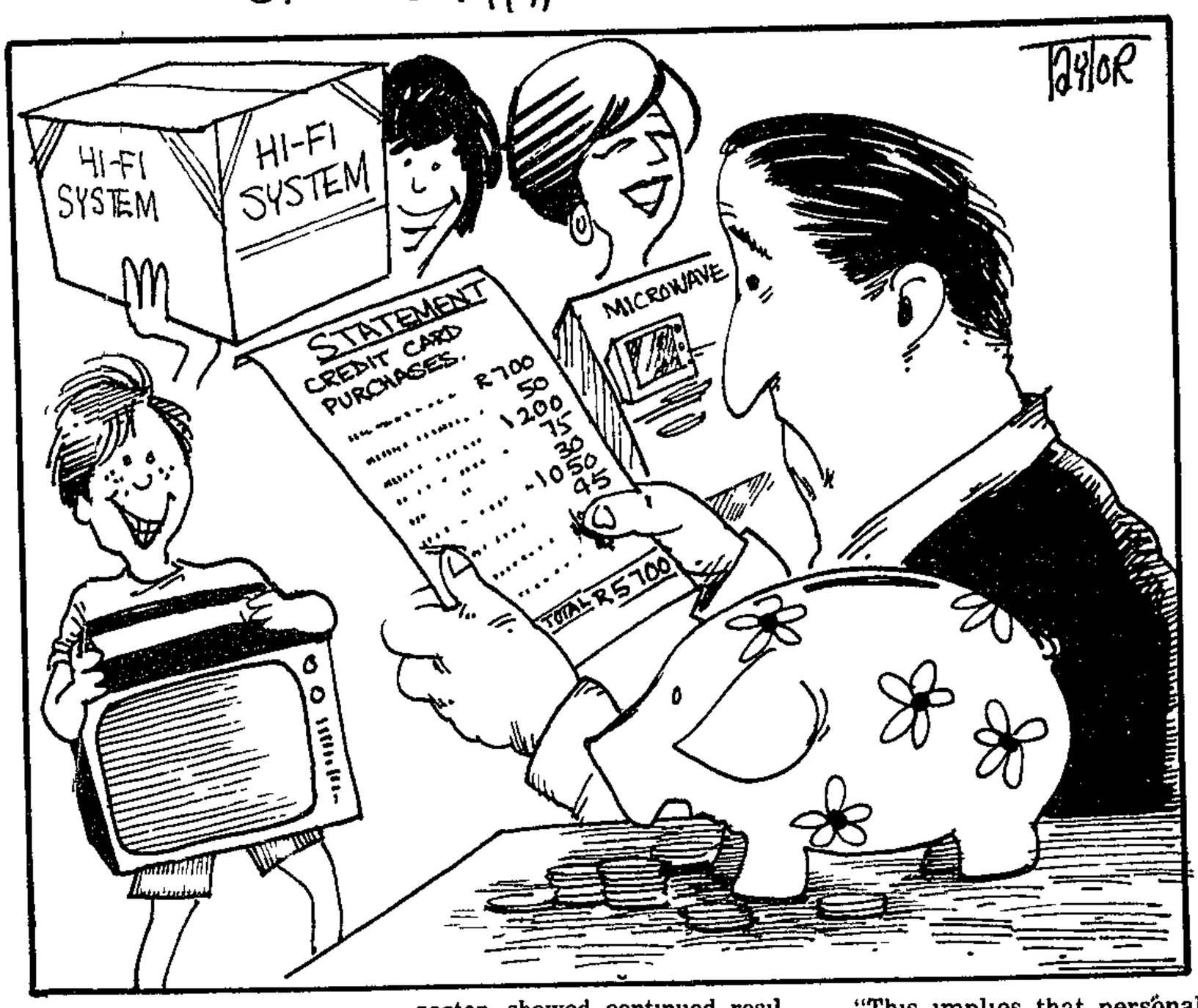
But at the same time credit spending, particularly on durables, is surprisingly strong and could plunge a lot of consumers into substantial debts this year.

Economists are painting differing pictures of the consumers' financial viability in 1991 but on balance a slight rise in savings levels is on the cards.

The ratio of personal savings to personal disposable income has declined from about six percent in 1985 to 1,5 percent last year, an all-time low

A more detailed breakdown shows that personal savings fell by R1,7 billion in the third quarter of 1990 before recovering by R1,2 billion in the fourth quarter

This trend is set to continue in 1991, ironically as a result of expectations that the hard times will hit home this year and that a little bit extra will have to be put aside



Employment

"Perceptions of less favourable employment opportunities and reduced prospects for inflation-matching salary and wage increases, in addition to the large burden of existing household debt, have pushed upwards households' savings propensities in the fourth quarter," the Reserve Bank commented in its latest Quarterly Bulletin

While catering for the expected hard times, the consumer will, to a large extent, revert to credit financing to make essential purchases, a trend which is already evident

Economists have recently highlighted the large rise of credit purchases in the retailing industry, which has kept sales volumes, particularly in the durable sector, running at high volumes

According to First National Bank economist Dr Cees Bruggemans this is reflected in the steady performance of new and used car sales as well as strong sales of furniture and white goods

"High wage and salary increases, coupled with the relatively low savings rate and ongoing use of credit, especially at the retail level, have largely been responsible for the strong trend in consumer spending," Dr Bruggemans said presenting the bank's latest Economic Review

William Wolke, GM Marketing at Nedfin Bank, says that the trend in the December 1990 quarter of lower hire-purchase and leasing financing continued in the first quarter this year, but some areas, notably the durable sector, showed continued resilience

As a result of this trend it is expected that the debt exposure by households to the banking system will remain at high levels in 1991

Old Mutual's economist Dave Mohr said yesterday that this year's rise in consumers' debt exposure will probably equal the rise in disposable income and that the total debt burden will not change significantly from last year's high levels

Not all economists, however, agree that the consumer will be able to boost his savings at the expense of higher credit financing

Volkskas' Adam Jacobs writes in the bank's latest Economic Spotlight that this year's Budget tax proposals will hit the salaried person in the middle and higher income groups

"This implies that personal savings could decline further and that the buying power of individuals as a group will shift from durables and semi-durables and certain non-essential services to greater spending on basic provisions," Mr Jacobs says

"In the expectation of the general public saving less and wishing to borrow more from the monetary banking system in an attempt to maintain their standard of living, money supply is expected to increase

"These matters will induce extreme circumspection on the part of the Reserve Bank, and consequently a further reduction in the Bank rate cannot be envisaged for the next few months," Mr Jacobs says, adding that the introduction of VAT should cause a once-off increase of about 2,5 percent in inflation

Consumer markets are set for a change

B|Day 23/4/91.

A COMBINATION of a deregulated competitive environment, growth in black buying power and the return of the multinationals will alter the nature of business in local consumer markets in the '90, says Perry & Associates MD Neil Ross.

"The informal sector has developed as a direct consequence of deregulation — but the established captains of industry and commerce do not understand how it operates or how this can be used to their companies' advantage.

"For instance, white businessmen need to understand black ways of doing things, and the fuctioning of the burgeoning black distribution networks.

"It is not enough for white businessmen to be aware of such developments as spazas and stokvels when the integration of their business with the informal sector can give them a competitive edge in the new SA," Ross says.

Much has been said about the size and importance of the black market — but Ross says it will be open only to companies with access to the networks that reach the consumers.

Not only is the informal sector complex — but the situation is made more so by the rate of urbanisation

Another factor which will impact on the local scene is the imminent lifting of sanctions and the return of multinational competitors

"Local businessmen must keep an eye on global as well as local competition

"They need to consider the advantage that could be obtained by a multinational competitor with regional domination of southern Africa.

"Multinationals will require instant distribution networds to launch their products — especially in the consumer sector.

"Regional dominance will start with dominance of South African distribution channels," he says.

Because of this, it is essential for local companies to select and develop their distribution channels

The agony of high food bills

Sowetan 24/4/91

As recession brings the axe down on more and more jobs, renewed focus is falling on the plight of black families struggling to stay above the breadline. Inflation adds to the problem. So do worries about the impact of VAT on food bills.

THE basic household budget needed by the average black family in Soweto to keep living standards above the breadline has been pushed well over the R1 000-a-month mark by the inflation spiral

New studies run by Industrial Relations Information Surveys show that the minimum monthly income needed to sustain a black family of five on what the researchers call "a very modest level a shade over the breadline" jumped from less than R985 in 1988 to about R1 199,71 in a 1990 count.

Nationwide, the average basic budget required by a black township family of similar size has climbed from R809,72 to about R1 033,26 over the past three years

The cost of living in Soweto was surpassed only in Mamelodi, outside Pretoria, where minimum income requirements were put at about R1 245 86 month

The data has been collected in a joint exercise between SPA Consultants and Business Performance Strategy researchers The information is widely used in socio-economic studies and as guidelines at trade union/employer wage negotiations

Budget levels

SPA researcher Andrew Sparks explains that the budget levels leave little room for frills considered as virtual necessities by most white families, let alone scope for any luxuries

All essential items have been hit by inflation The accompanying table on the right explains where the cash goes in Soweto

The average budget needed to cope with food bills alone for five members of a family has grown from R304,16 three years ago to R352,85

The small amount allocated as discretionary spending - covering items such as cigarettes, drinks, cinema visits, newspapers and magazines - last year remained stuck at only R214,26 a month for the entire family

The modest overall average budget was still beyond the reach of many black families

The researchers found that national average wages of labourers last year, even allowing for increases of 20 percent or more, still stood no higher than between R219,93 a week in the metals industries and R123,37 a week in jobs with catering firms

According to the Institute for Planning Research at the University of Port Elizabeth, the rock-bottom budget needed by a black family of six to eke out a standard of living even down at subsistence level had grown to a minimum of at least R581,22 in the Johannesburg metropolitan area by the latest count

It was higher still in Germiston (R586 50), Benoni (R591,62), Boksburg (R608,02), Cape Town (R591,78) and Kimberley (R600,07) It hit a peak of R630,06 in Windhoek

Average wages

The institute put the national average wages of black workers with jobs in the manufacturing sector at R842 a month at a 1989 count

In surveys last year, the Bureau of Market Research at Unisa found that the monthly budget needed to keep a family of six on a bare minimum living-level in and around Johannesburg increased from R730 02 in February to R772,64 by August as inflation took its toll

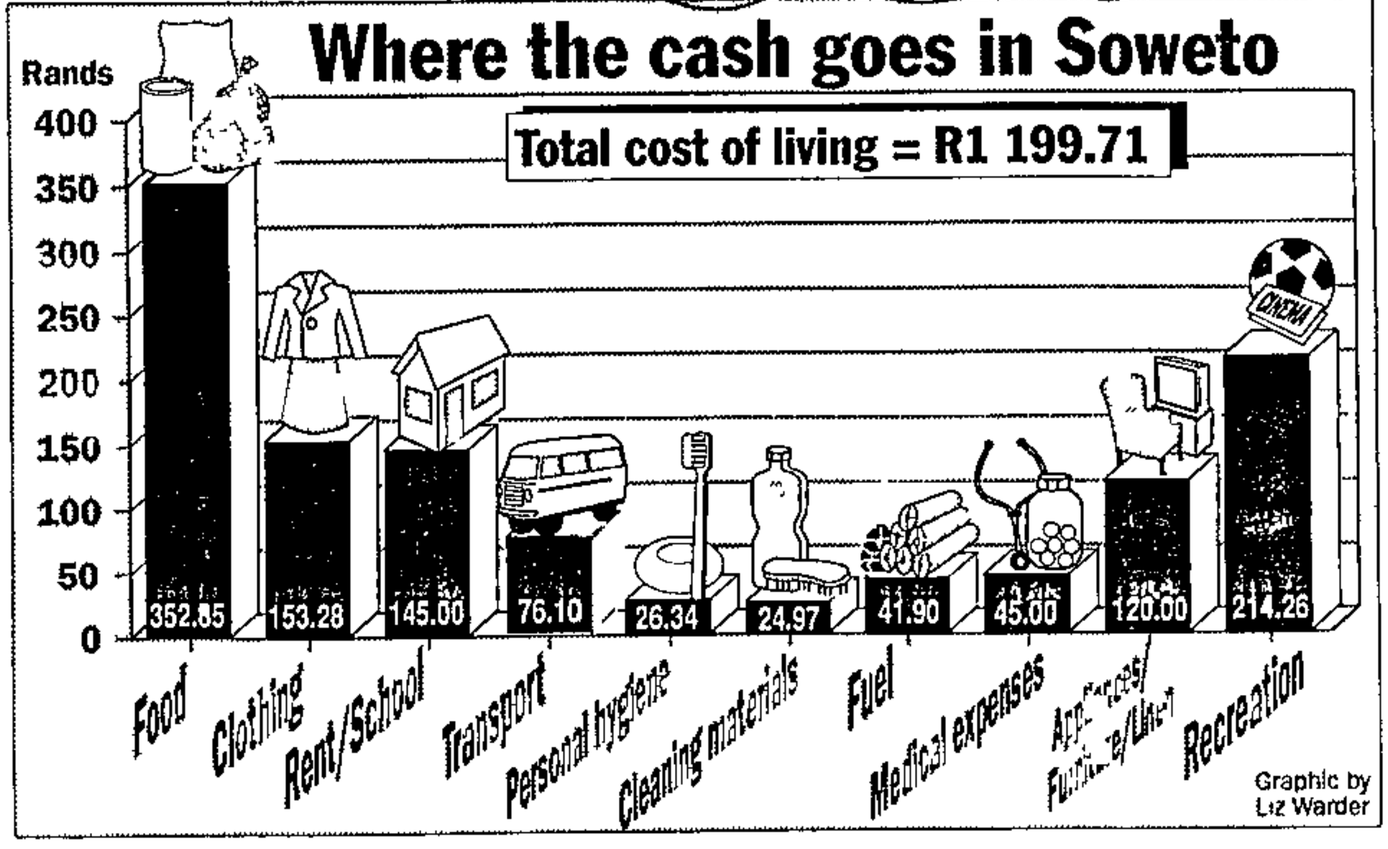
Allowing for snippets of recreation and entertainment - R51,42 for the whole family - and a few more rands to spend on basic items to lift families to supplemented living-levels, Unisa estimates minimum needs to be at R1 018,44 a month

The next issue in the pipeline bothering black families perhaps more than most white families is what impact the new Value Added Tax system will have on household budgets

What happens when the entire family food shopping basket - with the sole exceptions of mealie meal and brown bread - has to carry the load of the 12 percent VAT tax? Lots of basic items have so far escaped the GST net that will be scrapped on September 30

"The issue bothering black families more than white families is what impact VAT will have on budgets"

Where the cash goes in Soweto



Housewives League national president Lynne Morris has estimated that VAT will load an extra R50 a month on average food bills

The impact was put into broad perspective when deputy Minister of Finance Org Marais, until his recent switch to Minister of Trade and Industry, calculated that no less than an additional R420 million was expected to be collected from families on or below the breadline as VAT cast its wider net (All the extra cash he said would be ploughed into social upliftment programmes)

Marais also explained that the Government was investigating the creation of programmes targeted specifically at the poor - such as feeding schemes for children and pregnant women, mobile feeding units for the aged and new subsidies for services

In the countdown to the introduction of VAT, most black families in struggles with the breadline wait in tense anxiety to hear how the Government proposes to save their budgets from money agony

Sowetan Correspondent

"Most families wait in anxiety to hear how the Government proposes to save their budgets"

Inflation adds to the problem

Recession on the way out, says BER

Star 11/5/91

By Sven Lunsche

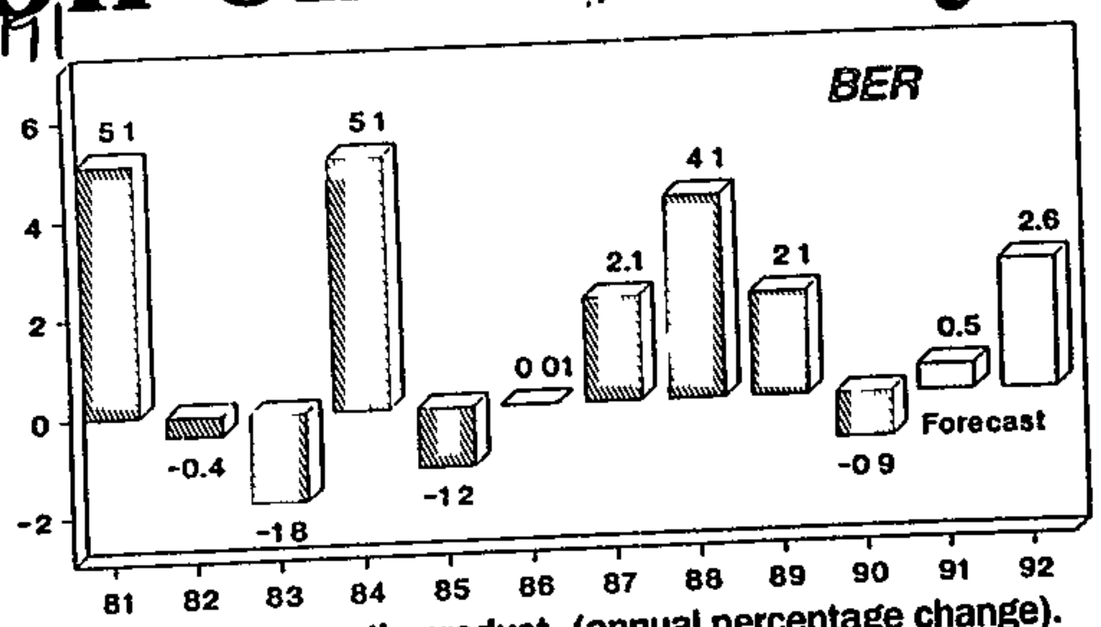
The economy is set for an upturn from the third quarter of this year, which could see growth in 1992 reach three percent.

The Bureau for Economic Research at Stellenbosch University (BER) says in its annual forecast that the current recession will be reversed over the next few months

The impetus for the economic recovery should come in the main from higher consumer spending on durable goods and a strong performance by merchandise exporters.

In the second quarter of the year BER says gross domestic product (GDP) will fall by 1,1 percent, but recover to a peak of 3,2 percent in the same quarter next year before levelling off to 2,2 percent in the fourth quarter.

This will result in annual growth rates of 0,5 percent in 1991 and 2,6 percent next year.



Real gross domestic product, (annual percentage change).

The BER highlights two areas of rapid growth until the end of 1992

● Consumer spending, which has remained surprisingly healthy throughout the downturn, is projected to show marginal growth this year and then decline in per capita terms.

"In 1992, however, upward pressure on wages, increases in employment and a somewhat lower inflation rate will result in a marginal increase in real per capita taxed personal income," the BER says.

This will lead to a keener demand for consumer goods, particularly in the durable goods sector. It says growth in spending on durable goods should reach 6,9 percent in 1992, but only after declining by 8,3 percent this year.

Spending on semi-durables should rise by a marginal 0,3 percent in 1991 and by 2,1 percent in 1992, while non-durable expenditure should remain at two percent for both years (1.5?) (1.2?)

As a result of the spending boom, inflation will remain at high levels — the BER forecasts an average inflation rate of 13,7 percent this year and 11,9 percent in 1992 — and the prime interest rate in turn will only reach 16 percent by the end of next year.

● The other growth area over the next few months will be exports, says the BER.

In real terms, exports should fall by 0,5 percent this year, given the weaker international environment, but should rise by 4,3 percent next year.

A similar trend is expected for imports, so that the benefits for the current account of the balance of payments will be limited, it says.

Fiscal drag will act as a brake on consumption

GRETA STEYN

FISCAL drag will cut into real disposable incomes this year, putting a brake on the surprisingly rapid increases in private consumption spending seen during the recession, says the Bureau for Economic Research (BER) at Stellenbosch University in its latest Economic Prospects

Real after-tax income will rise marginally in 1991 and will decline in per capita terms Falls in inflation will not be enough to offset the erosion of real incomes and the BER predicts a slowing down in consumption growth to 0,4% this year The BER remains "relatively pessimistic" about the success of the anti-inflation measures

During 1992, however, upward pressure on wages and salaries, increases in employment and a somewhat lower inflation rate will reverse the decline in per capita personal disposable income This will lead to a keener demand for consumer goods. At the same time, robust exports and an improvement in the fixed investment outlook should see real GDP grow by 2,6% next year, after virtually no growth this year

The BER report emphasises the unusual nature of the current recession, with consumption spending failing to respond to the cyclical pressures by falling and fixed investment spending declining at a slower-than-expected rate The main components of demand have fared surprisingly well, with the main impetus for the fall in overall spending coming from inventory de-stocking

Structural reasons for the firmness in spending include the increase in black spending power and inflation.

VAT adds R6-bn for consumers

Star 21/5/91

128

By Tom Hood

CAPE TOWN — Consumers will be R6 billion a year worse off as a result of VAT imposed on a wider range of spending, Professor Brian Kantor estimates.

Professor Kantor, director of the School of Economics at the University of Cape Town, says business on the other hand will pay R7 billion less tax on goods.

What consumers needed most to keep down prices was a burst of investment spending by industry.

A lack of investment over recent years had limited competition and enabled industry generally to improve its profit margins.

Replacing sales tax with VAT would go a long way to addressing this problem. "At least a third of the revenues from sales tax were derived from taxing inputs into the production process."

The tax savings on big ticket items like capital goods would be substantial.

The longer it took for prices of output to follow the prices of capital goods downwards, the more favourable the cash flows of business and the lower would be the relative price of capital goods.

"One is hoping that these advantages will be passed on rapidly as demanded by competitive forces, but clearly the initial advantage is with business".

Cape Times 4/5/91 (128)

Kick-starting economy with R100 a person

Business Editor

HIGH interest rates and tight control of the money supply have not succeeded in bringing down the inflation rate — but they have caused rising unemployment, impoverishment, political instability and violence, says Aart Roukens de Lange, a senior researcher at the Institute for Futures Research at the University of Stellenbosch

He considers that the SA economy should be kick-started by encouraging consumer spending which, he says, would not cause inflation since industry is currently working at below capacity.

The way to encourage spending, he suggests, is to give all SA residents over the age of 16, regardless of race, sex or income, a subsidy of R100

"Spending power would immediately be increased by about R25bn, representing about 30% of the current Budget

"This would stimulate demand not only in the formal economy but also within the informal sector operating in the poor communities"

But where is the money for this national spending spree to come from? Not from taxes, De Lange explained soothingly in a telephone interview, but by deficit financing

Agreeing that deficit financing is "not normally a good thing" if done in dribs and drabs, De Lange said a once-off very dramatic effort, which would throw SA into a higher economic gear, would be a different thing entirely.

"The normal argument against such a leap in deficit financing would be that this would only result in inflation and not in increased demand and economic growth," he explains in a paper he has prepared

The way to encourage spending is to give all SA residents over the age of 16, regardless of race, sex or income, a subsidy of R100, says Aart Roukens de Lange, a senior researcher at the Institute for Futures Research at the University of Stellenbosch.

"However, several factors must be taken into consideration in the unique circumstances in which SA presently finds itself

"In the first place there is the fact that, because of declining consumer demand in recent years, the industrial capacity exists in the SA economy to increase supply without further capital investment

"In the second place, most of the increase in consumer spending would be by the very poor whose needs are mainly of a very simple nature with very little demand for imported goods

"In the third place a considerable proportion of the government subsidy would be recovered as a result of the multiplier effects of the growth stimulus injected into the economy.

"Calculations carried out on a model of the economy based on a so-called Social Accounting Matrix indicate that a feedback into the exchequer as a result of increased tax income related to the expanded output of the economy might be as much as 75% of the total subsidy"

The increased economic activity would lift morale, encourage new economic ventures and attract foreign investment, De Lange suggests

"A final and perhaps most important consideration would be that the proposed scheme could be a giant step towards meeting the ANC's concern regarding the need for redistributing wealth and income in SA

"The probable impact of the scheme would not be that of a zero sum income redistribution but rather one of providing an expanded economic base

"This is much more attractive to the current holders of economic power than simply forfeiting wealth and income for a cause of doubtful merit"

De Lange, whose field is economic structure studies, said yesterday that colleagues who had read his paper were mostly in favour of it — except for the economists "They say it goes radically against current economic thinking"

But he considers "economic thinking has no vision in it"

Blacks optimistic about economic future — survey

LINDA ENSOR

CAPE TOWN — Township violence is not creating as much pessimism among blacks as it is among whites about the short-term future of the economy, a survey by Stellenbosch University's Bureau for Economic Research (BER) has found.

It found that metropolitan black consumers were relatively optimistic about the short-term economic future, with about 57% of those interviewed foreseeing an improvement in the economy during the next 12 months against 37% who expected a deterioration in conditions.

The relative optimism was most pronounced among respondents in the 16-24 year age group, where 73% expected the economy to improve in the next year while 27% felt there would be a deterioration.

"The index figure now stands at 108, compared to 100 in the first quarter of 1990 and compares favourably with the low index figure of 86 for whites during the first quarter of 1991."

Higher optimism was also evident in black consumers' expectations for their personal financial position. At 112 the index is at its highest since the 1989 fourth quarter.

'Paranoia' bill unlikely to be passed

ET 13/5/91

SOURCES within Parliament say it is unlikely that the Residential Environment Bill and the regulations under it will be passed when the Group Areas Act goes

This is the bill which allows any local authority to define a portion of its area and promulgate by-laws for it by notice in the Government Gazette "regarding overcrowding of residential premises"

One proposed set of by-laws, drawn up on the request of the United Municipal Executive by Germiston town clerk Mr Tonie Heynecke, stipulates the maximum number of persons that may be accommodated in a bedroom (three, on average), and requires separate bedrooms for people of different genders

It seems likely that regulations like these have been formulated because of white people's fears that "standards" in their neighbourhoods might drop when black people are no longer excluded from living there.



CIVIC DIARY

By PETER DENNEHY

The regulations may not become law because the government expects an outcry over rules which pander so obviously to white fears, and which in effect will apply mainly in white suburbs

Yet the white paranoia which gave rise to the bill is real An estate agent who specialises in converting flats to sectional title said recently that one of the reasons why so many blocks in the southern suburbs are now being converted is that owners are wary of the prospect of becoming "slum landlords" in the new non-racial South Africa

Another indication of white fears for the future is that some owners of flats are taking a different route to implement their own "overcrowd ing controls"

They don't have to wait for the Residential Environment Bill to be passed because they are able to achieve the same object through existing legislation — the Sectional Titles Act.

Bodies corporate each have their own "manage ment rules" and "conduct rules", which may be amended by the owners at special meetings

In the case of conduct rules, 75% of the owners at a meeting have to vote in favour of any amendment, according to an expert in this field

There also has to be a quorum of owners at the meeting. For blocks of less than 10 flats, a quorum is 50% of the owners Blocks of 10 to 50 flats require 35% of owners or their proxies to be present, while huge blocks of over 50 flats have quorums of just 20%

Rules made by these bodies corporate have to be reasonable, and they have to apply to all the flats They may not infringe any law

Overcrowding controls

Owners may not exclude black people from their blocks of flats, but it seems they may stipulate in conduct rules how many people can occupy each flat. At least one block in Cape Town has recently changed its rules to incorporate "overcrowding controls"

No one can reasonably object to regulations aimed at maintaining communally-desired minimum health and safety standards

But the existing Slums Act already contains such regulations Numbers of people per room are controlled only when the Medical Officer of Health deems it necessary to do so in a specific problem area.

It's a moot point whether one can reasonably go beyond health and safety considerations in framing overcrowding controls, even if that is what the majority of surrounding owners or tenants want.

Imagine the outcry if members of a street committee were to lay down, by majority decision, an arbitrary limit to the number of occupants per home

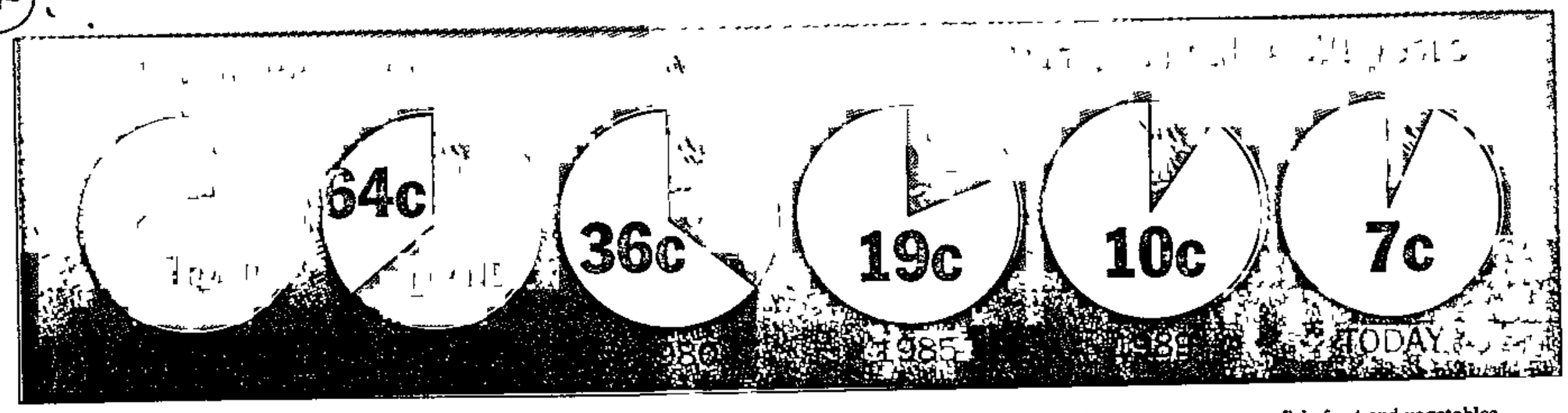
Some might say democracy had been taken too far Others might say they were living under a left-wing tyranny

Yet bodies corporate of flats appear to be able do the same thing without anyone accusing them of being right-wing tyrants

Rand reels against the ropes

Star 29/5/91 (128)

Everyone knows that inflation has trapped the rand in a tailspin But it comes as a new shock to learn that in little more than 20 years the buying power of R1 has plunged to a mere 7c. It now needs more than R1 420 to purchase what R100 used to buy in 1970 MICHAEL CHESTER follows up the disaster.



THE FULL drama of the shrinkage in the buying power of cash in family budgets scorched by the inflation inferno has been unfolded by studies showing that the real value of R1 has shrivelled from 100c in 1970 to only a fraction better than 7c today

It means that to match the buying power of R100 a little more than 20 years ago, the consumer would have to lay out more than R1 420

The breakneck speed of the collapse can be traced in official records compiled by mandarins at the State-run Central Statistical Service (CSS)

They reveal that if one took 1970 as a marker, the purchasing power of R1 shrank to 64c by 1975, to 36c by 1980, skidded lower to 19c by 1985 and by 1989 had toppled below 10c.

Relentless inflation pushed the value down to 8,5c last year, and it is now on the way to 7c.

The disaster comes into sharp focus when one delves into records that follow the erosion of the purchasing power of bank notes and coins all the way back to 1910, when the modern R1 coin was known as 10 bob (The equivalent of R1 in 1910 is now on its knees at 3c in real value)

Only grandpa and grandma will be able to reflect with real accuracy the merciless erosion of the rand to minirand status over eight decades.

The CSS mandarins do not publish details on what has happened to the price tags on individual items going back that far That may be understandable, especially since much of the exercise would be futile in view of the huge gaps caused by the absence of price comparisons that tallied with such modern gadgets as TV sets, airline travel, home computers, compact disks, and so on.

However, at least an inkling of the rate of shorter-term increases can be gathered by average price movements set down every month by the CSS in its consumer price index

The CPI is widely regarded as the easiest measure of the inflation rate, though even that comes into dispute when challenged by critics, who insist it under-estimates the real pace of the prices-spiral by a hopeless margin

A longer-term view of price increases is also harassed by the fact that the CSS keeps shifting the base year of cost of-living comparisons to keep time spans relatively short.

So at the moment the CPI uses 1985 prices as the basic marker to show price performance

Even a six-year view is bad enough. It reveals, for example, that a food basket that cost R100 in 1985 now carries an average price tag of R249,10

For lower-income groups, where most black families are concentrated and where food bills can be the biggest burden on household budgets, the cost of the basket now works out at an even higher R250,80

For middle and higher-income groups where food bills take a relatively smaller slice of budgets, the basket costs a marginally lower R248,50 and R248,30 respectively

Soaring food prices have been at the spearhead of the inflation attack The sharpest increases of all were for meat, fish, fruit and vegetables

Leave food bills out of it and one sees that overall inflation since 1985 has hoisted the all-items index — covering everything from cosmetics and booze to furniture and footwear — by 126,4 percent

However, even steeper increases hit several items The cost of buying a motor vehicle has rocketed no less than an average of 228,5 percent in the past six years

Few items on the CSS lon list of goods and services hav escaped doubling in price

How hard the inflation blow have come down may also de pend on where you live

Taking all consumer item into account, since 1985 price have climbed sharpest of all i and around Klerksdorp — 136,4 percent. Pretoria and Ver woerdburg were the next har dest hit, followed by Johanne burg and the Witwatersrand

Bloemfontein was the be place to escape the inflation i ferno prices on average ros by less than 98 percent. Th next best shelters were Kim berley and Durban (abou 115 percent)

All in all, though, the CS offered little comfort about th outlook in inflation trends

Consumer prices are sti bounding higher at an averag rate of 14,6 percent a year

Worse, food prices are climl ing at an even faster 16 6 pe cent and, still worse, 17 percer a year for lower-income fam lies, who still carry the he viest increases in food bills □

Recession fails to dent consumer spending

B Day 5/6/91.

128

MARCIA KLEIN

BUOYANT retail sales bucked the recessionary trend in 1990, with consumer spending holding up well despite a contraction in the economy

Retail spending has more than levelled off over the last few months However, recent results from some of SA's major retailers seem to have been unaffected

The ability of many retail groups to keep their heads above water has been attributed to various factors, including increased black spending, involvement in export markets, retailers providing many essential goods, tax relief, deregulated shopping hours and a relatively mild recession

Spending

FNB Treasury economist Simon Willson said that in GDP terms, the current recession was comparable with SA's last recession in the mid-1980s, but retail sales over the two recessions painted a different picture Retail sales "have no more than levelled off compared to the last time, when they took a steep dive"

Old Mutual chief economist Dave Mohr said the current recession had been atypical However, growth in retail sales over 1990 was up by 1% in real terms while the population was growing at about 2%, so per capita spending was in fact coming down

The retail sector had kept on growing in real terms but at a low level, and this trend was likely to continue into 1991

Willson said the resilience of the retail sector was attributable to various factors, one of which was that the sector had a lower exposure to debt and its vulnerability to interest rate fluctuations was much lower than in the last recession

Also, demand had been "most resilient in some key retail areas, including durables and semi-durables"

This could be pinned down to increased demand from black consumers arising from an adjustment in wages to non-discriminatory across the board levels

Also, buoyant retail demand had been concentrated on household items arising from increased housing and an extension of services into township areas

Econometrix director Michiel Bester attributed growth in consumer spending to a rise in wages at rates which were higher than expected with the lower income groups experiencing bigger wage increases than the higher income groups

This happened in a sufficient number of cases to enable an increase in consumer spending

Also rent boycotts had contributed to increased disposable income

He said to a significant degree, growth in the retail sector was due to an increased number of shops

Recent results from retail companies included results from the last quarter of 1990, when consumer spending was still buoyant

However, informal reports had shown that there was a fall off in retail sales in the very recent past, he said.

SA Chamber of Business economist Keith Lockwood attributed the increase in consumer spending over 1990 to tax relief last year and the deregulation of shopping hours With the inflation rate still high and the political situation putting a question mark on the future, many consumers had decided to spend rather than save, he said

Lockwood said a major factor contributing to retail operations' ability to weather the storm was gearing Those companies owing a lot and paying high interest were feeling the pressure on cashflow, as many companies had expected interest rates to come down a lot earlier than they did

Black buying boom boosts busy Beares

W/S Times (Reg'd) 9/6/91.

FURNITURE giant Beares disappeared from the JSE boards after its incorporation in Durban-based Prefcor group about 2½ years ago.

But, benefiting from a surge in black spending, it is a growing force in the market.

Executive director Hymie Sibul, a former managing director of the Dion discount chain, can see no end to the black spending boom "If we could, we would be proceeding more cautiously," he says

He plans to open 56 furniture stores in the next two years.

With the 58 stores the group has opened in the past two years, the chain will have 240 furniture outlets by the end of 1993.

Most of the new outlets will be in rural areas

At the same time, the group plans to increase its Bee Gee clothing chain from 62 shops to about 90

The group is heavily committed to the black market, the furniture stores offering 24 months' credit. The clothing shops give six months In spite of inflation and other pressures on consumer spending, business is booming.

Secret

In the past five years the furniture sales mix has switched from 30% black to 65%. The clothing chain makes more than 95% of its sales to blacks

Mr Sibul will not give figures, but says "We have almost trebled last year's profit on furniture Profits on clothing have also risen.

"We are looking at a bottom line of 15% on turnover. That is what we are doing now — about twice the performance of some of our competitors"

There is no secret about the good performance The answer lies in the control of credit.

"The quality of the book is what matters," says Mr Sibul

In the Beares and associated furniture stores debt write-offs are down to 1,3% They are a bit higher in clothing, but it is more difficult to keep tight control in that business

When Prefcor set up joint venture company FirstPref with First National Bank last year to advance consumer credit, manage the debtors' book — without recourse — and finance stocks a ceiling of R600-million was put on furniture credit.

"If it needs to be increased we only have to talk to First National Bank," says Mr Sibul "Nine months down the line everyone is happy about the way the arrangement is working"

Financial director Len Waldeck says control of the book is critical

"We must have the right calibre people We pay more than the going rate to hire the right credit controllers"

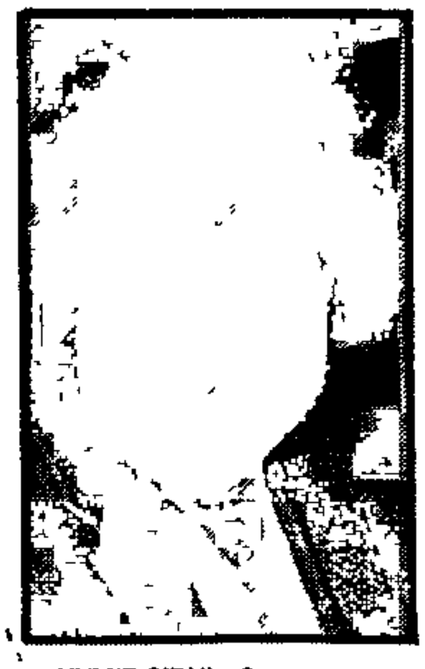
He says credit management systems developed over the years identify the customers who are regular, slow or delinquent payers within three months

"Slow and delinquent payers' accounts are moved to a separate section where special staff chase up payments without upsetting the customers."

The aim is not to drive a customer away for good

The final key factor is to adhere to performance measures, says Mr Waldeck.

The group looks for the same arrears rate from white, Asian and black customers



HYMIE SIBUL On a winner

"The quality of our book was the reason why we were able to do the deal with FNB"

Mr Sibul says the sheer size of the black market, with the products of a baby boom generation entering the buying phase, will ensure that consumer demand remains high

"When a black family gets a house, the first item it buys is furniture Blacks go to great lengths to add to their furniture Their aspirations in clothing are also high"

Mr Sibul's confidence in black spending has encouraged the group to open a pilot shop which sells basic building and do-it-yourself materials

"My instincts tell me we are on a winner here," he says

Lower risk profile will encourage investments

By ARI JACOBSON

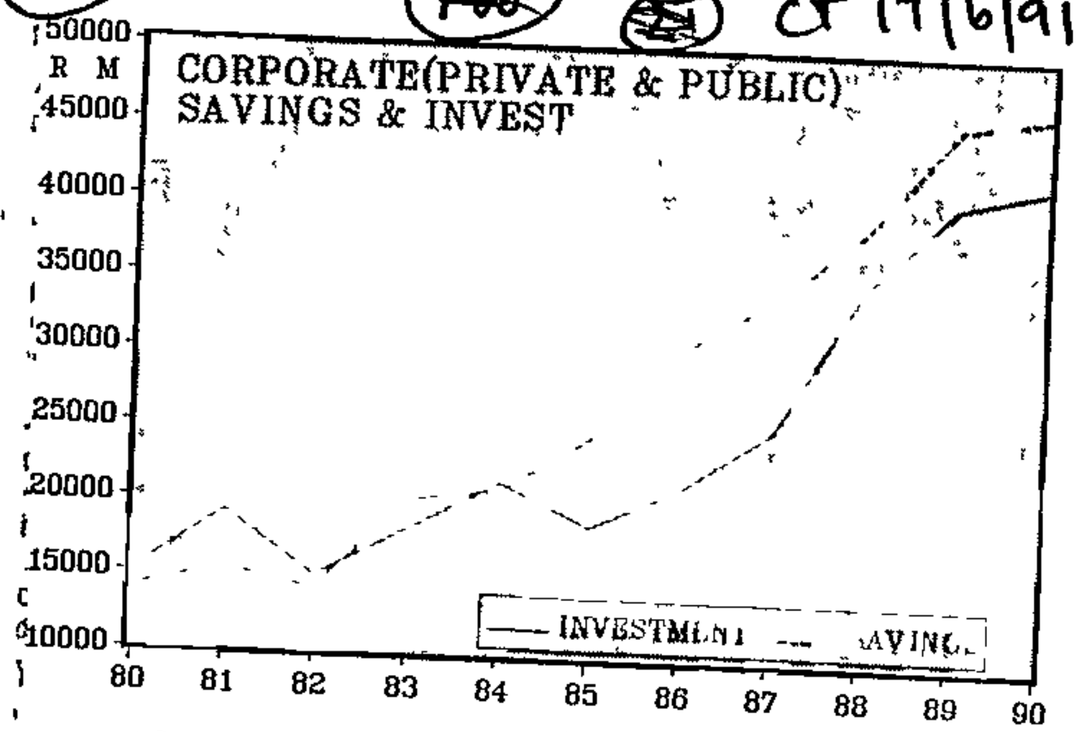
THE behavior of the SA real and financial sectors has been highly consistent according to the outcome of a study conducted by the head of the University of Cape Town's (UCT) economics department, Brian Kantor

It all makes very good sense, said Kantor, that less investment has been a response to the higher cost of capital — caused by the increased risk premium

"The corporate sector in response to higher risks and the withdrawals of foreign capital — saved more and invested less"

Kantor added the household sector saved more through contractual savings schemes and borrowed more against the security of their homes "and especially their pension schemes".

"The value of their pensions was, in turn, being improved by the excellent returns generated by the corporations in which the pensions held shares"



He added that there was no sense in blaming the life offices and managers of pension funds for not investing more in real assets.

"It should be recognised that the corporations are best suited to make investment decisions and the financial institutions are well placed to finance them."

Kantor pointed out that had the corporations wished to borrow more (or issue more shares) over the period between 1985 and 1989 — these funds would have had to come from either the households, foreign savings or the savings of corporates themselves

"The problem of generating more investment spending can only be solved by reversing the relationship between risk and return, that became so unfavourable for investment in SA."

Lower risks he said would mean lower required returns and so increase investment

"This higher level of investment spending could easily be financed if less capital flowed out of SA and more flowed in"

Kantor said foreigners and South Africans with claims on the country's wealth had withdrawn their savings rather than supply greater capital He conlcuded that a lower risk profile would clearly encourage capital inflows

Consumer spending focus

LINDA ENSOR 128

CAPE TOWN — The Bureau for Economic Research (BER) is to include an analysis of private consumption expenditure in its quarterly publication, Trade and Commerce B\Day 25\6\91

"We are convinced that it will provide valuable insight into changing consumption patterns in the changing SA," the BER said in a statement

"It will place business people in a better position to make important decisions regarding demand, production and marketing"

The BER said private consumption expenditure made up about 55% of GDP and was therefore an important determinant of economic growth

The restructured publication will contain the results of a quarterly survey in the retail, wholesale and motor trade, as well as the consumer confidence index among black and white consumers.

A further addition to the publication will be an analysis of historical trends in consumer-spending sectors

Recession curbing luxury spending

B1 Day 25/6/91

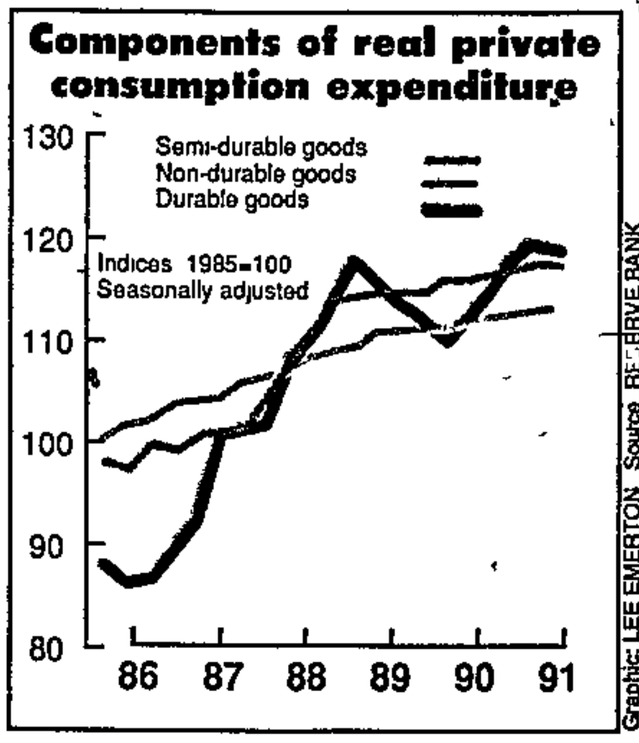
SHARON WOOD

THE recession is finally curbing consumer spending on luxury goods, reflected by a slight decline in durable goods expenditure in the first quarter this year, Reserve Bank figures released yesterday show

Declines in both durable and semi-durable goods expenditure filtered through to total private spending, which eased to 1,1% quarter-on-quarter growth (seasonally adjusted and annualised) from 1,9% in the last quarter of 1990.

The Bank's Quarterly Bulletin says "Recently a slightly sharper and more dispersed downturn in economic activity became discernible . The moderate deepening of the recession could also be attributed to slower growth in real private consumption expenditure".

The Reserve Bank attributes the slowdown in durable goods expenditure to "a more conservative attitude towards expenditure on luxury goods". This could have been prompted by the cooling down of the economy, labour retrenchment and township violence



Spending on furniture and transport equipment contracted in the first quarter while spending on audio equipment and other appliances continued to rise

In contrast to slowing private consump-

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tion growth, gross domestic expenditure (GDE) surged by 18,1% in the first quarter. The rise in GDE took total spending back to the 1990 third-quarter level of expenditure, after reversing the 18,5% fall in the last quarter of that year

Soaring general government expenditure, up 19,5% in quarter one, underpinned the acceleration in GDE The Bank says "the surge in general government expenditure occurred almost entirely in real outlays on intermediate goods and services.

"Real remuneration of employees showed little change from the level attained in the fourth quarter of 1990"

Total real gross domestic fixed investment fell further by 3,5% in the first quarter, but the decline was milder than the previous quarter's 5,5% decline

The Bank says the main factors behind the slower decline in investment included a smaller decline in private sector fixed investment, a notable increase in fixed investment by Transnet and a rise in public corporation investment

● See Page 3

Patrick Laurence looks at the ANC's economic manifesto to be debated next week

The money struggle continues

Star 26/6/91.

(49) 128

RACIAL income inequality is so large that it is a threat to the survival of capitalism in South Africa, writes Michael McGrath, professor of economics at the University of Natal

His statement, made shortly before President F W de Klerk's momentous speech of February 2 1990, has been thrown more sharply into focus by events of the last 18 months

The legalisation of the African National Congress, the South African Communist Party and the Pan-Africanist Congress have put the issue of racial inequality firmly on the agenda for the immediate rather than distant future

The Centre for Policy Studies sums up the situation succinctly when it says of the "new climate of negotiation" initiated by President de Klerk " if anything, it has sharpened and intensified ideological claims and counterclaims about the future economy and constitution"

Sounds of the ideological battle have reverberated in the past months The latest echoes have been triggered by Labour Research Service calculations that he directors of South Africa's top 100 companies earn, on the average, R3 540 a week against an average labourer's wage of less than R180 a week

The directors of JCI are at or near the top of the pyramid, according to the Labour Research Service

They earn a little over R11 000 a week, 70 times more than the weekly wage of just under R160 paid to grade four workers at JCI gold mines

These figures have been disputed, of course

JCI chairman Pat Retief rejects them as "deliberate distortion"

But, while there may be debate about the precise details of the income disparity in South Africa, there is no doubt that it is a stark feature of the socio-economic landscape and that, in broad terms, these inequalities coincide with race

As Laurence Harris, professor of economics at the School of Oriental and African Studies at the University of London, observes "The inequalities are exemplified by the fact that in 1987 whites made up only 14 percent of the population while receiving 57 percent of the total personal income "

Using the Gini coefficient as a measure of inequality, South Africa has a greater inequality than any country in the world for which statistics on household and family income are available

Apartheid has enabled a tiny elite to appropriate a disproportionate share of the personal wealth

The richest five percent own 88 percent of South Africa's personal wealth

One further figure, cited by the Centre for Policy Studies in its publication, "Transition to Democracy", should be quoted in 1917 the per capita income of blacks was less than a tenth of that of whites. 70 years later it was still under a tenth, having dropped from just over nine percent in 1917 to under nine percent in 1987

These figures do not take account of informal sector earnings, which, according to Servaas van der Berg of Stellenbosch University, would push per capita earnings for blacks in 1987 to nearly 13 percent of those of whites

But, as the Centre for Policy Studies puts it, informal earnings do not fundamentally alter skewered income levels "though it may make a difference to many black families at survival level"

The situation has been aggravated for at least a decade by the low economic growth rate

Since 1980 South Africa's GDP (gross domestic product) has grown by 1,5 percent on average or more slowly than the population growth rate

One consequence has been increased unemployment (the work force is growing by 2,6 percent a year) and a commensurate rise in social stress and social volatility

Except perhaps for those on the ultra-Right, everyone from President de Klerk downwards agrees that the problem is grave and that there is an urgent need to address it

Political settlement cannot be pursued, Mr de Klerk has said, as if the vast socio-economic problems do not exist

It is against this background that the ANC's draft economic manifesto, prepared for consideration at the organisation's watershed national conference next week, should be assessed

Its general orientation is reflected in the slogan "Forward to a democratic mixed economy"

It encapsulates the ANC's bid to steer a middle course between capitalism and socialism

The preamble, noting the inequalities and stagnation of South Africa's economy, says "The fundamental framework of our economic policy is that of a mixed economy based on principles of democracy We are convinced that neither a commandist central planning system nor an unfettered free market system can provide adequate solutions to the problems confronting us "

The manifesto thus does not propose wholesale nationalisation of the economy as a means of eliminating inequality, a step which carries the risk of impoverishing everyone, except for the apparatchiki who will run the show

The ANC's economists share one point in common with their counterparts who advise South Africa's corporate moguls and its policy makers the conviction that economic growth is a prerequisite to solving the problems

"Without significant growth in a restructured economy we will not be able to address the pressing problems of poverty and inequality confronting our people," the manifesto proclaims The operative word is 'restructured'

The manifesto elucidates "Growth in democratic South Africa must be oriented towards satisfying the basic need of the majority and empowering those who are disadvantaged and deprived "

The commitment to maintaining a private sector and encouraging private enterprise within it is similarly qualified

The manifesto states bluntly that the "continuing trend in recent years towards conglomeration is not compatible with a democratic economic system"

It proposes three remedies a more equitable ownership pattern in the private sector (a proposal likely to send shivers up the metaphorical spines of the corporations which, the manifesto asserts, dominate the economy), affirmative action to redress imbalances in race and gender in their employment practices, and anti-trust and anti-monopoly legislation

These proposals dovetail with a commitment to some nationalisation The ANC does not regard 'nationalisation' as a dirty word

The manifesto talks about public sector production to meet society's needs and not simply for profit and speaks positively of public corporations in transport housing, electricity supply water provision and telecommunications

It raises the vista of an expanding public sector, declaring "Where the balance of evidence suggests that it would be advantageous, particular enterprises will be incorporated on a case-by-case basis into the public sector

Incorporation may take place through nationalisation purchase or the establishment of new state enterprises, the manifesto explains

A reassurance follows In all such cases a future democratic government will bear in mind the need to maintain confidence and bind itself to proceeding according to constitutional principles "

Observers from the corporate boardrooms will see the manifesto as one providing for creeping nationalisation

But hardliners at the ANC conference will undoubtedly see it as a pusillanimous and fatal compromise with capitalism Ideological battle has indeed been joined □

Financial disparity outlives race laws

DISCRIMINATORY laws have been erased from the statute books, but South Africa's most entrenched form of segregation remains: economic apartheid.

For the average black in an overcrowded township, the past two years of President FW de Klerk's term have been distinguished by a prolonged recession, 15-percent inflation and crime escalating out of control.

De Klerk's widely praised political reforms mean, among other things, that blacks are no longer restricted to living in ramshackle townships or rural homelands

But such changes are meaningless to the majority who can't afford a standard four-room township home that costs the equivalent of R28,000. Homes in working-class white suburbs in Johannesburg start at around R112,000

A cartoon this week in the *Star* showed two ladies talking about the recent abolition of the last segregation laws "Apartheid was such an ugly word," said one. "Now it's just the haves and the have-nots."

If De Klerk continues with his political reforms, blacks could have the vote and control of the government in about three years. But the legacy of economic apartheid will last for decades no matter who runs the country

"South Africa's 5 million whites simply do not have the resources to bring 30 million blacks up to the level of a modern First World country," Francis Fukuyama, a former US State Department official wrote in the *Sunday Times*, South Africa's largest-circulation newspaper

South African blacks have an annual per capita income of more than R2,800 one of the highest figures on an impoverished continent But it is only a fraction of what their white compatriots have.

For the past decade, black incomes have been rising faster than those of whites and a black middle class is emerging

It is most evident in the urban marketplace, which is probably the most integrated part of South African society In downtown Johannesburg, bank tellers, waiters, taxi drivers and shop clerks are as likely to be black as white. Department stores and supermarkets must cater to black shoppers if they are to survive.

But in most institutions, from schools to housing to health care, apartheid has constructed extreme inequities and inefficiencies that will have to be restructured to end white domination and ease black poverty.

For example, in all the larger cities, black neighborhoods have been established far from downtown Commuting to work often takes hours and claims a huge chunk of blacks' paychecks.

De Klerk stresses that improved economic opportunities for blacks are as important as political reforms. But his government already is spending beyond its means to support a bureaucracy that employs one of every three working whites

"Insistent lobbies are demanding more spending for housing the homeless can't afford, health services the country can't pay for, and wages that will put us out of business," wrote Ken Owen, editor of the *Sunday Times* "How shall we divide the spoils?"

De Klerk says his government will not impose integration or affirmative action programmes that have been tried with mixed results in the US

Voluntary association and market forces will determine the pace of integration in all fields, the government says

Blacks argue that this effectively gives whites veto power over integration and will continue to limit black opportunities, though in more subtle ways than apartheid

White public schools have been permitted to integrate since January, but only if 72 percent of the white parents approve

About 100 white schools in Johannesburg, Cape Town and Durban have voted to accept children of other races, but some 2,000 nationwide remain segregated.

The most immediate concern for many blacks is not integration, but improved facilities At black schools, many students are turned away because there already are 60 or more students in a class

Housing is critically short in black areas, and for years government housing policy included bulldozing shacks erected illegally on vacant land - *Sapa-AP*

Fears as September 30 nears

Star 28/6/91

THE sales tax load to be carried by the average low-income black family threatens to rocket by more than 100 percent in the switch-over from GST to VAT unless the Government agrees to slash the proposed new 12 percent tax rate, according to a special report released by trade union leaders

The report was commissioned by the Congress of South African Trade Unions and compiled by the Labour Research Centre (LRC) in Cape Town.

It estimates that the sales tax burden on low-income families threatens to grow by no less than R546 million in the 1991/92 Budget year — by between R26 and R38 a house hold

Cosatu planned to hold a top-level meeting of national executive members in Johannesburg today to discuss pressures on the Government to seek radical changes to current VAT proposals.

The researchers recommend that the rate of VAT should be chopped back from 12 percent to 6 percent — with any shortfall in revenue to be made good by heavier taxation on the wealthy.

LRC researcher Dasi Moodley says the report made a special study of the impact of VAT at 12 percent on an average black family trying to survive on about R778 a month — around what the Unisa Bureau for Market Research considers a minimum supplemented living level.

A breakdown of the typical budget (see table) shows that the amount of sales tax to be shouldered would climb from R33,06 to R70,85 a month as basic food items, now tax-free under the GST system, are drawn into the tax net, Mr Moodley says.

Cosatu has been told by the LRC that the living standards of low-income families will drop even lower if the Government presses ahead with proposals to replace the current 13 percent GST system with VAT at 12 percent on September 30

The report argues that the R220 million set aside by the Government to plough into special poverty-relief schemes to cushion the blow of VAT on low-income families "will not go far"

It says families deserving first call on assistance, based on current proposals, are likely to receive no more than R2,25 a month — "hardly enough for two loaves of bread"

All in all, the proposed 12 percent rate of VAT looks likely to cost consumers as a whole an additional R1,22 billion a year as a result of the removal of concessions on basic food items alone

The LRC report reminds Cosatu that Government revenue from sales tax is set to climb to more than R20 billion in 1991/92 in the switch from GST to VAT. That compares with revenue of no more than R1,7 billion in 1980/81, when the rate was far lower

"The VAT system proposed by the Government will redistribute income," it adds "But not from the rich to the poor, but from the poor to the rich."

It underlines that manufacturers look likely to benefit from current VAT proposals with a massive R3,75 billion in 1991/92 in tax breaks as capital and intermediary goods used in the production process are allowed to escape the tax net

The Government, it goes on, is "perhaps waiting for a miracle" in hoping that the tax concessions will ultimately find their way to consumers in the shape of lower retail prices and lead to investments that create new jobs

The report says any shortfall in total tax revenue from a cutback in the proposed VAT rate from 12 percent to 6 percent, which would ensure that low-income households were no worse off than under GST at 13 percent, could easily be made good by additional taxes on the rich, such as:

- Reintroduction of taxes on dividends drawn by shareholders in companies, which were ended in the 1991 Budget at a cost of R650 million a year
- Introduction of a capital gains tax on profits made out of the sale of residential property and company shares, which would in turn "encourage productive investment instead of speculative buying and selling of shares and properties"
- Minimum taxation of 25 percent on all company profits, cutting across various concessions that result in many companies paying far less than an official 48 percent company tax rate at the moment
- Special excise duties on luxury goods.
- High estate-duty taxes, now down to only 15 percent on the value of estates worth more than R1 million □

GST and VAT on a monthly income of R778

The basket	Amount spent	GST paid	VAT paid
Meat	133,35	—	16,00
Clothing	108,06	14,05	12,97
Cleaning & Household	79,84	10,38	9,58
Electricity	47,48	—	5,70
Alternative fuel	43,07	5,60	5,17
Vegetables	42,37	—	5,08
Milk, cheese, eggs	37,36	—	4,48
Fruit, nuts	25,77	—	3,09
Medical	19,87	—	2,38
Fats, oils	18,33	—	2,20
Coffee, tea	12,28	1,60	1,47
Fish	11,59	—	1,39
Sugar	11,07	1,44	1,33
Rent	44,30	—	—
Education	2,47	—	—
Transport	50,31	—	—
Grain	57,59	—	—
Pension	33,23	—	—
TOTAL	**778,34**	**33,06**	**70,85**

Sources: United Bureau of Market Research and Central Statistical Service.

The sales tax burden on low-income families is likely to soar in the switch-over from GST to VAT, reports MICHAEL CHESTER.

Consumer spending declines, says BER

By ARI JACOBSON

THE impact of the economic downturn rippled through to slow sales in all the major areas of trade and commerce for the quarter to June, said the latest Bureau for Economic Research (BER) survey

The bureau said wholesalers, retailers and motor dealers all reported poorer sales and a sharper deterioration in business conditions in the period under review

The survey said the economic crunch had finally come home to the consumer in this period — with retailers experiencing an absolute decline in volume sales, for the first time since the start of the downturn in the second quarter of 1989

In this phase of the economic cycle consumer confidence is at a level slightly lower than neutral, it said

But the survey was more optimistic about the third quarter when the pace was expected to be lifted

It added that consumers had cutback on credit demand which "substantiates the view that consumer spending is reacting to the negative economic environment"

The Stellenbosch-based research department said inflationary expectations still remained high and would be "a phenomenon to monitor very closely especially with the introduction of VAT"

Forecasts of a slowdown in consumer spending — would see a rise of a mere 1% in 1991 — from the previous year's level "constrained by an economy with very little growth prospects for this year"

"It is clear that sales of durable goods will decline and it seems as if growth will be only marginal in the services and non-durable sectors"

In addition, confidence would influence the pattern of consumer spending — which could lead to further negatives for the consumer

The bureau concluded that tight monetary policy with persistently high interest rates and (low, possibly negative) real disposable incomes would provide less discretionary income for consumption expenditure

Violence eroding consumer confidence

By Blaise Hopkinson Star 2/7/91

CAPE TOWN — Severe violence in black townships has contributed to most whites in South Africa being pessimistic about the short-term future of the country, says the Bureau for Economic Research at the University of Stellenbosch.

In the results of its latest trade and commerce survey conducted in the second quarter the BER has found 58 percent of white consumers expect a deterioration.

Some 40 percent thought this would be slight while 18 percent were "extremely pessimistic" and expect a considerable deterioration.

"Continuing internal political tension, which manifests itself in severe violence in black townships, must undoubtedly be a contributing factor to this pessimistic scenario," the report says

On the other hand, black consumers showed "relative optimism" in the survey

White consumers are more optimistic about their personal financial position in the next 12 months and the confidence index of 102 is slightly higher than the 90 in the second quarter of 1990.

The BER forecasts the prime overdraft rate will be lower only towards the end of the year, which will have a negative impact on credit-financed consumer spending.

Salary and wage increases will be "more conservative" while the government sector will aim to keep salary increases in line with or below the lower expected inflation rate of around 13,7 percent

Most respondents to the BER's survey believe it is the wrong time to buy durable goods like washing machines and furniture.

"A high tax rate furthermore erodes the personal disposable income of consumers, and this hesitant attitude towards durable spending is understandable," the report says.

Survey respondents in the motor trade believe the lacklustre performance of the second quarter will be repeated in the third quarter. This includes both new and used cars.

Consumer spending declines for the first time since start of downturn

B Day 21191

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THE recession put a dent in consumer spending in the second quarter of this year

The Bureau for Economic Research (BER) says in its survey on the second quarter that retail sales declined for the first time since the start of the downturn

During the second quarter, consumer confidence was at a "lower than neutral" level and retailers, wholesalers and motor dealers reported poorer sales and a sharper deterioration in business conditions

The BER said most viewed the decline as a temporary setback, and expected sales would increase during the third quarter, although not at a rapid rate

Credit spending seemed to be tapering

MARCIA KLEIN

off, indicating that consumers were reacting to the gloomy economic environment Inflationary expectations remained high

The growth in consumer spending for 1991 from 1990 could be close to 1%, constrained by an economy with little growth prospects for this year

This compares with a real growth of 1,5% in private consumption expenditure for 1990 from the previous year

The survey said while sales of durable goods would decline for the year, growth in the services and non-durable sectors would be "only marginal"

Most respondents felt it was the wrong time to buy durable goods, including furniture, washing machines and fridges Spending on durables would show contracted growth over the next 12 months

Confidence — which remained a crucial factor affecting consumer spending — would be further constrained by persistently high interest rates and low or possibly negative real disposable income

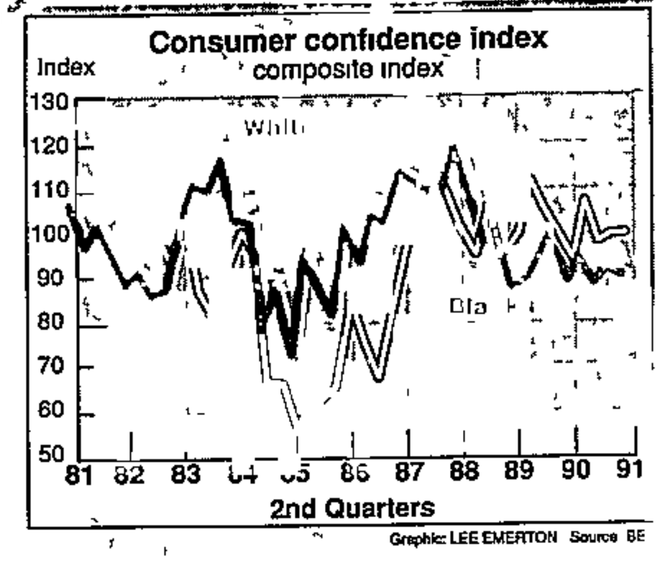
White consumers remained relatively pessimistic about the short-term future of the SA economy, while there was relative optimism among black consumers

About 58% of white consumers expected a deterioration in the economy over the next 12 months, but they were more optimistic about their personal financial position for the same period

The BER said salary and wage adjustments would be more conservative in 1991, and this would keep consumer spending under pressure in the coming year.

Dealers in non-durable goods reported lower sales, indicating that "contrary to last year, consumer spending is taking a knock" Orders were down in the second quarter due to lower-than-expected second quarter sales and high stock levels in relation to demand

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Spending

B Day 21191

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☐ From Page 1

More ut iued sales of semi-durable goods could be attributed to the higher reported cash to credit sales, indicating a more careful approach to credit sales and consumers reluctance to buy on credit

Wholesalers had reported a decline in the volume of sales and expected a further decline during the third quarter The decrease was especially severe in the non-consumer goods sector, particularly chemical and raw materials for agriculture and industry

An improvement in consumer goods sales was expected in the third quarter

There would be subdued short-term growth in the wholesale sector for the rest of the year, the BER said

The motor trade was unhappy about the second quarter's new vehicle sales, and also fairly depressed about the near-term outlook Used car sales were down on a year ago, and poorer sales were expected to continue, although at a slower level Spare parts sales were maintained since the third quarter of 1990, but expectations were slightly down for the third quarter

The BER said one of the remaining hopes in the economy was that the current contraction was not as deep and severe as the previous two recessions, and that the economy could bottom out in the second half of the year

Star 5/7/91

Private sector urged to cater for low-income groups

By Al-Ameen Kafaar

The private sector's lack of interest in the lower income groups could hold serious problems for South Africa's economy in the future, says Dr Simon Brand, chief executive of the Development Bank of Southern Africa

Speaking to a group of businessmen at the Islamic Bank in Fordsburg, Dr Brand said that with an affluent market, which had not shown much growth in the past few years, the private sector had tended to look for new markets other than that of lower income groups

Building societies, for example, after a saturation in higher income group housing, had started moving out of the housing area by re-registering themselves as banks instead of concentrating on lower income housing

In the same way, construction firms and household goods manufacturers had also failed to cater to lower income groups

A sound future economy would depend on wise advice and the willingness of the government and private sector to make adjustments.

Reducing government contributions to the rich — without lowering standards — and raising the living standards of the poor was a possible approach to a sound future economy

This approach would not only pay dividends in the long run but would be more "noticeable"

It was inevitable that a new government would be under a lot of pressure to meet the expectations of the poor

One argument was that government intervention in the economy was needed to produce quick and dramatic results But, as proven in other countries, substantial government intervention was not always the answer

Complete neutrality, as argued by others, would also not be a solution A certain amount of government intervention was needed for the establishment of a legal framework and the provision of services such as health and welfare

"The present government is based on a white electorate To tell the electorate less is going to be spent on them is a strange thing for a politician to do

"But it is an unavoidable decision and the Government has been saying that to its electorate

"The future lies in our own hands By making contributions from our own resources, we could make the country much more attractive for foreign investors," Dr Brand said.

Many answer call-up for army service

LINDEN BIRNS

HUNDREDS of young white men yesterday began their national service call-up — the first since the scrapping of the Population Registration Act which some lawyers believe renders whites-only conscription illegal

Most conscripts interviewed at the Nasrec showgrounds outside Johannesburg — gathering point for about 40% of this year's July intake — said they were apprehensive about the year ahead

Few of the conscripts were aware of the new Scrapping of Racially Based Legislation Act, which some lawyers recently said made the Defence Act, in term of which white men between 18 and 55 are liable for national service, unenforceable

Most conscripts interviewed yesterday agreed conscription should include all races, or that the system should be replaced with a volunteer service

Consumer spending on durable goods increases

MARCIA KLEIN

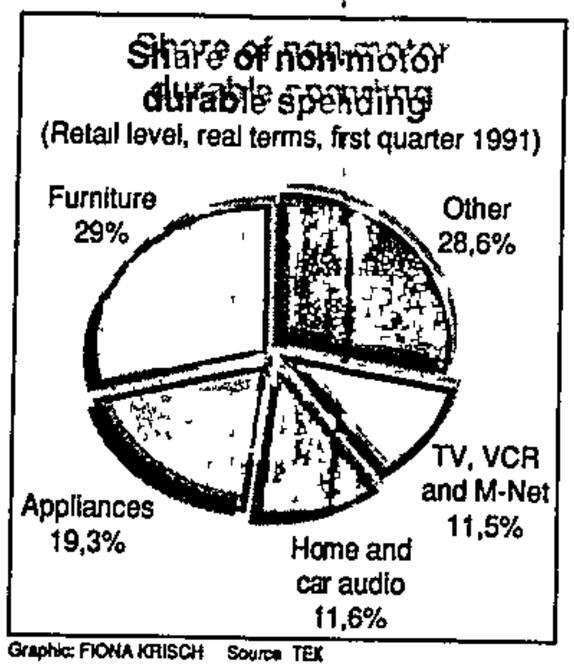
CONSUMER spending on non-motor durable goods increased 19% to R2,5bn for the first quarter from R2,1bn in the first quarter of 1990

This was achieved on the back of buoyant sales in furniture and TVs, VCRs and M-Net decoders

However, Tek Corp corporate planning director Laura Levetan said the trend was unlikely to continue for the rest of the year, and spending on these durables "has probably peaked in real terms at the historic high of R11bn for the 1990 calendar year"

There had already been signs of a softening in parts of the furniture, TV, VCR and M-Net decoder markets, which had fuelled the growth in spending due to pent-up consumer demand, the TV replacement cycle and a high level of competition among manufacturers and retailers

Prices inflated by just over 5% in the first quarter compared with the corresponding period last year, indicating "non-motor durables represent one of the lowest sources of inflationary pressure confronting local consumers"



Graphic: FIONA KRISCH Source: TEK

Levetan said the introduction of VAT was unlikely to cause inflation in pricing, particularly at the manufacturing level

This would hit the cash flow of manufacturers at the outset, but there would be some compensation through less tax on capital goods and consumables

Appliances' share of consumer spending on non-motor durables was 19% in the first quarter, compared with its usual range of 17% to 20%

The home and car audio share amounted to 11,6%, within its usual range of 10% to 13% TV and visual products' share accounted for 11,5%, from a low of 8% in 1985/86 This was due mainly to TV replacement and M-Net decoder and video camera sales

Sales of furniture, TVs and other visual products were "the driving force behind the growth", despite high surcharges, import and excise duties and punitive HP and credit terms, Levetan said

With the Board of Trade and Industry's more lenient approach to duties and surcharges, Levetan said this sector could continue its strong run

• While average households in wealthy countries spent about 10% to 13% of their disposable income on non-motor durables, the average SA household spent only 4% to 5%

Non-motor durables nevertheless accounted for between 63% and 68% of total consumer spending on durables, and were therefore a key economic indicator, she said

Inflation rate row rages on

Star 9/7/91

By Des Parker

DURBAN — Is inflation hitting people's pockets at a rate of 15,2 percent a year — or is more like 20 or 30 percent?

This was the subject of a sometimes heated debate in Durban between Durban mathematician and engineer Karl Posel and Cape Town university academic and economist Brian Kantor

If the reaction of the audience at the NBS Economic Forum is anything to go by — and they largely comprised hard-headed business people who many would say can only gain from inflation — Dr Posel's adamantly-held view that the Government's Central Statistical Service (CSS) isn't doing its sums right may just be correct.

Dr Posel, former professor of mathematics at the University of Durban-Westville, maintains the CSS-calculated consumer price index (CPI) gives an excessively broad "average" result of the effect of price increases on SA families's spending

Inadequate

But of more concern, he maintains, is his belief that it is based on inadequate surveys and incorrect and inflexible weightings applied to the proportion of people's spending on different goods and services

Dr Posel, who has written widely in the financial and popular Press on his theory, described the CSS weightings as "fatuous"

For example, CSS calculated the average family spent exactly 21,21 percent" of its monthly income on housing This figure remained unchanged for five years, despite fluctuations in bond rates, increases in rents and the fact that some people had paid their bonds off in the interim

CSS gave a 1,84 percent weighting to the cost of employing domestic workers, which for a family outlaying R4 000 on household costs a month meant an expense of R72. Education had a weighting of 1,21 percent — "or R48 a month, and don't you dare argue with the Department of Statistics"

Dr Posel said the most important reason for an accurate measure of inflation was that it gave employees and trade unionists the information they needed to negotiate wage increases that at least kept pace with the rising cost of living.

"And it is trite that there is a correlation between the effects of inflation and civil unrest," he said.

Built in

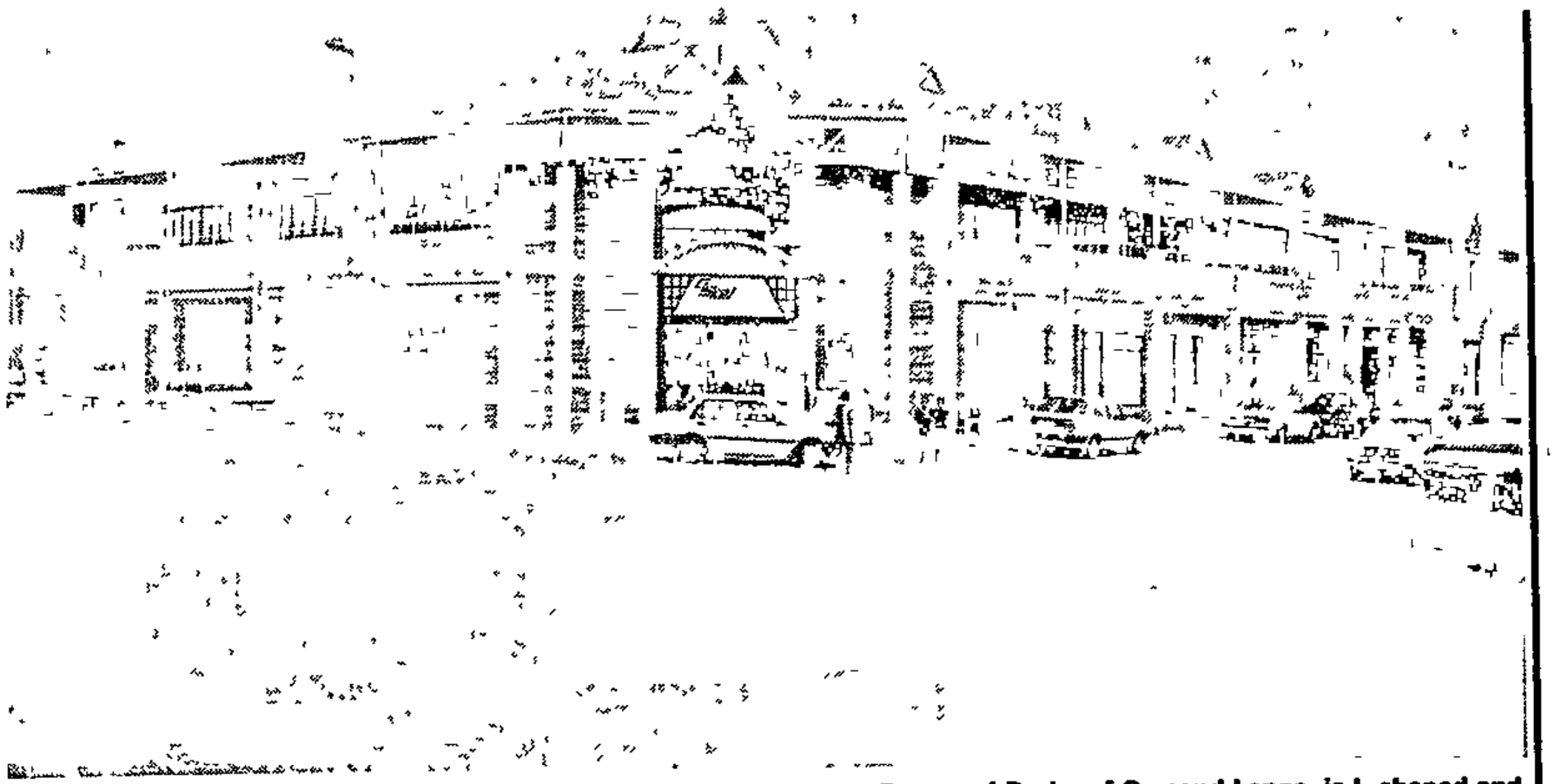
Professor Kantor said the CPI calculation was done according to an internationally-used formula and that differences in weightings applied to expenditure led to only trivial differences.

"If Dr Posel's theory is correct, then South Africans have become poorer at a quite phenomenal rate, which I do not think is correct," Professor Kantor said as an incredulous hum rose in his audience

South Africans had learned to live over several years with a relatively stable, if high, level of inflation of between 12 and 16 percent.

It was built into the fabric of the economy in contract price fixing and budgeting. But more damaging than steady, high inflation were unexpected variations in the rate

Food price increases, which were keeping the CPI increases uncomfortably high, were neither the fault of producers and manufacturers nor retailers. Poor company profit levels showed this.



The Ciskei Building Society's new head office in Bisho, designed by Raymond Drake of Osmond Lange, is L-shaped and scaled to form a link between the CBD and an upmarket residential area. However, the building is large enough to allow for ample growth in the society's business and cater for the needs of a modern financial institution.

Guidance plan for low income owners

128 $5 $29

b\day 10/7/91

Reports by PETER GALLI

A NEW property ownership guidance programme covering nine basic information issues identified as essential for lower income property owners has been developed by the SA Housing Trust (SAHT).

Some of the issues dealt with are the advantages and disadvantages of home ownership, available assistance, affordability, building contracts and money matters

The programme is the result of the trust's extensive market experience accumulated over the past three years in providing guidance to potential homeowners

The Trust developed and introduced its first home ownership information programme to clients in the lower income communities three years ago

"We provided them with the information they needed to reduce their own risk by being fully aware of the purchasing process and their obligations in property ownership," says corporate communications head Mike Fowlds

This also reduces risk for financial institutions, he adds. The "direct interface" with the property owner and community facilitated the new property ownership guidance programme, which will be available nationally It is hoped that companies will help implement the programme

The SAHT's initiative could lead the financial institutions to return to the lower income property market with long-term financing This in turn would boost the building industry

The need for accommodation in lower income communities is believed to be 1,8-million units, which means the rate of providing homes has to be increased considerably

Fowlds said that with the recent introduction of the Independent Development Trust capital subsidy on land, more lower income earners would have access to property ownership However, without the necessary guidance before they took possession, there would still be risks, leading to mistrust and discontent.

Statistics indicated there were about 5,2-million households in SA with a monthly income of less than R2 000 Most of these people would need some form of financial help, and all would require guidance about property ownership

Fowlds said employers should play a part in informing their employees about property ownership

"We will willingly train companies' human resource management to present the programmes to their staff," Fowlds says

Whites are not well off (128) survey

Sowetan 23/7/91

ABOUT 20 percent of South Africa's urban white population has a net worth of under R10 000.

And, says Market Research Africa, over half the white population has net assets of under R100 000.

Its 1990 Sociomonitor survey also shows that, excluding the farming community, only six percent have assets in excess of R500 000 and about 1,7 percent are rand millionaires

MRA says: "There is just not sufficient capital in the hands of whites to make any material difference to the millions of people from other racial groups who would like to improve their standards of living, by the simple process of sharing the country's private wealth between the total population."

Poor country

Expanding on the findings of the study, MRA chairman and CEO Mr Clive Corder says: "The uncomfortable reality, which has to be faced by those politicans who believe they can relieve the poverty of their supporters by a redistribution of wealth, is that South Africa is a relatively poor country.

"However, a fair proportion of the population are extremely materialistic and like to display their well-being, even though in many cases the cars they drive, the houses they live in and the boats they sail, are not strictly speaking their own property, but belong to the institutions who have provided the finance.

"This overdisplay of wealth leads to the impression that all whites are well-off and have surplus assets. This is simply not true." - *Sapa.*

Whites 'not as rich as they seem'

CT 23/7/91 (128)

JOHANNESBURG. — About 20% of South Africa's urban white population has a net worth of under R10 000

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"This over-display of wealth leads to the impression that all whites are well-off and have surplus assets," said Mr Corder "This is simply not true." — Sapa

FM 26/7/91 128

Heron, MD of Tek Appliances, one of the major manufacturers, does believe that the market this year will drop by a half a percentage point less than Solomon thinks it will But he discounts suggestions of a post-March boom in the appliance business He says manufacturers' sales peaked in 1988 and haven't recovered

"Retailers have claimed growth but we believe that was related to products other than major white goods, maybe furniture and small appliances," Heron says "We also know there has been significant destocking at retail level, which means there is bound to be a difference between retailers' and manufacturers' measurements of growth "

Barlow Appliance Co sales director Digby Bray says "appliances have been bubbling along but furniture has been softer " White goods have been selling steadily for the past year and are being supported by demand in the black market for electric and gas-operated refrigerators and deep freezers, he says Sales of laundry products, of which most are normally sold into the white market, "are softer "

Manufacturers can meet the current demand but a shortage of between three and six months could develop if there's a sudden surge in demand, Bray says There is very little stock in reserve, with retailers destocking and manufacturers tending to do the same

WHITE GOODS

BLACK BUYERS

FM 26/7/91 128

Scrapping the Group Areas Act and increasing electrification of black townships are boosting the market for white goods — washing machines, tumble dryers, deep freezers, refrigerators and microwave ovens

At worst, this year's sales will be 5% down on the highs they reached in the last three quarters of 1990, says Arthur Solomon, the OK's marketing director, furniture and appliances He says sales languished in the first quarter of last year but increased dramatically after HP restrictions were eased in March

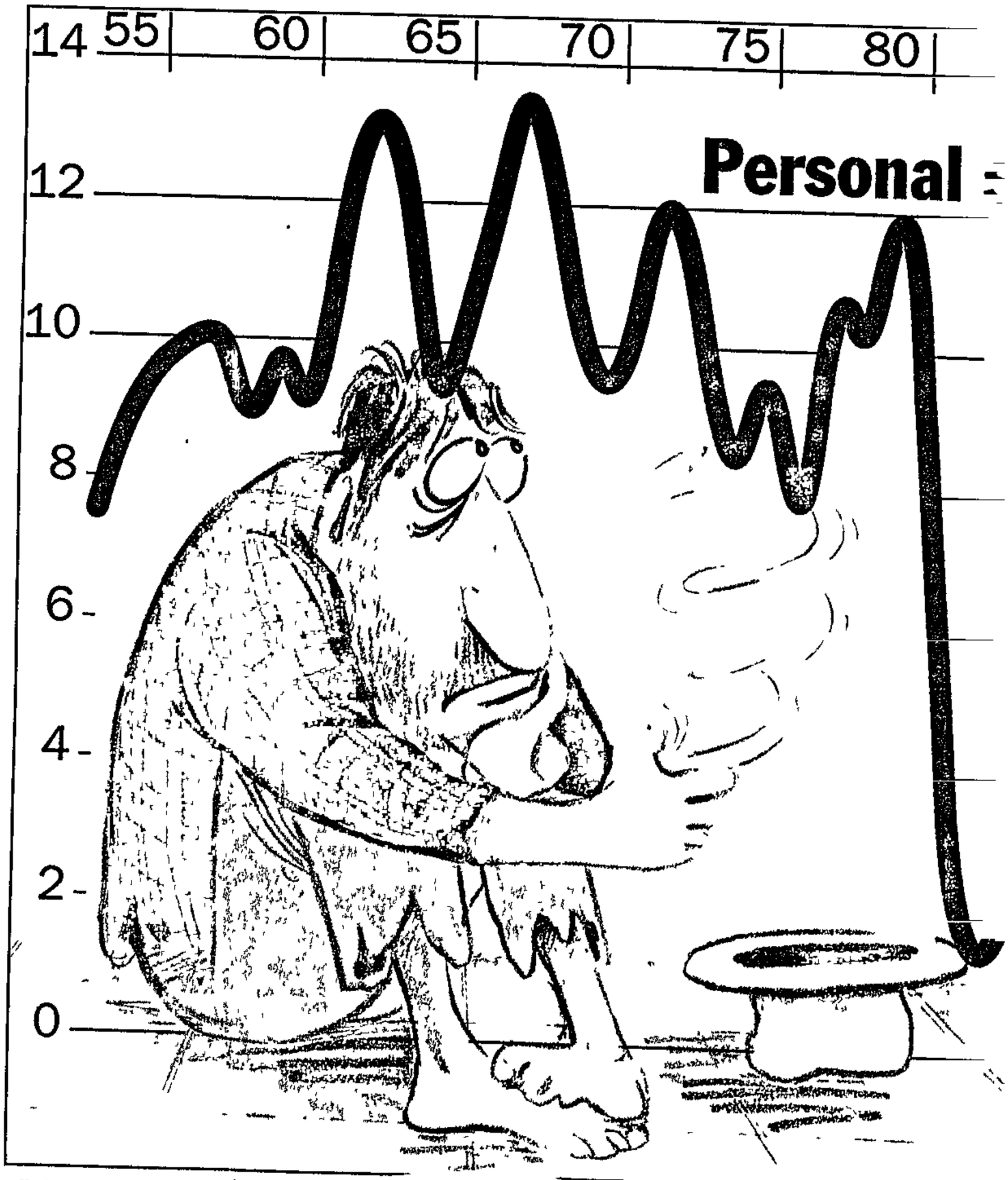
Solomon estimates that the market this year will absorb 90 000 microwave ovens, 150 000 washing machines, including 90 000 automatics, 55 000 tumble dryers, 240 000 refrigerators, and 90 000 deep freezers

Not everyone shares his optimism Ross Gary Cohen, chief appliance buyer for the 181 stores in the Joshua Doore group, which includes Bradlows, Price and Pride, and Score Furnishers, confirms it's becoming difficult to get stock "The market is very buoyant now, particularly the black market, where sales have been taking off since electrification and the lifting of the Group Areas Act Blacks can now live in Hillbrow, for example, without fear of eviction so they aren't afraid to buy In unit terms, we are selling 15%-20% more, year-on-year "

Pick 'n Pay's Warren Marsden says his company also has a problem with suppliers but believes that "it's because we give discounts and suppliers have to react to the backlash they get from retailers whose business is mostly done on HP " ■

□ INVESTMENTS

Drop in personal savi
Star 5/8/91 (21) (128)
shows state of econo



Nothing underlines the parlous financial state of most South Africans more than the official savings figures

The South African Reserve Bank's Quarterly Bulletin of December 1990 indicates that, in total, individuals spent R1 625 million more than their after-tax income in the first nine months of last year

It thus appears that, last year individuals spent more than their after-tax income for the first time since 1953, the first year for which such statistics are available

Personal savings are that part of an individual's after-tax income which is not spent This means that all contributions to pension funds, insurance premiums etc are viewed as personal savings

Over the past decade, there has already been a marked weakening in personal savings viewed in relation to individual's after-tax income

According to the SA Reserve Bank's data, personal savings in the period from January to September 1990 came to minus R1 625 million, as against a positive savings figure of R2 060 million during the same period in 1989

In view of the fact that individual's contractual savings (pension fund contributions etc) amounted to an estimated R31 000 million or even more in 1990, one may deduce that consumer spending was financed to more or less this extent by a combination of lower deposits at financial institutions, loans and advances from financial institutions, and trade credit

The debt burden of individuals has already risen sharply over the past few years and a further drastic increase appears to have occurred in 1990

The gradual decline in savings and the negative savings figure in 1990 can be attributed to a combination of factors, namely

- A greater increase in direct personal taxation than in current income
- A poorer agricultural year in 1990 than in 1989
- A shift in buying power to the lower income groups
- Interest rates available on deposits sometimes being too low
- Continued high inflationary expectations

These low, and now even negative, personal savings have far-reaching consequences Without the support of sufficient savings, investment cannot be financed in a non-inflationary manner and interest rates will remain relatively high unless investment drops sharply

Personal savings will, however, have to improve and savings can only rise at the cost of lower real expenditure, unless they originate from an increase in after-tax income,

Given this fact, individuals' higher debt burden and the fact that a relatively tight monetary policy will remain in force this year, it is unlikely that real private consumption spending will show any signification increase in 1991

This view is endorsed by Adam Jacobs, economist at Volkskas, who warns that it will take several years for the average South African to rebuild his/her finances

However, should the high tendency to consume continue in 1991, there is little hope of getting the economy back on to a sound footing

How do other people invest their money?

Star 5/8/91

Have you ever wondered where other people invest their money?

There are a vast number of investment/tax reducing schemes in operation. Most of them have their undisputed merits, especially among wealthy people who have tax and estate problems But most people still prefer the traditional savings and investment instruments that have been with us for decades.

This is the surprising finding of a survey conducted by IMS, a large local research agency.

IMS conducted a telephone survey among 200 men and women in the upper income group at the beginning of this year. The minimum household income of this group was R3 500 a month and respondents were asked, among other things, how they invested their money.

Still the most widespread form of investment are savings accounts, with 86 percent of respondents having some type of savings.

Of the total number of respondents 60 percent had annuities in some form or another.

Third on the list, with 57 percent of the respondents active in this area, was the stock exchange.

Of the respondents, 28 percent saved with unit trusts while 13 percent invested in participation mortgage bonds

Home of BCCI founder raided as fraud row grows

WASHINGTON — Accusations of massive international fraud in the BCCI scandal haunted the halls of government yesterday with former Peruvian president Alan Garcia denying wrong-doing and British authorities reportedly raiding the house of the bank's founder.

Fallout from the Bank of Credit and Commerce International scandal also came from Luxembourg, Kenya and India

Britain's Serious Fraud Office began investigating BCCI on July 8, three days after the Bank of England and authorities in seven other countries moved to close the bank following an auditor's report alleging massive fraud.

In addition to fraud, BCCI officials have been accused of brokering clandestine arms deals and laundering drug money

In his first public statements on the scandal, Garcia denied responsibility for depositing $270m into the bank in return for a $160m credit line

Peru's former Central Bank chief Leonel Figueroa has claimed that Garcia knew of the deposits

"As leader of the nation, responsible for the nation's economic development, he had to be informed of the administration of our reserves," Figueroa told the La Republica newspaper.

Deposits of Peruvian reserves were allegedly channeled to BCCI while Figueroa and his general manager Hector Neyra accepted $3m in bribes, according to a New York City district attorney

Garcia said he knew of the Central Bank's deposits but denied involvement with the transactions

A Peruvian congressional panel said on Sunday that it had proof Figueroa and Neyra had bribes deposited in the Swiss Bank of Panama, and it also accused Garcia of directing the BCCI transactions.

Elsewhere around the world

☐ British officials investigating the BCCI scandal raided the London home of its founder, Agha Hasan Abedi, the Financial Times reported yesterday Officials reportedly took a suitcase of documents from the residence;

☐ The head of Kenya's Central Bank, Eric Kotut, said BCCI's branch there had been sold, and would resume operations under a new name at the end of this month, Nairobi newspapers reported The government closed the bank's nine offices nationwide on July 8 and appointed a Central Bank official to administer them;

☐ The Indian government yesterday postponed for one day a statement on allegations that aides of former prime minister Rajiv Gandhi held secret accounts with BCCI.

The US Senate subcommittee investigating BCCI fraud was told that some Indian businessmen and Gandhi aides held tens of millions of dollars in secret accounts with the bank, according to reports in India The bank was allegedly also a conduit to divert Indian foreign exchange to Pakistan, where it was used to buy arms

☐ Luxembourg asked Abu Dhabi to help cover losses by small depositors there whose funds were frozen when BCCI was closed last month, according to director of the Luxembourg Monetary Institute, Jean Guill

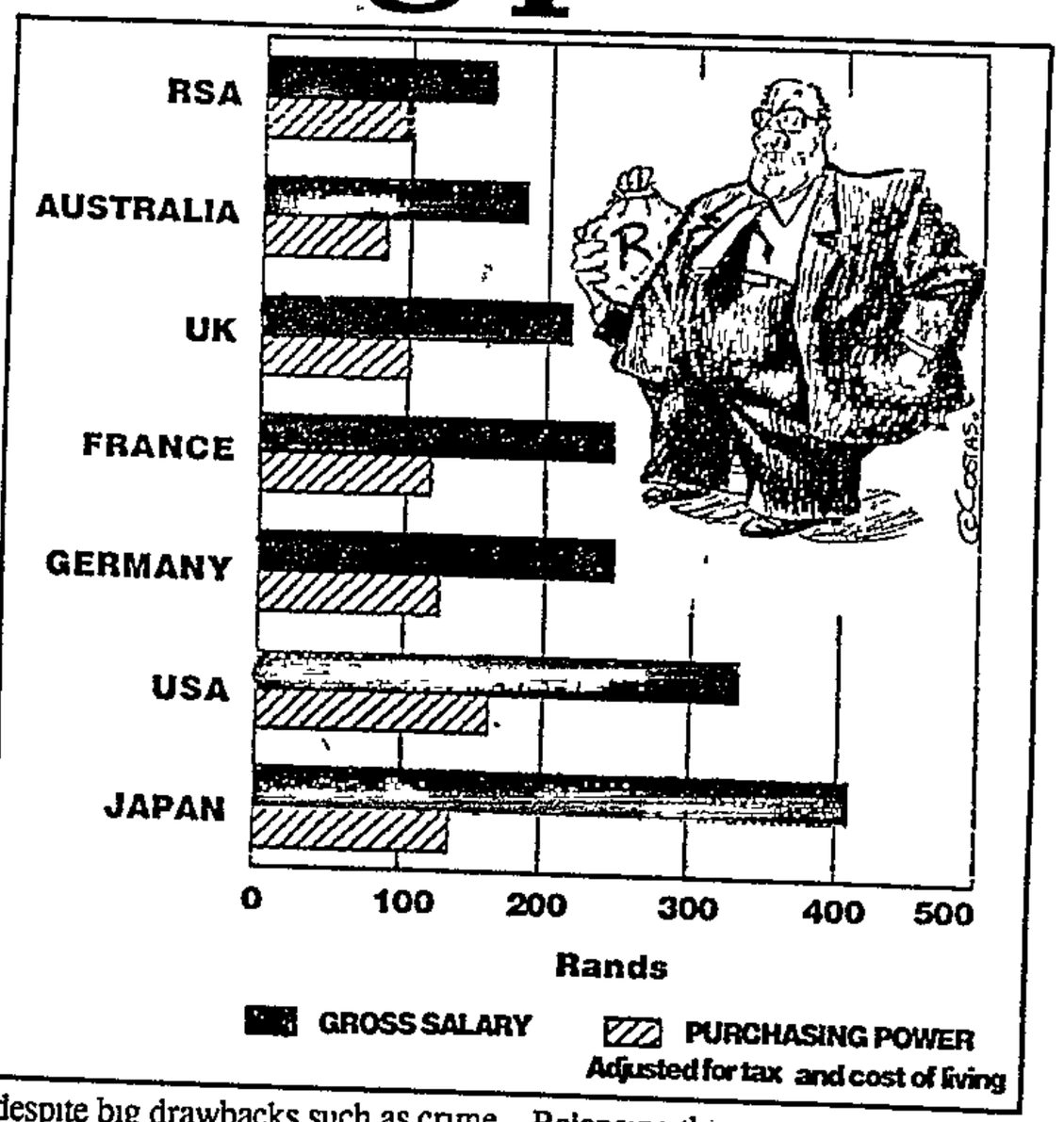
The Grand Duchy was seeking the same protection for its depositors that Abu Dhabi has offered to Britain. — Sapa-AP.

Small salary, big purchasing power

w/mail 9/8 - 15/8/91

Being a boss may not be a bed of roses in South Africa — but it's no hardship either Two surveys show local executives are really not badly paid compared to execs elsewhere in the world

REG RUMNEY reports



ON a straight rand-for-dollar basis (or most other currencies) South African executives seem to be hard done by compared with their counterparts in the industrialised world.

Compare the buying power of various execs in their own countries and you get a different picture entirely

As *The Weekly Mail* indicated in its own survey — using information supplied by headhunting firm Woodburn Mann — some months ago (May 10), local executives are on a par with many of their counterparts elsewhere. In some cases they are better off. Our survey roughly stripped out the undervaluation of the rand in terms of its buying power in South Africa to get a better basis for comparison than using remuneration in, say, dollars

The Top Executive Survey soon to be published by human resource consultants FSA Contact more or less confirms our survey in that the difference in buying power is not large

But it does show US executives have the highest buying power, followed by Japan, with Australia last, below South Africa.

The buying power of local and UK execs are similar, and South Africans fall just below France and Germany

Our survey did attempt to use the total package, including perks The presence of perks does distort an international salary survey Non-taxable perks will give a bad impression of countries where they decrease the marginal tax rate Pay in those countries which have decreased the marginal rate and clamped down on perks won't look as good

A note of caution is that such surveys generally don't take into account another substantial form of remuneration, that is, share options

Also, issues such as the cost of housing, transport, health care and to what degree there is a social welfare net come into play when comparing an executive's lifestyle here and abroad The execs polled by *The Weekly Mail* were largely positive, despite big drawbacks such as crime and political uncertainty

Naomi Brehm, of PE Corporate Services, reckons that the buying power of net disposable income (ie after tax and adjusted in terms of purchasing power parity) is about the best measure for comparison

Brehm says PE Corporate Services' September 1990 survey, which had detailed comparison of executive pay in various countries, is out of date

That survey found that in buying power of net disposable income local execs did as well as their counterparts in Holland and Belgium. And they did just as well as their counterparts in the UK, France and Germany.

But Brehm also stresses that comparisons are odious "They don't tell you about the quality of lifestyle in different countries " They also leave out cultural differences So a South African exec may live in a ranch-style house with four rooms, two cars, at least one servant etc His counterpart in France will not have these possessions, but will be living well anyway, with the rich culture of France and Europe available to him

What is important, Brehm notes, is the relative quality of life of the exec in comparison with other wage earners in the same country

All other things being equal, how much better off an executive is than, say, a labourer is important

Balancing this to a certain extent is the common wealth of the citizens in a country represented by social security and general environment.

So in social democratic Sweden directors earn only five times as much as labourers as opposed to 20 times in South Africa. But the benefits for both exec and worker of the Swedish state, even thinned down from their present high levels, far outstrip anything South Africa has to offer

The relative earnings within a country are the real focus of interest — and one which international comparisons may be used to fudge.

Disparities in incomes and wealth in South Africa may not be as great as some people imagine, given the degree of redistribution of wealth that has occurred since the spotlight first fell on those inequalities But they are big enough to cause the "haves" a great deal of discomfort In the end this must mean, as we have stressed (Aug 2) that there will be pressure for redistribution, either through increased tax or some other means And executives will indubitably suffer.

However, countering the extent to which the disposable income of executives will fall is their high mobility. Many white South African executives are believed to have dual passports Professional skills, as has been shown by "chicken runs" in the past are passports in themselves

Tragic figure at the heart of a scandal

Frail, ailing founder of BCCI is destined for the history books — not, as he had hoped, for his philosophy, but for the ever more extraordinary allegations against his once-powerful bank.

Star 12/8/91 (129)

KARACHI — The frail figure in white sitting in a stiff-backed chair, head held up determinedly and fingers twiddling, is hard to equate with a man who founded the bank at the centre of what is being described as the world's largest financial scandal

After two heart attacks and a stroke in which he suffered brain trauma and damaged vocal cords, 69-year-old Agha Hasan Abedi speaks slowly and painfully His young wife Rabia finishes his sentences for him

Around them the financial empire he built up has crumbled into a morass of allegations of bribery, corruption and fraud

Engaged in his own daily struggle to regain his health, Mr Abedi appears unaware of the furore surrounding BCCI, which he founded in 1972 and then built into the Third World's most successful bank, with branches in more than 70 countries

"I don't feel sad," he says, in his first interview with a western journalist since BCCI's closure on July 5

His wife patiently tries to impress on him the extent of the scandal, in which many people have lost their life savings and at least $5 billion of the bank's $20 billion declared assets remain unaccounted for

Mr Abedi may hold all the answers to how BCCI spun its worldwide web, but, able to speak only in phrases, often hopelessly vague, he cuts a tragic figure, throwing little insight on his dream and how it was shattered

In his more lucid moments, Mr Abedi remembers the days up until his illness in February 1988 when he used to lunch with presidents and dine with Arab sheikhs

"I've been to every country," he says "All the top politicians and heads of state were my friends — Jimmy Carter, James Callaghan, I knew them all"

He adds "They were all helpful, the Bank of England, NatWest, they all helped and if I go to them again they will again be helpful"

Nowadays his daily life revolves round physiotherapy and exercise sessions to try to regain the use of his legs In between books on art and gardening, his living room shelves are lined with works on great men such as Churchill and Lenin

Mr Abedi himself is destined for the history books — not, as he had hoped, for his philosophy, but for the ever more extraordinary allegations against his bank

Legendary

His beginnings were humble, as a teller in Pakistan's Habib Bank His success has built him into a legendary figure in his home country, giving Pakistanis something to aspire to and benefiting thousands with his charity

Some compare him to a pioneer breaking new territory Others liken him less favorably to a man who wanted to play God, influencing people's lives and government policies using depositors' money

Mr Abedi claims no such pretensions "I always wanted to be a banker," he says. "I never read a banking book in my life, it was in my blood"

The mention of banking is the one thing that brings light into the deep-set eyes behind heavy-rimmed glasses He is, he says, working on a new bank — a plan conceived by his wife and friends to help him to regain health

The philosophy behind BCCI was goodness, he says, and a belief that all religions and peoples are basically the same

He adds "We had 87 nationalities working in the bank, that's why it grew so vast I created the philosophy and the bank grew by itself"

As Mr Abedi begins to ramble and stares out towards the manicured lawns in the compound surrounding his affluent Karachi home, his wife explains "He believed morality and materialism can go hand in hand"

Mr Abedi's route to success began in 1959 when he persuaded one of the Saigols, textile magnates among the richest families in Pakistan, to hire him as a middle manager for a textile mill in Quetta in Baluchistan, the most backward province

After 18 months he went to Yusuf Saigol, who wrote him a cheque for 10 million rupees and United Bank Ltd was born

"Within days, weeks and months he had performed miracles and we made him managing director," says Naseem Saigol, Yusuf's son

Working under the slogan "Progressive banking," UBL was the first company in Pakistan to bring in computers, and branches were created across the country, the emphasis on growth

It was during those days in the late 1960s that Mr Abedi had a fateful meeting.

Sheikh Zayed bin Sultan al-Nahyan, the tribal ruler of Abu Dhabi, had flown to Baluchistan to hunt bustard

Of little significance in the pre-oil boom days, the sheikh knew no one in Pakistan and it was UBL, in the form of Mr Abedi, that provided all the courtesies

From then on, says Mr Saigol, UBL became the host for Sheikh Zayed and all the sheikhs

When the oil boom came, it was time for Mr Abedi to go hunting himself among his newly oil-rich friends

With nationalisation looming for UBL, Mr Abedi flew to Abu Dhabi and left with another cheque, this time for $2,5 million, and a mission to build the world's biggest bank by the turn of the century

Phenomenal

BCCI's growth was phenomenal.

Taking with him his closest colleagues from UBL, Mr Abedi built an empire of 400 branches attracting 1,3 million depositors cashing in on the oil boom and the wave of Pakistani migrants working in the Gulf who, in the heyday in the early 1980s, were sending back as much as $3 billion a year

It was never enough The obsession for more and more deposits meant increasing cutting of corners and a blind eye turned to the sources of deposits, whether from drug smugglers, corrupt officials or terrorist groups.

"BCCI became the bank to bank with if you had something to hide," says one Pakistani businessman, who admitted he kept two accounts, only one of which was registered and thus taxable

It was those unregistered deposits that were, according to a former senior executive, used to plug holes in the balance sheets

The main reason for his downfall was his blind trust in senior executives who did not grow as fast as the bank, but became corrupt and incompetent, says Khalil Zobairi, a former UBL and BCCI director

On leaving the bank, large golden handshakes were apparently paid to make sure this inner circle did not take its secrets with them

It was only on July 5 this year, when the Bank of England announced BCCI's worldwide closure, that the full extent of what had been happening inside its palatial buildings began to emerge

Going wrong

Mrs Abedi insists that things only started going wrong inside BCCI after Mr Abedi's illness

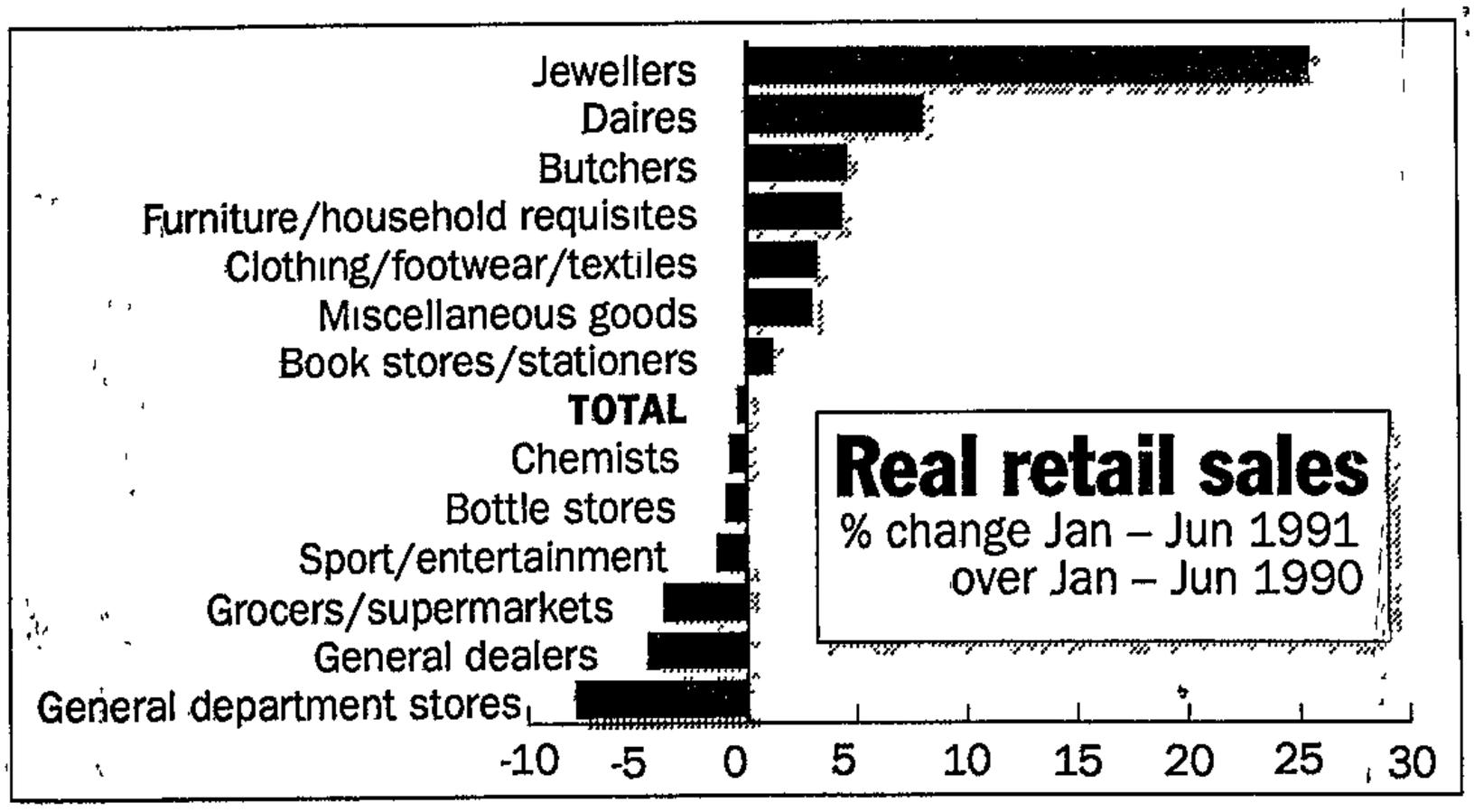
She believes that some of her husband's former inner circle may have turned against him But Mr Abedi himself insists "I have never been betrayed"

Mrs Abedi says her husband had intended to slow down over the next five years, allowing the bank to consolidate and him to spend more time with her

With his health lost, then his bank, and now his reputation, time is all Mr Abedi has left to contemplate the beautiful things he surrounded himself with

In spite of the exquisite decor of his living room, and with a bearer serving tea from a silver pot, close family sources put his wealth at only a few million dollars and worry about selling carpets to pay legal fees.

Mr Abedi, his head lolling, only smiles enigmatically and says "Nothing is unfortunate. The word should be removed from the dictionary" — Financial Times.



Consumers cut back on spending

Star 14/8/91.

By Sven Lunsche (128)

The recent sharp decline in consumer spending has adversely affected retail sales in the first six months of the year

According to figures released by the Central Statistical Service this week total retail trade sales showed a nominal increase of 13,9 percent to R36,6 billion in the first half of 1991 compared with R32,23 billion in the January to June period last year

However, given an average inflation rate of 14,3 percent over the period real sales showed a 0,4 percent decline

The declines were registered over a broad category of retailers Grocers and supermarkets sawsales decline by 3,75 percent in real terms, while sales at general department stores declined by 7,8 percent

Jewellers proved the pick of the pack reporting sales growth of 25 percent Other retailers showed more moderate growth with dealers in clothing, textile and footwear reporting a real rise of 3,17 percent and furniture and household dealers increasing sales by 4,31 percent

Cash sales fell by 0,7 percent over the six months, while instalment sales slumped by 4,3 percent Other credit sales, however, rose by 2,1 percent in real terms

It now takes 31 months of salary to buy a car

Finance Staff Star 15/8/91

Buying an average car costs the average South African 31 months' salary compared with seven months for the average American and 12 months for the average Briton.

This was disclosed by management consultant Ian Buyers at the Afrikaanse Handelsinstituut motor congress in Johannesburg.

He said South Africa's R30 billion-a-year motor industry faced the problem of high vehicle prices which constrained the market size.

Continued price rises against the background of declining real wealth made vehicles progressively less affordable to all categories of users and this included businesses.

Forecasts by the industry indicated an upturn in vehicle sales was likely to materialise only in the first five years of the next century to return sales volumes to the levels achieved in the early 1980s.

The motor industry remained the second largest employer in South Africa and contributed a significant part of tax revenue

One out of every 14 working South Africans was employed by the industry while the Treasury collected R3 billion in general sales tax on motor vehicle transactions last year.

Employees contributed more than R600 million in personal tax and GST and tax on spare parts raised a further R750 million

Mr Buyers said the government had to give a clear focus on the future direction of growth of motor manufacturers, who had to know whether the industry would develop into part of the world market or remain at all times semi-dependent customers of the international motor industry

"We also need to know whether the main thrust of the industry in the future will be to produce larger quantities of more affordable cars to satisfy what may even be perceived by some to be a social responsibility"

India can overcome crises, says premier

(129)

Business Day 16/8/91

NEW DELHI — Indian Prime Minister Narasimha Rao told the nation yesterday that his two-month-old minority government was stable and could cope with the worst set of crises ever faced by the world's largest democracy

"We are getting the support of political parties. The situation is hopeful and I am sure we will be able to tide over the economic and social crises facing us today," Rao said on India's 44th anniversary of independence

Speaking from behind a bullet-proof glass enclosure on the ramparts of Delhi's historic Red Fort, he said his government, which took office in June after a bloody election, had inherited the worst crisis faced by the nation since independence from Britain in 1947.

"Our foreign exchange reserves could sustain us for only two weeks and our credibility was at its lowest ebb," he said

Burdened by a $71bn foreign debt and nearly broke, India has begun almost revolutionary reforms after four decades of experimenting with socialist self-reliance

Rao's government devalued the rupee twice, liberalised the highly protected trade structure, cut a huge swathe through a system that kept industry under the thumb of bureaucrats, and raised the limit on foreign ownership of some businesses to 51% from 40%.

Officials hope the reforms will persuade the World Bank and IMF to approve a nearly $3bn rescue package later this year

India wants $2,3bn from the IMF and $500m from the World Bank Next month, India will go to Paris to ask its aid donors for a further $6,5bn in loans and grants — Sapa-Reuter.

Morkels hit hard as consumers cut down on credit spending

B1 Day 19/8/91

LINDA ENSOR

CAPE TOWN — The sharp decline in consumer credit spending and hitches with a major product launch saw furniture retailer and sports goods chain Morkels' after-tax profit fall 67% to R564 000 (R1,7m) in the quarter to end-June.

Earnings a share fell to 1,4c (4,3c).

Total group turnover grew 1,2% to R62,5m (R61,7m), but as margins slipped from 8,7% to 6,9% because of the decision to shift slow-moving stock at lower prices, operating profit declined 19,3% to R4,3m (R5,4m).

Finance charges took their toll, rising sharply to R3,7m (R1,97m) The already high gearing went up to 131% (128% at year-end).

MD Carl Jansen said consumer spending on credit had shielded retailers from the harsh reality of recession until early this year

"It is now clearly evident that the bubble has burst and the recession is forcing the average South African to curtail spending on credit," he said.

The group consists of the Morkels furniture chain and Totalsports Morkels lost market share with sales dropping 6,9% to R50,8m, compared with the furniture market growth of 6,1%.

128 Solved

Jansen said the loss of market share in a climate of falling consumer credit-spending was largely attributable to a serious breakdown in the supply of a range of imported products due to be launched during the quarter.

The problem had since been solved and Morkels' turnover growth had overtaken market growth, Jansen said

Store expansion saw the Totalsports chain produce sales growth of 63,3% to R11,7m

Despite the group's performance, Jansen believed it was possible for it to achieve its annual targets provided there was no further deterioration in the trading climate.

He said management was concentrating on reducing borrowings through tighter control of working capital, postponement of non-essential capital expenditure and the eradication of expenditure which did not directly support or contribute to store operations This would make funds available for expansion.

Three Totalsports and one Morkels store were opened in the quarter with another three and two, respectively, scheduled to open in the second quarter

Jo'burg rated with the cheapest cities

B|Day 26/8/91

MATTHEW CURTIN

JOHANNESBURG has one of the lowest costs of living among international business centres, a recent survey in the Economist has found

However, the difference in cost of living was not enough to make up for the comparatively low salaries SA executives were paid, a consultant said on Friday

The Economist survey showed that of 28 financial capitals around the world, Johannesburg's cost of living was higher only than those of Rio de Janeiro, Lagos in Nigeria, Warsaw, New Delhi and Prague The survey measured the cost of sustaining a Western standard of living in the cities, based on general living expenses

The report said the recent rise in the dollar was tarnishing America's position as a bargain location, while inflation in Poland had knocked Warsaw off the bottom spot as the cheapest city Prague was now the cheapest

Taking the cost of living in New York as an index of 100, Johannesburg's rating was 62 points

Iranian capital Teheran was the most expensive city, more than three times as costly a place to live in as Johannesburg; ahead of Tokyo, Abidjan in the Ivory Coast, Zurich, London and Hong Kong

Peter MacIldowie, director of international executive search company Woodburn Mann, said only the growing recession in the West in the last two years had prompted executives to look more favourably on working conditions in SA It was becoming easier to attract foreign executives to this country

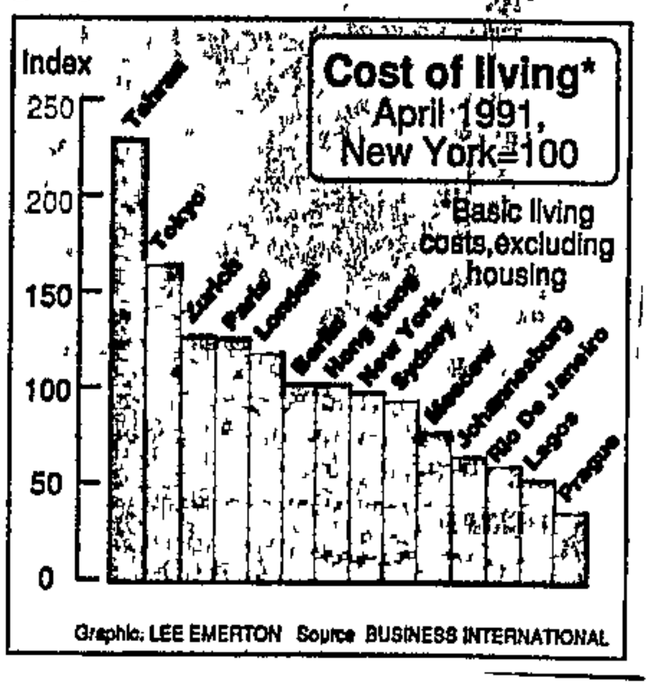
He said SA remuneration packages had dropped to two thirds of overseas packages in the past four years, but overseas levels had been static for the past two years

MacIldowie said the quality of life was often better in SA because of lower food prices, property rates and the sunshine

"However, you must remember the cost of activities of more importance to executives like ski holidays and buying imported luxury goods are much cheaper for those working in other business centres," he said

It took an average of 30 months' salary for a businessman to buy a car in SA, against only eight months in Europe or the US. Also, foreign exchange regulations prevented SA executives from taking their money out of the country.

MacIldowie said a SA executive was shortlisted for a $1m post for which Woodburn Mann did an executive search last year, but someone headhunted by the group's London office landed the job



Drop in living standards

B/Day 26/8/91

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FALLING disposable incomes and deepening recessionary conditions put the screws on private spending, which fell for the first time this recession by 0,5% in the second quarter.

The Reserve Bank Annual Economic Report released on Friday said there had been a marked decline in SA's standard of living, and gross national product per capita plunged by 2,5% in 1991's first half.

Private spending had fallen because the continued cooling-down of the economy and the considerable retrenchment of labour "could have led to a more conservative attitude on the part of the consumer"

Real private spending had remained relatively firm throughout the current recession, growing at about 2% in all four quarters of 1990.

Fixed investment continued to fall under recessionary conditions and contracted at

SHARON WOOD

about 5% in the first half of the year.

Rationalisation depressed mining investment but manufacturing investment improved notably during 1990 and the first half of the 1991.

SA's gross gold and other reserves increased by R1,8bn in the 18 months to end-June 1991, it said

Substantial surpluses were recorded on the current account of the balance of payments, which averaged about R5,1bn per quarter from the beginning of 1990 to the middle of this year

This reduced the outstanding debt of the country to $19,4bn at the end of 1990, of which only $6,6bn remained in the debt standstill net.

"Although at a relatively low level, the

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Standards

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foreign reserves of the country are now considerably better placed to accommodate an economic upswing because they now represent 'earned' and not 'borrowed' reserves," the report said

While the Reserve Bank had maintained its restrictive monetary policy stance, fiscal policy had recently turned more expansionary

"This seemed justified in the light of the relatively depressed economic conditions and the pressing need for certain social expenditures"

The recession had "deepened considerably" in the first half of the year but the lower turning point of the business cycle might be reached in the second half of the year or early in 1992, it said.

"Although the economy may at first grow at a relatively modest rate, the growth rate could strengthen if the international relations of the country improve further"

Customers will get help with new tax

By JOSHUA RABOROKO

WHILE speculation on the effects of VAT is rife, many consumers still do not even fully understand the ins and outs of the new tax system

To help customers, two companies - Woolworths and Sales House - have embarked on a comprehensive VAT education campaign which, if not equipping every customer with all the details of VAT in their daily lives, will certainly help them as far as their retail purchases are concerned.

To ensure that the messages they are displaying at all their points of sales are fully understood and retained by customers, Woolworths has published an A-Z guide to the tax, available at all till points

In addition, consultants have been appointed at every store to help customers who require further explanations.

The programme, hailed by customer councils as one of the most comprehensive to be instituted by any retail chain in South Africa, is the brainchild of Mr Ray Schur, newly-appointed financial director of Woolworths.

He has assembled a committee of nine in-company executives, each a specialist in particular areas of merchandising

The nine members represent systems and procedures, stores, buying, suppliers, franchisers and exports, and communications

"The question uppermost in all South African customers' minds today - and the one that has been least addressed up to now - is: 'What are the changes that VAT will make to my daily purchases?'

"This has been a priority in the Woolworths communication on VAT ands its implications," he said.

With the recent reduction in VAT, retailers now need to begin re-educating their consumers, says Sales House managing director Mr Ian Thomson.

Deregulate to end income inequality

FM 30/8/91

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New York University economics professor Israel Kirzner is a leading member of the Austrian school of economics, which stresses that freedom of entry is essential for a competitive market. Born in London, he grew up in Cape Town and attended UCT. At NYU, where he earned his doctorate and studied under Ludwig von Mises, he was a colleague of the late Wits economist Ludwig Lachmann. He was in SA last week to give the first Ludwig Lachmann Memorial lecture. He has devoted his career to the role of the entrepreneur, a role largely ignored in SA, and authored *Competition and Entrepreneurship*.

***FM*: What role should government play in the economy?**

Kirzner: The primary function of a government is to maintain the framework that secures the market economy, that means it should protect private rights Under socialism, government controls all the resources, so it will not be able to stimulate entrepreneurial activities Such a system cannot survive because it is only the market system where individual entrepreneurs get the incentives to discover the best ways of utilising resources

How should the eastern European countries reform their economies?

They should simply abandon the role of government in the economy But there are intervening steps that must be taken A framework should be set up to permit entrepreneurs to enter the market and do things that are profitable All obstacles, all legal limitations, should be eliminated

Do you see similarities between the eastern European and SA economies?

In SA there is also a large body of restrictive legislation that circumscribes entering many different fields It is, therefore, highly desirable for SA to be more free But SA is not at the same stage as eastern Europe Certainly the SA economy has a substantial market sector

Some State-owned companies in SA are now being commercialised. Is this a step in the right direction?

Yes, but just a first step Let me take the example of the Post Office In the US it is still government-owned, but, in recent years, it has been exposed to competition from many other types of messenger and courier services

This has certainly improved mail delivery because it has forced the Post Office to become more efficient

How would you eliminate the inequality between blacks and whites in the SA economy?

First, property rights should be strictly protected, no transfers without the owners' consent should be made Second, everybody should have an absolute right of freedom of entry to initiate new enterprises If that is the case, then incomes will become nearly equalised fairly rapidly If all discriminatory legislation was abolished, the low wages of black labour would become very attractive in many areas

What will happen if the ANC introduces socialism in SA?

If socialism with central planning occurs, it would reintroduce an atmosphere in which property rights are not secure And a fundamental requirement for a market economy is the perception by property owners that their rights are secure

So what would you recommend to a future government?

It should deregulate as far as possible I hope that whatever party is in power will recognise the danger of tampering with existing property rights

Are you optimistic?

I am hopeful I hope that SA will find its way I hope that SA will succeed in finding its way to establishing institutions that will uphold individual and property rights

'Good-life' enjoyed by few blacks in new SA

(1/28) CT 31/8/91

As the new South Africa gets under way, the luxurious end of Cape Town's market place remains the domain of wealthy white people, calling into question the efficacy of the city's liberal tradition TONY JACKMAN reports

THE Mother City lags behind the City of Gold when it comes to the spending power of black people, and if there are black people in the A and B income group in Cape Town, they are not showing themselves in the market-place.

Johannesburg, by comparison, according to a broad spectrum of businessmen canvassed, has seen a small but perceptible shift as moneyed black people buy houses in Sandton and begin to move into the top echelons that were the preserve of whites.

There are two apparent exceptions to these twin trends One is luxury cars, which black Capetonians are buying, and another is timeshare However, in the latter instance it is Johannesburg people who are buying timeshare in Cape Town

And if this increasingly important and closely-watched market is dining in the city's top restaurants, it is nothing they have not been doing since the dark years when a restaurateur had to apply to the Department of the Interior for permission to allow anyone without a white skin to dine in his restaurant.

Mike Wassung, general manager of the five-star Bay Hotel in Camps Bay, says if there is a trend it is "absolutely minimal"

"If we've seen 10 black South African couples in the hotel since March, when I first came here, it's a lot We have a lot of black clients from elsewhere in Africa and from the States and Europe Most of our African clients come from Kenya

□ To Page 16

Luxuries beyond pockets of local blacks

□ From Page 15

and we get quite a few Zimbabweans and Namibians.

"Recently, with the changes in South Africa, there have been quite lot of people from Central African countries, mainly hosted by the South African Department of Foreign Affairs. It would be interesting to know where to push one's marketing drive in South Africa, because we keep hearing that black South Africans are starting to travel extensively, but we don't see much of them in Cape Town"

Colleen Duuring, national sales manager of the timeshare operation, Leisure Options, confirms that Johannesburg is the trend-setter

She says. "The trend has started in Johannesburg, but there's been barely a ,01% response so far in Cape Town However, about 8% of our sales this month have been to black people, which is significant for a small company with a R6 m turnover

'No increase'

"It's a completely new trend, because we were governed by the Group Areas Act

"We've had inquiries all along and have had to put people off, but since the Act fell in June we've been able to take them up. But they're all from Johannesburg"

The most exclusive parts of town remain exclusive of blacks people, despite the scrapping of the Act.

Rob McKee, GM of Seeff Residential, says no trend has emerged where black Capetonians are buying property in virtually any former "white" area, let alone swish suburbs like Constantia or Bantry Bay.

"We run about 75 show-houses a week from R80 000 to R2 m, and there's been no upsurge in the volume of black people buying in any part of the market It has remained constant. There hasn't even been an increase in the number of black people coming into our show-houses"

SA's business high-flyers coining it

(128) Rand 16/9/91

DEREK TOMMEY

JOHANNESBURG. — When it comes to reading the figures on the salary cheque, managing directors in South Africa are among the worst paid in the Western world, according to a survey by the London-based management consultants, P-E International

But do not shed too many tears for South Africa's business high-flyers

After taking into account the tax they pay and more importantly, the differences in living costs (excluding housing) in South Africa and other countries, the survey found that our chief executives were not doing too badly after all

In fact, it found that their living standards were higher than those in similar jobs in 11 major Western countries and were not too far below those of their counterparts in a another seven

Only chief executives in New York and Toronto are substantially better off than those in Johannesburg when tax and living costs are considered

The survey was of managing directors of manufacturing companies with an annual turnover equivalent in British pounds to R250 million a year and employing about 500 workers

New Yorkers had the biggest pay cheque They received on average about R808 000 a year, or about three times what a Johannesburg MD received

Toronto MDs ranked next with the equivalent of R607 000 a year

Average gross earnings slowly dwindle as one works through executive pay in Europe, Australia and Tokyo, until fourth from the bottom of the list of the 21 major cities surveyed you find Johannesburg

Here the average earnings of MDs is estimated at R268 800 a year.

Smaller annual emoluments are received only by executives in Oslo (R268 000), Athens (R204 000) and Lisbon R128 000)

COHEN FOR *FM* CONFERENCE

(128)

FM 20/9/91

Black consumers now control about half of the spending power in SA, a fact of life that hasn't eluded smart retailers. In turn, the retailing sector has rebounded and investors are once again showing a great deal of interest

As a veteran of Punky's, Grand Bazaars, Ackermans and Specialty Stores, Stewart Cohen is well-placed to talk about the challenges facing retailers in this period of high inflation, increased competition and political and economic uncertainty He will speak on "Retail Strategies for the Nineties" when he addresses the *FM* Investment Conference next month

Since 1986 he has been joint MD of Specialty Stores, a chain of 171 shops comprised of Milady's, The Hub, Mr Price's Factory Shop and Footgear

Since 1983, he also has been a partner in Cohen Chiappini & Associates, which is involved in apparel buying and exporting, retail consulting and franchise development He specialises in marketing, systems and store development.

Cohen earned degrees in commerce and law at Rhodes University and an MBA at the University of Cape Town



He spent four years as MD of Ackermans, a chain of 35 stores selling apparel and home textiles When Edgars acquired the chain in 1981, Cohen stayed on for a year, then decided to start his own business in Cape Town

☐ The conference is at the Carlton Hotel, Johannesburg, on October 31 and November 1. The fee is R1 295 but R1 195 per delegate if a company sends more than one Bookings through Fiona Vigliotta on (011) 497-2134.

Your wage packet is not as fat as it looks

Star 21/9/91

ROY COKAYNE

THE real earnings of most employees in South Africa have been steadily eroded over the past six years, according to a new annual salary survey.

Hay Management Consultants' latest survey also found there was still a difference in salaries along racial lines among lower-level employees in spite of the fact that most organisations had a common pay policy for all employees.

According to the survey, the gross earnings of a clerk increased by 198,4 percent between 1985 and 1991 The consumer price index (CPI), which measures inflation, rose by 235,3 percent in the same period

By contrast, the gross earnings of managers increased by 217,3 percent and of senior management and executives 230 percent

A comparison of the net take-home pay, after tax and deductions, of a married man with two dependents showed reduced earnings for clerical staff and managers Executive net earnings grew by 250 percent — exceeding the CPI increase

Hay South Africa managing director Ib Ravnsborg predicted a continuation of this trend But, he said, the better-skilled section of the workforce seemed to weather the storm better, particularly professional staff and senior managers

Mr Ravnsborg said the financial position of the average South African could be improved through better individual skills, a reduction in the tax burden and a high economic growth rate over a number of years

"The first option is, without doubt, the avenue providing increased security and better compensation possibilities," he said

Salary outlook

According to the survey, overall salaries increased by 12,9 percent in the past year But the prospect of salary increases next year matching or being above the inflation rate is bleak

Hay Management Consultants survey manager Maureen Hovy said the predicted salary increases for next year were between 12 and 14 percent for unionised staff, 10 and 12 percent for general staff, 12 and 14 percent for management staff, and 13 and 14 percent for top executives

There had been a trend away from a basic salary and two-thirds of top executives now obtained a package based more on benefits

Car entitlements for employees had not changed significantly between 1985 and 1991 but the cost to a company of providing the benefit had changed sharply The provision of a car benefit had also moved downwards in the organisational ranks

More than a third of companies had retrenched people, at all levels, over the past few months

However, the labour turnover figure was significantly down, dropping to 14,9 percent this year from 17 percent last year

NEW INCOME FIGURES SHOW HOW A STAGNANT ECONOMY DEPRIVES THE DEPRIVED

THE MYTH: Growth makes whites richer

By BRIAN POTTINGER

THE poor get poorer and the rich get richer — or so goes the old adage

Not necessarily true, reveals an important new Urban Foundation survey of income patterns among South Africa's racial groups.

Estimates by economist Charles Simkins show that economic growth improves the position of black communities more than it does for whites

The proportion of black households living in poverty, has diminished over the last five years The proportion of poor white households has increased

Higher growth rates — 2,5 percent for example — lift more urban black households out of poverty And at a four percent growth rate, the endemic rural poverty is also reduced.

The white poor, on the other hand, will experience hardly any improvement in their position, estimates Professor Simkins. The number of whites living in poverty will stay constant at about 200 000 people — even at four percent growth rates

The conclusion. economic growth rates will continue the process of income redistribution away from whites towards blacks.

Professor Simkins' model shows that the white share of total personal income has been falling sharply Six years ago whites earned nearly 59 percent of all personal income in the country Last year the figure had dropped to below 54 percent.

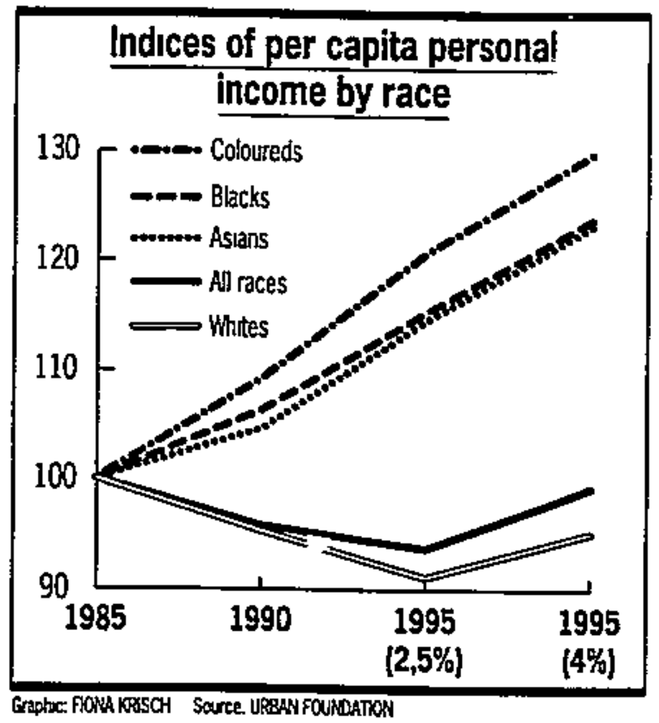
Fall

If South Africa maintains a 2,5 percent growth rate for the next four years (current growth rate is about -1 percent), white share of personal income will fall to 49 percent. If the country can achieve an economic growth rate of four percent, white share slips another one percent.

What then happens to black South Africans' share of personal income?

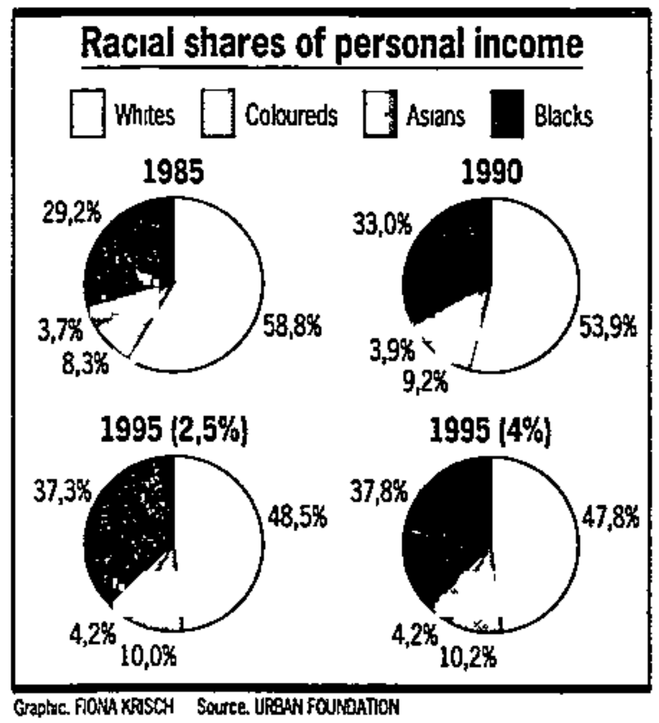
The Simkins model suggests that at a four percent growth rate black share of personal income would have risen from 29,2 percent in 1985 to 37,8 percent in 1995

Real per capita income has also shown some interesting changes in the last decade.



Graphic: FIONA KRISCH Source: URBAN FOUNDATION

A projected lowering of the white per capita income



Graphic: FIONA KRISCH Source: URBAN FOUNDATION

The growing black share of personal wealth

THE FACT: Growth makes blacks richer

If one uses a baseline of 100 in 1985, the following has happened.

- White per capita income had dropped to 95,8 points by 1990 while black incomes went up to 106,3,
- At a 2,5 percent growth rate white incomes will be at 93,7 points in 1995 while black incomes will be 115,3,
- If we assume a four percent growth rate, white incomes will have recovered to 99,3 in 1995 while black incomes will have risen to 123,8

There are two reasons why the racial share of personal income is changing the black component of the total population is increasing and per capita income of blacks is increasing in real terms while white income is decreasing

"Both these trends are working in the same direction to redistribute income away from whites towards coloureds, Asians and blacks," says Professor Simkins

The Simkins model suggests that the number of South African households living in poverty (he uses for his definition the Minimum Living Level which is described as the minimum income required for subsistence in the short-term), has declined in the last five years from 42,8 percent to 41,9 percent of all households.

At a growth rate of 2,5 percent, the model suggests, households in poverty drop to 40,1 percent and at four percent it is 37,9 percent.

About one-third of black households in cities live below the MLL though this proportion rises to just over 50 percent on the fringes of cities under homeland jurisdiction. Poverty levels in smaller towns are slightly higher

But the incidence of poverty is still enormous among rural black communities

The homeland rural poor benefit the least. 84 percent were termed "in poverty in 1985 82,6 percent were still there last year, 80 percent will be there in 1995 on a 2 5 percent growth rate and 77,2 percent in 1995 at a four percent growth rate.

The total number of people living in poverty (as opposed to households) has also increased.

In 1985, 15,5-million people were considered poor Last year there were 17,1-million. By 1995, with a 2,5 percent rate of economic growth, the number of poor would still have edged up to 18,4-million. It is only with a growth rate of four percent that the corner is turned. In that case the number of people classified as poor by 1995 would drop back to 17,4-million.

Mossgas

What would it cost to bring all South African households to the MLL?

Professor Simkins assays some figures In 1985 it would have cost R6,7-billion Last year it was R13,8-billion (the estimated cost of Mossgas) In 1995, at a 2,5 percent growth rate it would take R14,6-billion and at four percent it drops back to R13,8-billion (in 1990 prices)

The conclusion, says Professor Simkins, is that income inequality remains unequal along racial lines although in "rapidly diminishing measure"

Even with the low rate of economic growth between 1985 and 1990, the proportion of households in poverty has dropped

"Unless economic growth drops to even lower levels, further progress against poverty can be expected during the first half of the 90s," he says.

OTHER COUNTRIES MORE UNEQUAL THAN US

THE Gini Coefficient sounds like the title of a Robert Ludlum novel but it is in fact the most widely used measure of economic inequality within a particular society

South Africa does not do well in terms of that definition. It is in the top quarter of the most unequal societies in the world for which data is available

But some people — the SA Communist Party's Joe Slovo is one — insist that South Africa is the *most* unequal society in the world

This is not true: the Gini Coefficient has become one of the most used, and abused, terms in the country

What are the facts?

The Gini Coefficient is measured on a scale of 0 to 1 At 0, a mythical figure, there is complete income equality among all people At 1, also mythical, one person has everything and everybody else nothing The claim that South Africa has the worst Gini Coefficient in the world is probably based on a paper presented to the Second Carnegie Inquiry into poverty in South Africa in 1984

The authors, De Lange and Van Seventer, in fact, never claimed that South Africa's Gini Coefficient was the worst but that it was the worst *of the countries for which such information was available.* Data from only 57 countries was available and that had been collected from 1948 to 1971.

Notable by their absence were the oil producing countries and places like Zaire where the income differentials between kleptocracy and citizens would put South Africa in the shade

Even then, later research by Gary Field, a World Bank economist, has thrown up the uncomfortable fact that at least four other countries have higher Gini Coefficients than South Africa. They are Jamaica, Bahamas, Honduras and Sierra Leone

Brazil, Mexico and Malaysia are all at roughly the same stage of development as South Africa and all have roughly comparable Gini Coefficients.

South Africa, unlike many other countries at similar stages of development, is slowly improving its record. Research between 1970 and 1980 suggested a declining Gini Coefficient.

Food prices will soar, says BER

B|D ay 27|9|91

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LINDA ENSOR

CAPE TOWN — Food price inflation is expected to be in the region of 22% at year-end, says Stellenbosch University's Bureau for Economic Research (BER) in a survey of the consumer retail, wholesale and motor sectors

BER says inflationary expectations in the economy are rampant with both wholesalers and retailers expecting purchase price increases, which they intend passing on to consumers

The bureau concludes from its survey of consumer confidence that consumer spending, which is already largely financed by savings and credit at high interest rates, will remain under pressure for the rest of the year.

Spending on durable goods is likely to start growing negatively while spending on semi-durable goods will increase marginally

BER says credit spending relative to cash seems to have increased and has extended to non-durable goods

"The growth in consumer spending for 1991 could be close to 1% compared with the 1990 level It is clear that sales of durable goods will decline, but it seems as if growth will not only take place in the services and non-durable sectors but also in the semi-durable sector"

Blacks developed a slight optimism in the third quarter about the short-term economic future of the economy and their consumer confidence improved while confidence among whites remained below neutral because of political uncertainty

"A possible explanation for this relative optimism (among blacks) can be found in political hopes and aspirations that are (expected) as a result of negotiations and agreements between government and other political groups

"It is interesting to note that this relative optimism is still most evident among respondents in the 16 to 24 age group The index now stands at 104, compared with 91 during the third quarter."

The confidence among blacks about their personal financial position also improved over last year, with 40% expecting an improvement Notwithstanding this optimism however, both black and white consumers still regard it as an inappropriate time to buy durable household appliances

Whites on the other hand are pessimistic both about the short-term future of the economy — 53% expect a deterioration — and about the financial position of their households, with 34% expecting a deterioration.

Wholesalers, retailers and motor dealers continued to experience poorer sales than a year ago and their business conditions have deteriorated However, they expected a better fourth quarter and retailers expected higher sales volumes

For the first time since the first quarter of 1990, wholesalers report sales of furniture, electrical appliances and electrical equipment to be lower.

Even sales of food, beverages and tobacco declined, though sales of textiles, clothing and footwear outstripped expectations, BER says

"Lower growth in sales seem to be bottoming out gradually, pointing to an improvement in the wholesale sector over the short term"



WELL INFORMED. At a push the Deweys may give up M-Net

● Photograph HERBERT MABUZA

Alex family wary of new tax

ANDERSON Molema is a cash controller, his wife Evelyn a computer operator Their joint income is about R3 000 a month after tax

Together with their two boys, aged nine and seven, they live in a neatly furnished two-bedroomed Alexandra flat

They are very sceptical of the new tax system and fear it will make it more difficult for them to buy a house

All the information they had on VAT was what they had been able to glean from the newspapers

Mr Molema felt VAT was a bad tax because it would adversely affect the lifestyles of many people

"We for instance are somehow forced to live beyond our means During some months when things are difficult we have to skip repayments on certain items," Mrs Molema said

Without any increase or bonus during the past five years, Mrs Molema foresees even more difficult times, especially with taxation on basic foods and medicines

"Because our incomes cannot adequately meet our needs, we include only necessities in our monthly budget If the situation gets worse will have to give up the telephone service and resort to public transport, which is very unsafe these days"

The monthly household budget of the Molema family is as follows

Net salary	**R2 900**
Income expenditure.	
Food	**R500**
Rent	**R100**
Telephone	**R60**
Transport	**R200**
Education	**R292**
Other	**R200**
Insurance	**R170**
Hire purchase	**R400**
Total expenditure:	**R1 922**

'Some luxuries may have to go'

THE Dewey family lives in Northcliff Doug is an accountant His wife is presently not employed Their house is modern and spacious with a well tended garden

Because of his profession, Mr Dewey is well informed about VAT and so are his children

Six-year-old Richard said "I know VAT means added tax" Eight-year-old Bronwen reckoned that "VAT will be bad for poor people"

Mr Dewey said "If it came to a push we would consider cutting down entertainment, especially M-Net."

Mr Dewey, who has a gross monthly income of about R11 000, with a housing subsidy of R1 400 and a car allowance of R2 200, calculates the VAT burden on his household budget will be between R150 and R200 a month

He added it would be a better tax system than GST although its benefits would only be realised in the medium- rather than short-term

He said consumers could benefit from the 3 percent reduction on tax but was concerned about the Government's poor efforts to educate the public about VAT

On the other hand, he said VATCOM should be given more power to to monitor the situation and prevent abuse The Dewey monthly household budget is as follows

Salary (gross)	**R11 000**
Income expenditure	
Food	**R1 200**
Transport	**R260**
Bond	**R2 400**
Car	**R1 800**
Insurance	**R500**
Education	**R900**
Entertaining	**R200**
Health	**R200**
Domestics' salaries	**R500**
Total expenditure	**R7 960**

Star
28/9/91

(128)



SCEPTICAL: The Molemas fear that VAT will make it difficult for them to buy a house

● Photograph HERBERT MABUZA

Attitudes to tax often depend on financial position

MUSA MAPISA

ALTHOUGH even the children are talking about VAT, many adults have only a vague understanding of what effect it will have on their household budgets

The fear of the unknown is greatest among lower income groups, where some are afraid that their already overstretched budgets will not be able to cope

Higher earners face new costs as well, but they remain confident that they will manage For them the worst effects will be some cutting back on luxuries

The Saturday Star interviewed two families for dramatically different views on how VAT would hit their pockets

A family of four from Northcliff was selected to represent the higher income group A similar sized family from Alexandra represented the middle income group

Prices will double in 5 years

Sowetan 30/9/91

128

THE number of black people owning a motor vehicle is expected to almost double by the end of the decade - and most of these new owners will start off with a used vehicle.

Highlighting the importance of the black sector and the used vehicle market, Toyota Marketing Company's director of vehicle sales and field operations, Mr Henk Maree, says the number of black owners is expected to rise from the current 714 000 to 1,4 million by the year 2000

Maree was speaking at a conference held in Johannesburg for Toyota dealers who have an Automark used car franchise

By SELLO RABOTATA

"Seventy percent of these potential black owners will enter the market through the used car medium," says Maree

Older

Maree added that the average vehicle on South African roads was getting older all the time as prices rose The average age will be 12½ years by the end of this decade

"Vehicle prices are expected to increase by 15 percent a year over the next five years which will nearly double the price of vehicles within the next five years," he told delegates



R200m saving for consumers as govt zero-rates more foods

B Day 30/9/91

LESLEY LAMBERT

GOVERNMENT approved the zero-rating of more foods yesterday, on the eve of the implementation of VAT.

The concessions, comprising a six-month zero-rating of more foodstuffs and the zero-rating of others which had been scheduled for exemption or subsidisation, followed unsuccessful negotiations with the ANC and Cosatu-led anti-VAT alliance.

The latest list of food zero-ratings includes samp, mealie-rice, whole mealies for human consumption, dry beans, including soya beans, lentils, fresh milk, canned pilchards for human consumption and powdered milk and blends These concessions will result in a total saving to consumers of the items of R200m.

Bully beef and offal, two items included in an earlier compromise offer, appear to have been excluded from the final offer after the anti-VAT alliance branded them as "racist and paternalistic" offers.

Maize meal and brown bread will continue to be zero-rated on a permanent basis and this will represent a R500m saving to consumers each year.

The financial authorities were unable to accommodate requests by the United Municipal Executive for a zero-rating rather than exemption of municipal property fees, Finance Minister Barend du Plessis said yesterday.

Other concessions which have already been announced include a R10 monthly increase in all state pensions from October, which will cost the state R150m until the end of the financial year.

The poverty relief programme will spend at least R220m until the end of the financial year and a further R500m will be provided for the continuation of the programme in the 1992/93 financial year

In a statement issued yesterday, Du Plessis said the additional concessions were aimed at providing further relief to the poor and unemployed until the poverty relief programme became fully operational and the benefits of VAT filtered through.

Du Plessis urged organisations which provided assistance to the needy to take part in the programme.

ANC secretary-general Cyril Ramaphosa said yesterday government had refused to provide details of the poverty relief programme. He said the ANC believed that an adequate programme did not yet exist and was unlikely to be established in the medium term

Du Plessis apologised to the business sector for the extra cost and effort of the last-minute concessions

Black consumers are getting the message

COMPUTER databases show an increase in black consumers' credit spending.

Information Trust Corporation director Richard Stothert says: "Increasingly larger numbers of black South Africans are obtaining credit cards, overdrafts and revolving credit accounts

"During 1990, the level of inquiries received by ITC on black consumers reflected a 30% increase on 1989 figures.

"Statistics point towards a 35%-40% increase in 1991 figures over 1990.

"Retailers, financiers and bankers are experiencing an unprecedented surge in demand for credit facilities from black consumers.

"This may be viewed as a fundamental shift in established patterns, since black consumers have traditionally been cash orientated consumers, while the white sector remains overborrowed

"Fortunately, most institutions have catered for this by investing in the education of staff on advising potential customers how to qualify for credit Hopefully, this indicates a shift away from more informal means of raising credit from, for example, loan sharks."

Slowdown in credit granted for private use

128
B/Day 1/10/91

ANDREW GILL

WHILE many analysts speak of a slight upturn in the near future, the position of consumers in the economy continues to worsen.

The Reserve Bank's September Quarterly Bulletin says credit extended for private consumption and investment expenditure has been far less buoyant than overall extension.

It was reflected in declining increases in hire-purchase credit and leasing finance which fell to an annual 12,8% in June from December's 17,4%.

The Bank says the slowdown may have been reinforced by the withdrawal of certain tax benefits for credit-granting institutions.

The downward trend was also reflected in balances outstanding on credit cards

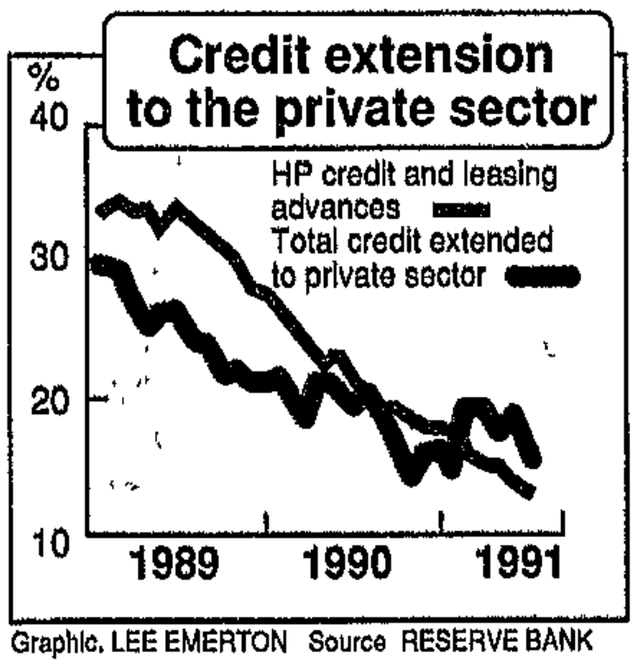
While they amounted to only 2% of banks' claims on the domestic private sector, the view of the Bank was that it reflected developments in spending-related credit

The annual rate of increase in outstanding month-end balances on credit cards fell to 15,6% at end-June

This compared to 19,1% in December and 32,2% in December 1989.

Overall credit extended to the private sector, however, showed relatively high increases as a result of banks bringing off-balance sheet items on to the balance sheet.

If growth is measured from end-February to end-June on a seasonally adjusted and annualised basis, the increase is a relatively low 13,8%



Graphic. LEE EMERTON Source RESERVE BANK

MEDIA SPOT

Admen neglect black consumer

128

SA marketers are way off line when it comes to marketing to black consumers, a recent study commissioned by the SABC shows. BIDay 1/10/91

At a Reaching Critical Mass Two presentation last week, the SABC showed the results of a Market Research Africa study into the realities of marketing to black consumers — the second study in two years

The findings showed there was a large discrepancy between adspend and consumption in terms of black and white consumers

While whites and blacks opened an equal number of bank accounts over the past 12 months, more that R67m of the R70m adspend by banks and building societies went to "white" media, while only R2,5m was placed in media targeted at blacks.

Black consumers bought more than 60% of TV sets sold, but only about 20% of adspend was placed in

Reports by
MARCIA KLEIN

"black media" Nearly 60% of hi-fi sets were bought by blacks, but only about 2% of adspend was in black-targeted media Similar ratios applied to fridges, car tyres and other items

Research showed black consumers were becoming less brand loyal than in the past, and shoppers were going for cheaper prices rather than big names There was also less faith in the quality of products because of the increasing number of brands

The scrapping of the Group Areas Act and the planned electrification of more than 1-million homes a year pointed to significant marketing opportunities, researchers said An increasing number of durable items in these households provided additional marketing opportunities for goods like washing machines, fridges, frozen foods and detergents

Future bleak for job hunters

Star 2/10/91 (128)

The Development Bank has listed certain challenges on regional economic problems, reports MICHAEL CHESTER.

NEW STUDIES by the Development Bank of Southern Africa (DBSA) into the sharp contrasts in the economic profile of each region have drawn a grim scenario of the challenges to be faced at the dawn of the post-apartheid era

Among the worst problems that have been underlined in a special report entitled "South Africa an inter-regional profile" is the bleak outlook for job-hunters unless the economic wheels turn a lot faster

What has especially alarmed DBSA chief executive Dr Simon Brand is the dramatic shrinkage in the employment opportunities offered by companies in the formal business sector in recent years — "falling dangerously and rapidly"

Back in the 1960s they had no trouble in absorbing as many as 736 out of every 1 000 school-leavers Over the past four years, with the economic tempo at a crawl, they have found room for only 125 in every 1 000 of the 300 000 to 400 000 newcomers streaming into the labour market each year

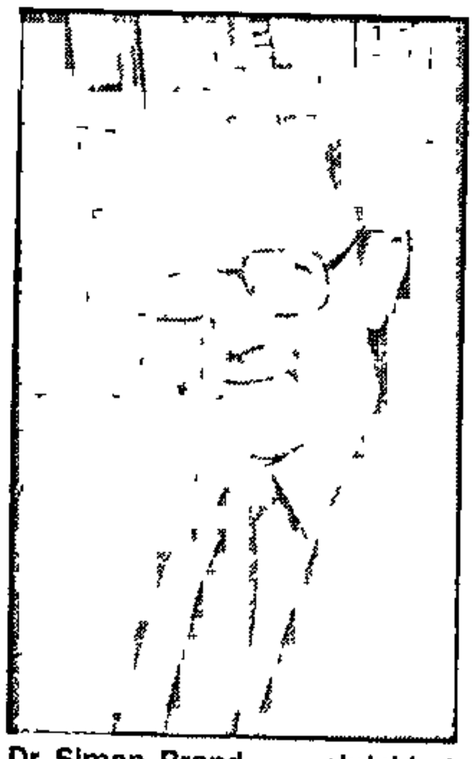
Population explosion and economic stagnation cannot wholly be blamed There is an increasing tendency among employers to use machines rather then manpower to escape the risks of labour unrest and higher wage demands

The researchers have worked out that the economic growth rate — struggling to stay above zero at the moment — would need to bound ahead by a formidable 7 percent a year to create the jobs needed to keep pace with the school exodus

The brutal reality was that the economy would be hard-pressed to attain even a 2 percent growth rate — and still do no more than create jobs for only 29 percent of school-leavers, without making a dent on existing unemployment

The bulk of job-hunters face the option of semi-permanent migration in search of work, scraping a survival from subsistence farming, or joining the growing informal sector, 80 percent of which is struggling along on a monthly income of less than R650 each — no better than a minimum living level

And the bank has found that the number of workers flocking to the urban areas to escape unemployment has outnumbered the actual jobs available by more than three to one



Dr Simon Brand shrinking employment opportunities

The unemployment problem is compounded by the failures of the education system On the most recent count, the number of South Africans who had received no education whatsoever stood at a staggering 11 million — almost one in every three

It comes as no surprise that average living standards have been falling One indicator of trends in the quality of life is national gross domestic product broken down into a head count that allows for the population explosion It shows that when inflation is put on one side, GDP per capita shrank from R3 531 in 1970 to R3 285 by 1989

A start has been made to reduce the uneven distribution of income on a racial basis

For example, between 1970 and 1987 the white share of total personal disposable income was sliced from 69 percent to 57 percent The share of the black population grew from 22,3 percent to 31,5 percent Asian and coloured families also increased their share

"Clearly," says the DBSA, "the changes under way in the political sphere will direct attention towards the extent of these inequalities and give rise to intensified programmes for rectifying the situation"

Poverty has already made its tragic mark In 1988 the infant mortality rate in South Africa was 70 in every 1 000 births, the fourth highest in the world

What's to be done? The challenges, says the Development Bank, can to a large degree be encompassed in a single aim — the alleviation of poverty

"The more equal distribution of income and wealth resulting from programmes aimed at ensuring equitable access to the economy and economic empowerment should in large measure come about through a strong emphasis on investment in poor people who have not reaped the benefits of economic growth and development," it says

New strategies could consider

- A more appropriate set of regional development policies
- An emphasis on economic growth and development based on human potential and promoting human dignity
- Facilitating growth based on the expansion of the domestic market
- Emphasis on efficient resource allocation in both the private and public sectors
- Strong emphasis on the upgrading of deprived urban areas and informal settlements
- Creating adequate but affordable social and physical infrastructure
- Designing a macro-policy framework to facilitate more efficient production, individual initiative and social stability through public intervention
- Land reform to address the skewed distribution of land ownership
- Devolution of decisions and responsibility to grassroots level
- Redirection of public expenditure to basic human needs, such as education, on a non-discriminatory basis
- "Humanisation" of all policies having an impact on development
- Strong emphasis on employment creation and income generation by addressing especially institutional and financial constraints □

Digging our way out of debt hole must become first priority

Star 3/10/91

128

Any economic upswing in the economy will not necessarily mean a sharp increase in spending by Mr Average South African.

A great deal of the fruits of the long-awaited upswing will have to be used to rebuild battered personal finances.

Bankers and economists are adamant that no sharp upswing in spending is likely in the foreseeable future

Most white middle-class South Africans are hopelessly in debt

It will take several years of positive economic growth before private households will be in a position to take on new credit on any significant scale, say the experts

And the statistics bear out this contention

Time ran out for the average South Africans during the '80s, when the financial position of the average people in this country deteroriated sharply

Since 1979 their debt burden and repayments have soared, their tax rat has almost doubled and the rate of personal savings has slumped to less than of a fifth of what it once was in the '60s and early '70s

The 1980s were a time of heavy borrowing, especially in the "boom" times

This is attributed to a combination of easier credit and a greater willingness on the part of consumers to accumulate debt

The abolition of bank credit ceilings in 1980 — and aggressive marketing of credit facilities by banks — were major factors in increased borrowing

Continued high inflation expectations and negative real interest rates encouraged the trend

An increase in house prices and other assets such as share prices, particularly in 1979/1981 and 1986/1988, made people feel wealthier and provided the security for increased debt exposure, it says

But the slowdown in the 1980s led to growth in real disposable income almost halving — from an average of 3,3 percent a year in the late '70s to 1,9 percent since 1982

This, and an increase in direct taxes from 6,2 percent of personal income in 1980 to an estimated 11,1 percent in 1988, made the financial position of the individual less comfortable and standards of living came under pressure

It prompted people to increase borrowings to defend standards of living

Essentially, the consumer unlocked previously accumulated wealth to absorb some of the adverse developments of the 1980s

The level of debt in nominal terms rose more than sevenfold from 1979 to the first half of 1989

More important was that outstanding debt rose at a faster rate than aggregate personal disposable income, so that the real debt burden of the consumer escalated rapidly

The ratio of debt to total personal income, which averaged 19,2 percent in 1979, rose to 45 percent by the first half of 1989

In this period the growing interest burden associated with the rising level of debt was aggravated by the sharp rise in short-term interest rates

The interest burden almost trebled between 1979 and the first half of 1989.

The significant hike in short-term interest rates doubled the interest burden between the first quarter of 1987 and the second quarter of 1989

The result has been a marked rise in the number of individuals failing to make monthly debt repayments on both mortgage and non-mortgage related debt

The number of civil summonses issued for debt rose 11 percent in the 21 months to June 1991

The amount of money involved rose 62 percent — from R166 million to R269 million

The squeeze on the consumer has been further aggravated by the drop in the level of savings This amounted to between 11,1 percent and 10,2 percent of personal income in the 1960s and 1970s

But it declined to 3,2 percent in the 1980s and to only 1,8 percent in the second half of 1990

South Africans are over-borrowed and for the next few years existing borrowers will have to repay their debts

'Racial income gap closes'

(128) CT 3/10/91

By BARRY STREEK
Political Staff

THE gap between the income levels of whites and blacks in South Africa remained large but had closed significantly over the past 20 years, a Development Bank of Southern Africa study has found.

The study released this week found that in 1987, South Africa's personal disposable income was distributed among the different population groups as follows: Whites 57%, blacks 31,5%, Asians 7,9% and coloured people 3,6%.

"Although the discrepancies remain large, these figures already represent a significant improvement on 1970, when the shares of the different population groups were 69%, 22,3%, 6,3% and 2,4% respectively."

In 1988, an estimated 60% of South Africa's disposable income accrued to the top 20% of the population, while 15% of the income went to the bottom 40% of the population. This was "a significant improvement on the 71,5% versus 5,1% measured in 1975.

"Clearly the changes under way in the political sphere will direct attention towards the extent of these inequalities, and give rise to intensified programmes for rectifying the situation," the DBSA said.

Huge wage disparity

(128) CT 3/10/91

Own Correspondent

DURBAN. — The South African clothing industry pays its employees wages which range from R50 to R200 a week, while earnings of managers range from R1 000 to R3 000 a week

This is according to Mr Ebrahim Patel, assistant general secretary of the third-largest trade union in SA — the SA Textile Workers' Union (Satwu)

Mr Patel was writing in the Wits-University publication the "Innes Labour Brief".

Meanwhile, findings of research conducted by the Cape-based Labour Research Service have shown that the average 1990 earnings of directors of SA's top 100 companies was R3 540 a week, and that of labourers R179 a week

Mr Patel also said business had not responded adequately to overcoming the massive social and economic inequalities produced by apartheid

VALUE-ADDED TAX

Informal sector endgame

The VAT stick which is being used to beat government also looks set to give the low-income housing market a pasting. Even without this, the sector — regarded as a priority for those who envisage the future SA as a property-owning democracy — is all but crumbling at the foundations.

DP MP Tony Leon points out that at Khayelitsha in the Cape Peninsula, for example, which he visited recently, there were 12 homebuilders in the market a year ago, but now there are only two. The significance of the withdrawals is that they were pre-VAT Given the volatile situation, the tax will make things even more difficult.

He comments: "Without a satisfactory solution at the bottom end of the market, we just won't be able to build high enough walls around top-end homes to make them safe."

According to Independent Development Trust Finance Corp figures, there is a 1,2m black housing backlog with an additional 1,1m homes needed this decade. That translates into an annual demand for the construction of 174 000 houses between 1990 and 2000 But only about 25 000 dwellings are being built each year

To cap it all, says Gavin Hardy, chairman of the National Association of Home Builders (NAHB) and head of Murray & Roberts Housing, VAT is adding another nail to the coffin of the housing industry — both from a contractor's viewpoint and for the country's estimated 7m shack dwellers

Ironically, he says, measures taken to ease the building and property markets into the VAT era through a gradual phasing in have created a virtually unworkable situation for contractors "Inland Revenue has provided guidelines on the phasing. But it is so complex that we, as a large organisation with the resources to do it, have qualified chartered accountants employed to decipher them — I don't know how smaller companies are managing An unworkable number of permutations can be worked out from the matrix.

"VAT may well be a better system of tax collection but if the methods introduced to facilitate this are impractical it all comes to naught," he says.

But if VAT makes things difficult for home-builders, M & R Housing's Noel Ayres believes it makes home ownership well nigh impossible for the country's millions of shack dwellers, euphemistically known as the informal housing sector

Based on an Eskom survey of 260 households at the Orange Farm settlement outside Johannesburg, the approximate household income is R770 a month. Even at this level, Ayres explains, home ownership, coming to an average of around R5 000 a dwelling, needs to be financed Prior to the introduction of VAT, this required a deposit of R750 or less with monthly instalments of just over R148 over four years

He estimates "VAT will add nearly R15 to these costs — which may not seem much. However, when one considers that this is roughly 2% of the take-home pay and many households are already living beyond their means (see cost of living table) "

The cost of living for these families is also being pushed up by VAT

Leon stresses that he doesn't want to bash government over VAT Zero-rating housing would not wipe out antagonism to VAT, he feels: "There are people looking for a cause of war to maintain mass mobilisation and protest. Government, through VAT, has unwittingly handed them the ammunition "

Nevertheless, he's convinced that the country's first priority is the provision of affordable housing This should be reflected in fiscal policies.

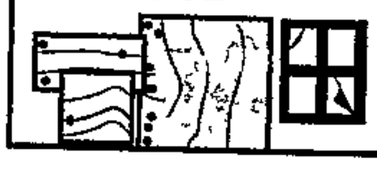
Leon adds "Government identified export-driven growth as a priority — hence the treatment of VAT on capital goods That was making an economic policy and giving it physical effect. It must try the same with housing if it hopes to establish the commendable goal of a property-owning democracy in SA To do so, it must tailor all other considerations, fiscal policy included "

While Hardy and Leon may well be pleading for special interest groups, there is little doubt that the low-cost housing is a political flashpoint which needs addressing along with other critical political and economic issues ■

Shaky foundations

There are seven million shack dwellers in S A
Each household has an income of
Total monthly repayment on R60 000 mortgage
bond over 20 years at 16% is as follows

MONTHLY BUDGET	R	VAT could add 5%
Taxi, bus and train	200	15
Food (R1 a person a day)	300	15
Repayment on house over four years	163	15
Clothes	50	-1,32
Drinks, tobacco and sundry	50	-1,32
School fees and related costs	15	1,50
Fuel, coal and gas	45	-1,19
Doctors' bills	10	1
Church donation	5	-
Stokvels/Funeral	20	-
	858	43,67



Do company directors deserve their huge salaries?

w/Mail 18/10-24/10/91

Are South African directors overpaid fat cats or misunderstood kingpins in the economic structure? SINCLAIR DAVIDSON argues for big pay packets for the people at the top

AMID appalling poverty (and declining profits) should directors award themselves pay increases?

Recently, there has been much debate about director remuneration. There are two sides to this debate: the first is that directors earn too much; the other is that directors do not earn enough.

The former argument stems from the recent Labour Research Service (LRS) study into director salaries. The latter is a pro-corporatist reaction to the report. The LRS is a union-affiliated body; no doubt it has its own agenda.

The strategic impact of directors is well known and understood by most. Marxists are the exception — they do not believe that directors create value as they do not produce tangible goods.

There are several determinants of directors' salaries. Human capital is scarce in South Africa: given this scarcity it can be argued that scarcity and monopoly rents attach themselves to director salaries.

The average director's value to the firm is far greater than that of the average worker, so we expect that they should earn more than workers.

A major consideration is the fact that no barriers to exit exist within the South African economy. If directors are not compensated for their human capital then various exit options are available — not least of these is emigration. At best, the director will be tempted away from the firm by competitors

In economics, the concept of economic rent is well established. This is the payment that a factor of production receives in excess of the payment necessary to retain that factor within a particular occupation. Ensuring that the directors' services are retained is ensuring that the assets of the firm are maintained. After all, good management is probably the most important asset a firm can have.

We should not fall into the trap of thinking that this opportunity cost is constant. When the profits of the firm decline (through no fault of the director), the opportunity costs for the director increases, thus the firm needs to pay him or her more to retain his or her services. This is especially so when the director owns shares in the firm — a pay increase will partially offset losses on the market.

Once the director is earning enough to stay with the firm, we can then consider the effect of incentive structures on remuneration in the firm This is where the pay-for-performance debate enters the picture.

Directors' remuneration can be divided into two components: the amount necessary to retain their services and that necessary to provide incentives. Incentives should include both the directors' and the shareholders' interests.

It has been argued that director remuneration should be tied to performance — but how to do this?

An obsession with accounting profits can and does lead to that favourite bogey man of the corporate critic — short-termism

On the other hand, if performance is measured by the stock market a myriad of other problems arise.

The most important consideration is that the market evaluates the firm as a whole, it does not evaluate the performance of individual directors. Directors cannot be held responsible for the crash in 1987, having their pay linked to such occurrences seems unusually cruel.

Having said this, we should also recognise that there is scope for abuse of the system. In the final analysis, directors set their own salaries.

If shareholders feel that the system is being abused, their only recourse is to fire the director(s). In the United Kingdom, we have seen examples of this. To my knowledge, no South African director has been fired for paying himself too much. Similarly, no director has been castigated for paying himself too little.

If directors are abusing the system, how are they getting away with it?

It is generally held that there are three mechanisms that will monitor directors

The first mechanism is corporate control. The second is the market for managers.

Both of these market mechanisms need active competition in order for them to operate successfully. In their absence, the scope for opportunism can be quite high.

As for the third mechanism, the relationship between outside directors and boards has recently been described as incestuous.

The pyramid structure within our economy inhibits shareholder activism and ensures an almost complete separation of ownership and control. The pyramid structure has the same effect as issuing dual-class shares.

While some academics have argued that pyramids are an alternative monitoring mechanism, the present corporate structure provides few incentives to maximise wealth. (With the pyramid structure all the directors have to do is to meet the objectives of the parent company — these objectives need not be wealth maximisation.) It is for this reason that investor power is not well developed.

The whole debate in South Africa is exacerbated by the lack of shareholder power.

If there were constraints on directors, or at least, if constraints on directors were perceived to exist, then the debate would not be a ferocious as it is.

This is an example where the perceived lack of legitimacy in the South African corporate world becomes apparent.

If we wish to avoid non-market intervention, we need to address the question of corporate legitimacy. This is a perfect example of where perception, valid or not, can have a far-reaching impact on our environment.

● **SINCLAIR DAVIDSON is a junior lecturer in the Department of Business Economics at the University of the Witwatersrand**

FACULTY OF ARTS

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Consumer spending on clothes goes down

B|Day 18/10/91

LINDA ENSOR

CAPE TOWN — Consumer spending on clothing over the last three months had been lower than planned for, Foschini joint MD Clive Hirschsohn said in an interview yesterday

If the trend continued, the Christmas season would also not be as good as expected

"Consumer demand is very weak and making projections is difficult as the pattern is uncertain Factors extraneous to the suitability of the merchandise — such as socio-political developments — are affecting demand throughout the country," Hirschsohn said

Confusion over VAT contributed to customer resistance to spend in spite of Foschini's clothing being 3% cheaper since the introduction of the tax

Another trend, experienced by other clothing retailers, had been the switch to credit which now represented the major part of Foschini's business The group had a book of about R350m which is self-financed so that the switch has had an impact on cash flow and borrowings

While there had been an increase in bad debts, Hirschsohn stressed this was still within industry standards

He said the Foschini group had attempted to cut operating costs by keeping the inflow of merchandise in line with projected sales as far as possible A prudent view had been adopted towards capital expenditure, but Foschini would not cut back on strategic developments such as opening new stores and investing in new technology

Hirschsohn said the Foschini group, which includes Markhams, Pages jewellery retailer American Swiss, had a high operating profit-to-turnover ratio, largely due to the improved productivity derived from its sophisticated technology

About 20 to 24 new stores would be opened by the end of the year, with substantial growth taking place in Markhams, which had increased its 97 stores by 20 since 1989 Pages, a chain catering for the lower end of the market, has about 152 stores and American Swiss 135 stores
The more mature Foschini chain, which had 230 stores, would open about eight new stores this year

Foschini's year-end has been changed from end-December to end-March and it will next be reporting for a 15-month period, which will cover two low-profit periods of January to March

However, Hirschsohn said a real increase in earnings was planned for At interim stage Foschini generated a 21% growth in net income to R24m (R19,8m) Last year earnings grew 33% to 762,2c (573c), while the compounded growth rate for the 10 years to 1990 was 21%

Wealth gap is narrow

Sowetan 23/10/91

(128)

THE redistribution of income process has been under way for the past 20 years in South Africa, but the business community has failed to point this out to the proponents of nationalisation

This was said by the executive director of the SA Institute of Race Relations, Mr John Kane-Berman

The benefits of redistribution, however, had been too narrowly spread because of low growth and unemployment, he said

Speaking in Durban at a meat traders' conference yesterday, Kane-Berman said that, in the 1980s, black wages in the manufacturing sector increased by 29 percent, while whites' wages in the same sector increased by only one percent

He explained that one of the reasons for the rise in rightwing political support in South Africa was the "massive redistribution of personal income from white to black", over the past two decades

"Despite the persistance of huge backlogs and inequalities, gaps have been narrowing between black and white.

Redistribution in South Africa was being experienced in the form of trade unionism, urbanisation, deregulation, education and training, upward mobility on the jobs ladder, and the budget

He explained that, while business argued against nationalisation and redistribution of wealth by refering to international failures of this system, they "dont look at their own doorstep" when debating the issue.

African National Congress president Mr Nelson Mandela had recently reiterated his challenge to businessmen to provide an alternative to nationalisation to address economic inequalites in South Africa, but alternatives were already in practice in the form of free unionisation and budgetary redistribution

Black unionisation has spread this redistribution, although it was being spread too narrowly because of low growth and rising unemployment," Mr Kane-Berman added - *South African Press Association*

The great inflation deflation

Star 26/10/91

MALCOLM FOTHERGILL

FIRST, the good news — the official inflation rate will drop any day now

Now, the bad news — the drop will be on paper only; the man and woman in the street are unlikely to notice any difference

What is happening is that the Central Statistical Service has changed the way it decides what the official inflation rate, the consumer price index, is doing

Monitored

Its old "basket" of goods and services which it monitored to determine how an average household's pocket was hit by changing prices from month to month has been replaced by a new, improved model

The new model's weightings — the relative importance attached to each item — are different in many respects from the old weightings

And the result is that the inflation rate will, on paper anyway, be lower than it has been

Last month, the official, Central Statistical Service figure for the inflation rate was 15,6 percent

If the new weightings had been applied, it would have been about 13,7 percent

The reason for changing the "basket" of goods and services used to calculate the inflation rate is not to put employees at a disadvantage in their wage negotiations with employers, but to keep pace with what is happening in the country

This includes keeping tabs not only on how much people are paying for particular goods and services, but how much of the goods and services they are buying

The new CSS weightings have been determined by a survey commissioned last year from the Human Sciences Research Council

The HSRC chose 12 urban areas, and selected a representative sample of households in each so that their spending patterns could be established

Among its findings were that spending by the lower-income group (mainly blacks) now accounted for 19,42 percent of total spending, against 18,73 percent five years ago, and that the higher-income group (mainly whites) accounted for 56,5 percent, against the previous figure of 53,95 percent in 1985

The middle-income group's share has dropped from 27,35 percent to 24,09 percent

Startling

One startling finding was that the average South African now spends about 5,2 percent of his income on medical and health care, five years ago, this figure was 2,56 percent

Other changes are that the proportion of family spending on domestic servants has dropped, from 1,8 percent to 0,83 percent, but spending on "other" services, which includes holidays, insurance and eating out, rose from 6,77 percent to 9,49 percent



Guests at *Sowetan's* third annual Ad-Indaba included Fabcos' public relations manager Mr Fanyana Shiburi (left) and Mr Sedick Samodien, the managing director of both Sabta Marketing and Service Centre Management.

Denial to blacks is SA's tragedy, marketers told

128

Sowetan 28/10/91

By JOE MDHLELA

THE tragedy of the South African political situation is that black people had been denied ordinary things in life and most would continue to be denied them.

Sowetan managing editor Mr Deon du Plessis said this at the third annual seminar organised by *Sowetan* to give marketers an insight into changing lifestyles in the black community.

Ad-Indaba 3, took place in the newspaper's offices in Industria, Johannesburg, on Friday.

Du Plessis was part of a panel which included *Sowetan* Editor Mr Aggrey Klaaste, deputy editor Mr Joe Thloloe and senior assistant editor Mr Thami Mazwai.

Other speakers at the seminar, Living and Working in the new South Africa, included ANC representative Ms Thenjiwe Mtintso, *Sowetan* chief photographer Mr Robert Magwaza, Mr Augustus Khumalo, a community leader based at Orange Farm, Ms Wendy Luhabe, marketing executive, research consultant Ms Pat Gumede, media director Mr John Montgomery, Dr Saths Cooper, director of the Institute for Multi-Party Democracy and Mr Sedick Samodien, marketing executive of Sabta, Mr Oupa Monareng and Mr Aitken Ramudzuli of the African National Congress.

Thloloe appealed to guests, most of them white, to help breach the economic gap to help relieve the poverty most African people were subjected to.

"So long as wealth is concentrated in the hands of the few, so long as whites deal themselves the aces, we will never have peace in this country," he said.

Magwaza briefly sketched how apartheid had created monsters out of black lives.

"Our children dance in jubilation at the sight of any black man being killed. That is the work of apartheid. This society must do something to stop the violence."

Doctors' VAT

Row over rent issue

Sowetan 30/10/91 (128)

THE National Black Consumer Union has questioned whether the Mangaung Civic Association had fully informed its members about the rent issue in Mangaung township near Bloemfontein.

On Friday, the association called a stayaway in protest against the auction of 72 houses by the Mangaung City Council.

A media statement was released in Bloemfontein on Monday by Mr Setshedile Pheyane, of the NBCU, to which is attached a copy of a letter from the Legal Resources Centre in Johannesburg to the MCA dated August 27 1991

This letter stated that the Legal Resource Centre was in the process of negotiating a settlement with the MCC. It confirmed that the course adopted was in the best interest of all parties as the residents do not have legal grounds to contest the action instituted by the MCC.

The LRC confirmed that it was trying to set up a meeting between the OFS Provincial Administration, the MCC, MCA and a delegation of residents to resolve the ongoing rent and services boycott.

Pheyane said that if what was contained in the letter was true, there was "a big circus going on in Mangaung".

He said consumers had the right to be informed and that right was not negotiable. Members of the civic association, as a segment of the consumer public, had an inalienable right to be informed of the true state of affairs of developments of their organisation.

Recourse

Pheyane asked whether residents had been told that there was no legal recourse on the rent issue and that a settlement meeting was to be arranged

If not, it would "mean dishonesty of the highest degree" by the leadership concerned.

He said the civic association owed it to all residents to publicly inform them about the true position of civic matters.

Exploited

Otherwise it meant that the community and other organisations of Mangaung had been "deliberately abused and exploited through work stayaways and consumer boycotts".

Pheyane also blamed councillors for the dilemma in which the community found itself.

Councillors could not blame it on the "comrades" for not holding public meetings, as there were newspapers, radio and television to disseminate information - *Sapa*

NCILIATION COURSE

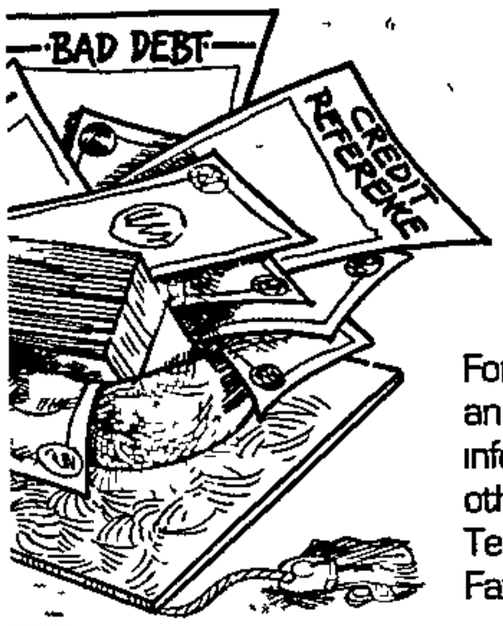
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Closing the wealth gap

Sowetan 31/10/91

THE arguments against nationalisation have been well articulated in the Press.

My personal view is that the nationalisation card will be cashed in during the negotiation process as consensus emerges on economic policies In other words, nationalisation will not survive negotiation

But what will remain is the valid challenge issued by ANC president Mr Nelson Mandela to the business community to find constructive alternatives to close the wealth and income gap between the haves and have-nots

I would like to go over some of the steps that have already been taken by us in pursuit of this goal

I do not want to convey the impression that we are satisfied or we want to rest on our laurels - there is a long way to go But equally, I want to dispel the impression that nothing has been done and we are starting from scratch

Let us start with the revenue cake I would like to give you some figures on the distribution of the Gold Division Revenue

In 1970, black labour costs were 7,8 percent of our total revenue in the division In 1990, the figure was 23,9 percent. So the slice of the cake attributable to black labour costs has tripled between 1970 and 1990

As far as white labour costs are concerned, they were 14 7 percent of total revenue in 1970, 12,5 percent in 1990 So, in fact, that slice has slightly declined

As far as dividends are concerned, in 1970 the figure was 23,7 percent and in 1990 it had declined to 7,3 percent. So, in fact, the slice of cake attributable to dividends has actually gone down by a factor of three

As far as capital is concerned, it is interesting that our capital as a slice of the cake increased from 10,4 percent in 1970 to 12,8 percent in 1990, so I think that says something for our confidence in the future of the gold mining industry

It shows that we are investing more in our future as a percentage of revenue than we were 20 years ago

Let s look at the wage rates themselves The compound growth rate in the average black wage per person from 1970 to 1990 (excluding the effects of inflation) was 20,2 percent a year For whites it was 12,6 percent compound and the Consumer Price Index went up during that period by 12,3 percent compound

In real terms, between 1970 and 1990 black wages increased 4,4 times whereas white wages were almost flat.

Indeed, in the last few years the latter have eroded in real terms This is a cause for concern, because if the economy picks up next year, we may find we are not competitive in some of our skilled labour categories

Taking the ratio of an artisan's wage to the wage of a black novice on surface, in 1970 the ratio was 26 to 1, that has fallen to about 5 to 1 now In fact, the minimum that we pay on surface now is R565 a month I know that people will say that we started from a very low base in 1970, and indeed we did

Moreover, our wages now do not compare favourably with industrial wages That figure of R565 is probably half of what many industrial companies are paying

But that is why we embarked on a policy of negotiating bonus schemes which share profits on the basis of gold price improvements and hopefully we will shortly negotiate to finality the principle of bonus schemes based on productivity improvements

These will have the potential of closing the gap between mining and industrial wages, particularly in good times, but not at the expense of the mining industry

The second thing I want to refer to is what is colloquially called the sharing of power We tend to call it employee participation in the mining industry



ANC president Nelson Mandela has accused the business sector of not coming up with alternatives to nationalisation In his annual report Anglo American's Clem Sunter (pictured left) said something was being done - although not enough This is an edited version of his report.

'We may find we are not competitive in areas of skilled labour'

Let me give you some figures which show the increase in size and complexity of Anglo's Gold Division

We milled 23 million tons in 1970 In 1990 the figure rose to 46 million tons - exactly double In addition, we treated at Ergo and the Joint Metallurgical Scheme in the Free State 54 million tons of dump material

In 1970 the recovered grade of our mines was 17 grams and we produced 388 tons of gold In 1990 the grade was 6,1 grams a ton and we produced from the mines 238 tons of gold plus 16 tons of gold from Ergo and JMS to give a total of 254 tons of gold

Our labour force in 1970 was 117 000 and it is now 181 000

Examples of increased complexity in our operation are the reduced grade, which has put pressure on us to use more selective mining methods, grade control, improved plant recoveries, and also better management accounting systems

Our operations are deeper they are hotter and further from the shaft. So we have greater logistical problems underground which have inevitably impacted on productivity

The gold price prior to 1970 was fixed and, as we all know it is fairly volatile now Inflation in those days was running at 2,5 percent which is very different to what it is today With the growth of trade unions, much more time is spent on industrial relation matters

'There has definitely been a downward shift in power'

With the increase in complexity of the Gold Division since 1970, power has flowed down the division We have regionalised - I think we might call ourselves a federation now

It is very different to 1970 when we had our consulting engineers here in head office and planning was very much centrally done Many of the decisions taken on the operations were centralised.

We are now fully decentralised, where much of the power of the division lies in the hands of our regional general managers who in turn have passed on a proportion of that power to the mine managers and so on to the section managers, all the way down the shafts

Particularly, this is the case with our marginal shafts where many of the creative ideas for reducing costs and increasing productivity underground have come from the employees themselves

So, by policy and necessity there has definitely been a downward shift in power in the division

The third item I would like to refer to is what we call merit-based manning in the division

I would like to give you some figures on our programmes We have a pre-university, after which its students go on to university In our pre-university bursary scheme, we currently have 19 black students

In our scholar scheme, which is the university scheme itself, we have 71 black students, which is roughly half of the total students that we support in terms of taking degrees which are relevant to our business mining, engineering, metallurgy, personnel and accounting

We have six black in-service bursars and 59 learner officials We have 69 learner miners, which is about 45 percent of the total learner miners We now have 331 black certificated miners which is some 13 percent of our total population of miners

We have 12 shift bosses, five plant metallurgists, 10 surveyors, 158 personnel officers and eight accountants

In terms of apprentices, we have 216 black apprentices, which is 18 percent of our total apprenticeship pool, and we have 109 black artisans which at the moment is only three percent of our total artisan pool

In the more senior management ranks, we have one junior mining engineer, four metallurgical graduates and three hostel managers This is only a start.

The fourth area concerns our social responsibility contributions At the moment the Gold Division is giving a little less than R18 million to the Anglo American and De Beers Chairman's Fund, in addition to which we plan to contribute R9 million, which is about 4 5 percent of the Gold Division's dividends

The ratio compares quite favourably with figures internationally In addition to that, the regions are pursuing separate community initiatives I cannot give you the details on that, but for anybody who would like to see what our regions are doing they only have to contact Mr James Duncan and we would certainly take them down

So these are the type of exercises we are going through to try and provide a constructive alternative on the lines which Mandela has suggested As I said, we are certainly not complacent.

All we are trying to show is that we are setting off down a path to provide that alternative

'We are setting off down a path to provide an alternative'

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SOWETAN Building the Nation



This is the type of house costing more than R35 000 which Dr Japie Jacobs, economic adviser to the Minister of Finance, says only 10 percent of blacks can afford

Danger in housing plan, expert warns

'Most blacks cannot afford'

Sowetan 31/10/91

THE belief of many businessman that the large-scale provision of housing for blacks could set the economy on a growth path has been challenged by a top economist.

Dr Japie Jacobs, special economic adviser to the Minister of Finance told the Johannesburg branch of the Economics Society yesterday that heavy investment in black housing could in fact slow down the economic recovery

If we want to spend a greater share of our savings on housing we will have to spend less in other areas and particularly less on private consumption expenditure," he said.

Net savings available for productive investment and the financing of socio-economic infrastructure were inadequate to finance a growth rate higher than 2,5 percent a year

"This rate may be even lower if we opt to force a growing share of our resources into socio-economic projects"

His remarks follow a call last week by the Building Industries Federation for a R3 billion a year programme to build 200 000 houses annually for the next three years.

Jacobs contended that the failure to provide black houses was not the result of a shortage of money, but of the inability of blacks to afford housing

He cited a number of schemes which provided finance for low-cost housing

He said the Urban Foundation managed a home loan guarantee scheme for low-income homeowners earning less than R1 000 a month.

Diverted

Contractual savings institutions diverted large amounts of their funds to deposit-taking institutions for extending credit for various purposes

These savings institutions were also prepared to invest in credit instruments issued by the specialist financial institutions such as the Development Bank, the Small Business Development Corporation the South African Housing Trust and the Independent Development Trust.

But in spite of all these facilities little progress had been made on reducing the existing backlog.

Jacobs said there were a number of factors responsible for the so-called failure of the market to address these socio-economic needs

They included the lack of adequate urban land, the rent and bond boycotts the violence in black urban areas and the fact that most potential houseowners could not afford any form of conventional housing

About 10 percent of urban blacks could afford a conventional house costing above R35 000 and hence had access to traditional mortgage finance

A further 40 percent could afford starter homes priced between R12 500 and R35 000, while the remaining 50 percent could afford only basic homes

He said there had been calls for financial institutions to be forced to invest between R5 billion a year in housing and for the State to give guarantees against the loss of this money

Apart from the effects this would have on interest rates and Government budgets, Jacobs said he had serious reservations about whether it was feasible to spend R5 billion a year on housing for lower-income households

There was a danger that too large a share of SA's resources could be channelled into socio-economic upliftment to the detriment of sustainable economic growth supported by productive investment. - *Sowetan Correspondent*

Taxis make stats a bit more difficult

(128)

ARG 2/11/91

The Argus Correspondent

CHANGING social habits among the less-privileged are complicating the work of economic researchers

University of Port Elizabeth researchers who calculate the bi-annual Household Subsistence Level (HSL) reckon rent boycotts and minibuses are making their task difficult

In the latest survey, for March to September, the surveyors note that in most black urban homes, rentals and service charges showed no change

"It does not seem logical to introduce increased service charges if people do not pay their monthly rentals," says Professor J F Potgieter of the university's Institute for Planning Research

"Although increases of service charges have been approved in various centres by their respective councils, these have not been implemented"

However, the institute says that even where charges are not being paid — or are being paid at a lower level in terms of agreements between local authorities and civic organisations, the surveyors base their findings on higher approved levels

The academics report similar difficulty assessing transport costs because of the increasing use of minibus taxis, for which fares are inconsistent

"In centres where taxis have taken over, it appears transport costs increased significantly," says Professor Potgieter

Jo'burg, where the living is (fairly) cheap

Star 9/11/91

(128)

Derek Tommey

JOHANNESBURG is one of the cheapest cities in the world to live in , the Union Bank of Switzerland says in its tri-annual survey of prices and earnings worldwide.

The bank bases its comparison on the prices that have to be paid for a basket of goods and services of more than 100 items in 48 major cities.

With Zurich prices equal to an index number of 100, prices in Johannesburg are equal to 51,1.

In Oslo the index is 115,5, in Tokyo 115,0, in Helsinki 113,6, and Stockholm 111,3. These are the world's most expensive cities.

At the other end of the scale are Bogota (37,9), Cairo (37,1) and Bombay (30,3).

On a par with Johannesburg are Lisbon (56,2), Athens (53,8) and Mexico City (49,8)

Would-be emigrants might like to know that the index for London is 84,2, for New York 83,3, for Los Angeles 79,8, Montreal 72,7 and Sydney 70,8.

However, while Johanneburg may be relatively cheap, wages and salaries are on the low side

With average wages and salaries in Zurich equal to 100, the index for Johannesburg is 25 The index is based on the wages and salaries in 12 occupations

● Primary school teacher, bus driver, car mechanic, construction worker, skilled metal worker, cook, department manager in the metal-working industry, electrical engineer, bank teller, secretary to a manager, saleswoman and woman textile workers.

The index for Johannesburg is slightly above that of Hong Kong and just below Nicosia's However, the Johannesburg index is well above the 5,1 for Nairobi and 2,3 for Lagos.

It is well below the 45,5 for London and Dublin, 51,7 for Sydney, 65,4 for Toronto, 68,2 for New York and 70,7 for Los Angeles

However, after taking into account both earnings and prices, the bank finds people in Johnnesburg are not as badly off as low wages and salaries suggest

On a scale of 100, the buying power of Johannesburgers is 48,9 This is about half that of Zurich (100), Geneva (97,2), Luxembourg (97), Frankfurt (97) and Chicago (96,7)

Johannesburg is roughly on a par with Seoul (47,4), but well above Hong Kong (37,1), Tel Aviv (35,1) and Lisbon (31,9)

Londoners have a purchasing power of 54,1 In Dublin the figure is 59,9, in Sydney 73, in New York 81,8, in Los Angeles 88,6 and in Toronto 93,2

The Union Bank used a basket of goods and services containing 112 different items to determine living costs.

Included were food products, beverages, tobacco products, personal care articles, clothing, household appliances, transport costs and personal services

The basket of goods would cost $892 in Johannesburg

The same basket of goods and services would cost $1 114 in Hong Kong, $1 175 in Tel Aviv, $1 225 in Toronto, $1 236 in Sydney, $1 394 in Los Angeles and $1 470 in London.

When it comes to buying food, Johannesburg seems a good place to be

The basket of 39 food items costs $205 in Johannesburg In only six other cities are prices lower Buenos Aires ($192), Rio de Janeiro ($175), Sao Paulo ($167), Nairobi ($144), Bogota ($137) and Bombay ($116)

The same basket costs $232 in Lisbon, $227 in Sydney, $293 in Tel Aviv, $301 in London, $316 in Dublin, $350 in Toronto, $389 in Los Angeles, $517 in Zurich and $743 in Tokyo

But Johannesburgers pay through the nose for electrical appliances A basket comprising a refrigrator, frying pan, electric sewing machine, colour TV, autofocus camera, electric steam iron, vacuum cleaner (canister type) and a hair dryer costs $2 760 here.

The cost is $2 350 in Dublin, $1 760 in London, $1740 in Los Angeles, $2 490 in Sydney and $1 750 in Toronto



15/11/91

ıe bull's tail

based, will have a positive ımpact Because food prices generally rise ahead of the ınflatıon rate, a smaller food component ın the ındex will reduce the effect of these rıses

A harbınger of better thıngs to come ıs that producer prıce ınflatıon contınues to fall (see P40) At some poınt, the traditional relatıonshıp between producer and consumer prıces must re-assert ıtself

Perhaps a more valid concern ıs the short-fall ın government revenue ın the first sıx months of the fıscal year If, as seems lıkely, the Budget deficit ıs hıgher than orıgınally expected, additıonal fundıng will be needed ın the market

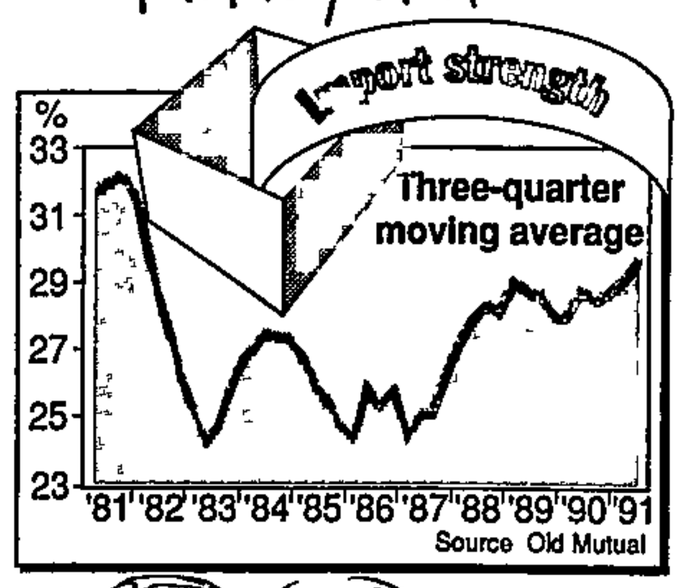
Cautıon ıs also required on the current account With official reserves not yet hıgh enough to fund three months' ımports, there will be cautıon ın official cırcles Imports are provıng unusually buoyant ın a recessıon (see below) and an economic recovery will cause a strong acceleratıon ın ımport growth

The governor's decısıon depends, then, on what weıghtıng he attaches to these factors — and to the absence of any unexpected event overshadowıng fundamentals In mid-1990, the scene was set for a fall Money supply growth was subsıdıng, the rand was stable and ınflatıon was fallıng In June, wıth the 12-month rate of ıncreases ın consumer prıces 13,6% and the nomınal prıme rate at 21%, the "real" prıme rate was 7,4%

Then Saddam Hussein ınvaded Kuwaıt

All thıngs consıdered and assumıng no new Saddam Hussein makes an appearance, a fall ın Bank rate by February seems as good a guess as any ■

FM 15/11/91



(128)

27% to 24% ın the 1981-1983 and 1984-1986 recessıons respectıvely "

One possıble explanatıon ıs that the decline ın real fıxed ınvestment has been mıld compared wıth the last two recessıons Another ıs that the real trade-weıghted rand has appreciated throughout thıs recessıon and, by February (ıts recent peak), was 4,6% hıgher than at the begınnıng of the downswıng

"Thıs contrasts strongly wıth the 8,3% and 20,9% depreciatıon of the real rand ın the 1981-1983 and 1984-1986 recessıons respectıvely The lower rate of increase ın prıces of ımported goods compared wıth those produced locally (largely as a result of the relatıvely strong rand and low ınternatıonal ınflatıon) has consequently gradually altered the prıce structure ın favour of ımports

"Gıven that these factors are unlıkely to change sıgnificantly ın the medıum term, the danger ıs that the already hıgh level of ımports could rebound sharply (as ıt normally does) once the economy recovers, particularly gıven the pent-up ınvestment and ınventory demand (whıch typically has a hıgh ımported component) " ■

CONSUMER SPENDING

FM 15/11/91

Pressure points

(128)

Consumption spending ıs under pressure, says the latest Old Mutual *Economic Monitor* Apart from contınued hıgh ınterest rates, thıs ıs due to a decline ın employment and a slowıng ın "per capıta remuneratıon adjustments " Growth ın the aggregate wage bıll "had, by the second quarter, dropped below the prevaılıng ınflatıon rate "

Old Mutual says "no meanıngful recovery ın thıs component of fınal demand ıs expected untıl the anticıpated recovery ın profit and productıon levels "

However, ımports remaın surprısıngly hıgh for a recessıon Old Mutual calculates that ımport propensıty — the proportıon of consumer demand satısfıed by ımports — has averaged 28,6% throughout the recessıon (see graph) "Thıs ıs ın strıkıng contrast to the two previous downswıngs whıch saw ımport propensıty fall from 32% to 24% and

INCOME TAX

FM 15/11/91

Leave pay problems

(320)

Two recent decısıons ın the Income Tax Specıal Court have left the law on the deductıbılıty of leave pay ın a state of contradıctıon Ernst & Young tax partner Davıd Clegg says that about 18 months ago a case came before the court ın whıch the taxpayer claımed a deductıon based on a "provısıon for leave pay " Thıs related to a number of employees who had worked sufficient days to qualıfy to receıve the amounts

The Commıssıoner for Inland Revenue dısputed the deductıon on the grounds that, essentıally, the employees would forfeıt their entıtlement ıf they dıd not take leave wıthın a certaın perıod It ıs difficult, concedes

cont →

INESS

Pay rises below rate of inflation

Star 15/11/91

Finance Staff

For the first time since 1986 the growth in the aggregate wage bill has dropped below the inflation rate, says Old Mutual's economic monitor

Old Mutual says the growth in the wage bill was 14,5 percent in the second quarter, with inflation at 15 percent over the same period

At the same time, the level of employment in the mining, manufacturing and construction sectors reached its lowest levels since the early Eighties

Chief economist Dave Mohr believes the economic recovery will be sluggish and does not foresee any marked improvement in the consumer's position

"We don't expect employment and per capita wage rates to improve before profit and production levels have recovered

"This will depend on rising exports, increased public-sector spending on social infrastructure and some renewed private sector investment activity," he says

Mr Mohr says consumers are under increased pressure as interest rates and debt levels remain high against historically low personal savings ratios

This would leave consumers with very little room for raising their real expenditure levels significantly in the near future, he says

Mr Mohr is confident that once the economic recovery has started, there will be a number of factors that should sustain growth

"The scenario for exports looks more positive for 1992 as sanctions are gradually lifted, the international economy starts recovering and the recently introduced policy aimed at promoting exports takes effect," he says

No hope for Joe Soap

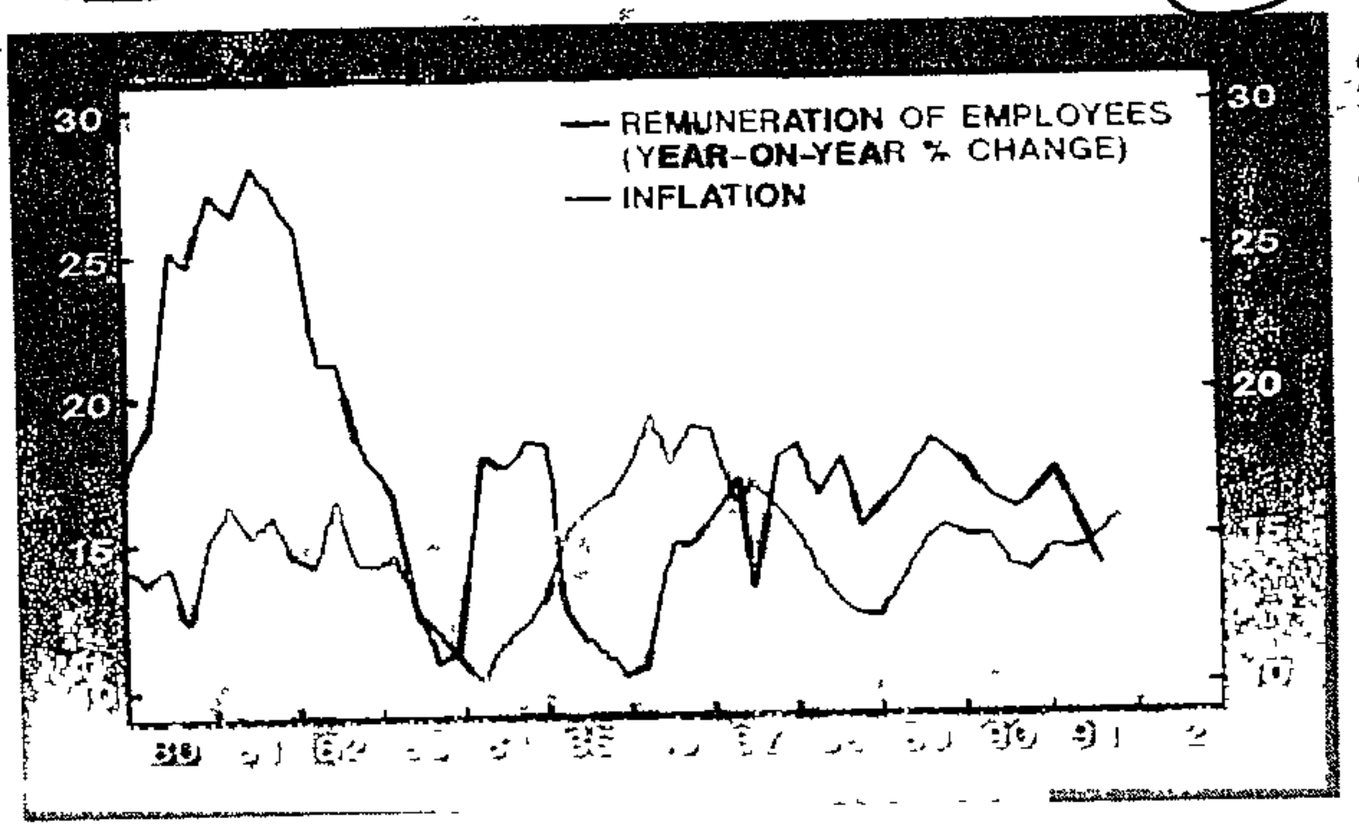
(128) CT 15/11/91

Salaries fall below inflation, spending set to plummet

By AUDREY D'ANGELO
Business Editor

SOUTH AFRICAN salaries and wages have failed for the first time since 1986 to match the rise in inflation.

Old Mutual's latest economic monitor shows that salaries for the second quarter rose by 14,5%, compared with an inflation rate of over 15%



The man in the street is under financial pressure and will not be much better off "before late next year or even 1993," says OM chief economist David Mohr

He warns, in his Economic Monitor for the fourth quarter, that even though a mild recovery can be expected next year "the financial position of most consumers may possibly not benefit much in the early stages"

Because of this he does not expect a significant rise in consumer spending in the near future

Mohr points out that the recession deepened in the middle of this year and that inflation has risen at a faster rate than the aggregate wage bill

"Consumers have indeed been under increasing financial pressure recently"

In addition to high rates of interest a drop in the number of jobs available has meant a slowing down in the rate of pay rises

"Consequently the growth in the aggregate wage bill had, by the second quarter, dropped to below the prevailing inflation rate

"In the absence of interest rate or tax relief, consumption spending is therefore expected to remain under pressure as the still heavily indebted consumer will probably have little room for raising real expenditure levels significantly in the near future"

Mohr expects the recovery to be helped by "a mild improvement in export volumes, a somewhat higher level of spending on fixed investment projects by the private sector, a lower rate of inventory depletion and a further expansion in overall public sector expenditure — especially on social services and social infrastructure

"A satisfactory agricultural year would, of course, further assist any recovery"

And when the upswing does come Mohr expects it to last longer than any other in the past decade

Cape property bubble bursts

By TERRY BETTY

THE property bubble has burst in the Cape where the price of up-market houses plummeted by about 25% in real terms in the year to March 1991.

Property economist Erwin Rode says the latest available figures show nominal prices of upper-income houses in the Cape fell by 10,7% House prices in the middle and lower category rose by 32,5% and 31,9% respectively

Mr Rode says a correction is taking place in Cape property prices Prices have been overheated since 1988 when they diverged from the national fundamental growth line

At one stage in 1989 the nominal growth rate was 50% and the national 35%

Mr Rode attributes this to the Cape being a favoured area for foreigners The properties were bought for speculative reasons, the Cape being considered by many to be a haven from unrest

Worst

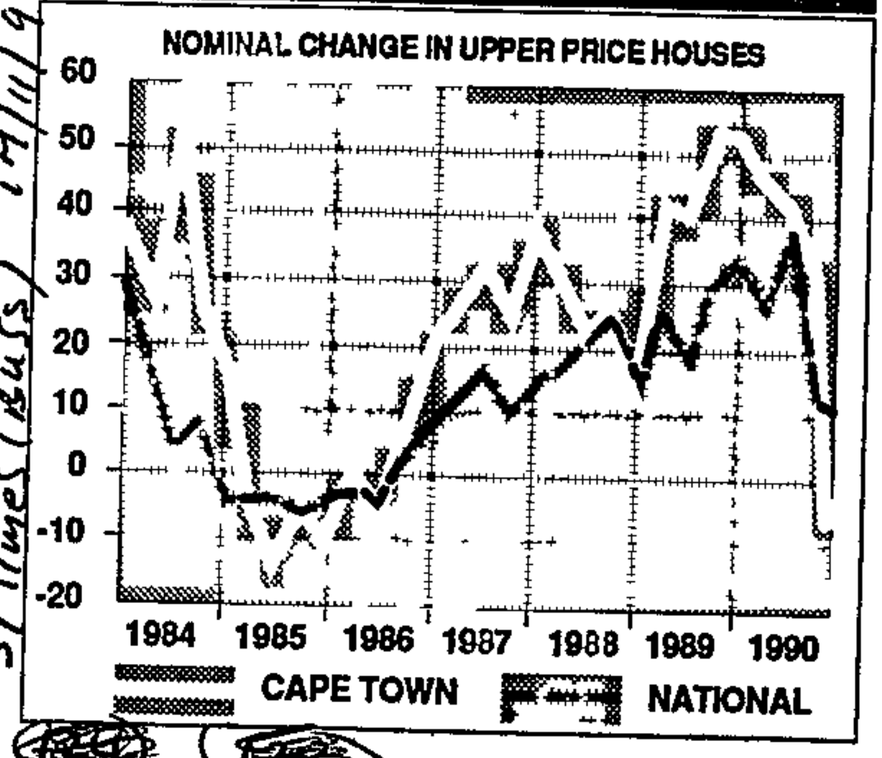
Mr Rode believes the Cape economy fared better than the rest of SA in the late 1980s because it is a tertiary, white-collar-based economy It does not rely, for example, on mining that has been severely hit by the recession

The drop is not predicted to continue much further Mr Rode believes national house prices will accelerate in the middle of next year, but this depends on the economy

On a national level, general house-price increases ran slightly above the inflation rate at 15,7% Upper-class houses fared worst with nominal growth of only 11,0%. Middle- and lower-class houses increased in value by nominal rates of 17,6% and 19,8% respectively

Durban showed the highest overall growth rate of 23% Port Elizabeth had a growth rate of 22,7%

RODE PRICE INDEX: CAPE TOWN VS NATIONAL



In Pretoria medium-range house prices showed a nominal growth of only 3,7% Mr Rode suggests inflation is eating away at public servants' pay packages

His overall interpretation of house-price performances is that more affluent sectors of society have begun to suffer from the recession. This is not yet reflected in the lower price brackets because company profits are more volatile than salaries

Mr Rode expects the effect to filter down to medium- and lower-priced houses, resulting in a lower growth rate for the next year

On the other hand, the building industry is showing signs of bottoming out of the recession, says Mr Rode Non-residential building activity is above normal and contract prices have started to accelerate again

With input costs being slightly down because of VAT, building contractors' profit margins are no longer under pressure

Building starts for housing and non-residential building sectors show the trough was reached in December 1990 and January 1991 Since then both sectors have shown remarkable growth, says Mr Rode.

Economists welcome decline in real salaries

BIDay 21/11/91. (4) 128 (2)

TOUGH economic conditions pushed real wages and salaries in the manufacturing sector down by 0,6% month-on-month in August, figures released by Central Statistical Service show

Economists said the real decline in manufacturing wages and salaries was promising because it showed a major source of pressure on SA's inflation was being brought under control

This had positive implications for a reduction in inflation next year, they said

Average monthly real wages and salaries in the electricity sector fell by 3,2% in August and in the construction industry they edged up by 0,9%

Total wages and salaries were only available to July, when they rose by 4,9%

Nedbank chief economist Edward Osborn said the decline in real wages was in line with expectations that wage increases had been affected by the state of industry and the economy

"It shows the inability of companies, because of reduced profits levels, to pass on increases in wages," he added

Osborn said he had been putting a lot of

SHARON WOOD

store in this factor contributing to a decline in inflation, which would probably come down at the beginning of the year

"SA has a cost push situation in the economy and the only hope of bringing down inflation is through the wage and salary bill"

On the negative side, he said, the decline in wages and salaries was a sad reflection of the degree of retrenchments and the poor state of the economy

Standard Bank chief economist Nico Czypionka said the figures were calculated by dividing the total salary bill by the number of people employed in the economy and thus did not show lower salaries but probably reflected the decline in overtime worked

"It does show the job market is extremely weak," he added

Wage and salary declines were one of the elements required to contain inflation and all indications were that, although this had taken a long time, it was beginning to happen, he said

SOWETAN BU

Wages fall below the inflation rate

Sowetan 21/11/91

128

THE position of the South African consumer has steadily worsened as average wage increases have dropped below the inflation rate for the first time since 1986.

By JOSHUA RABOROKO

According to Old Mutual's latest economic monitor the increase in the wage bill was 14,5 percent by the second quarter, with inflation over the corresponding period 15 percent.

At the same time the level of employment in the mining, manufacturing and construction sectors has reached its lowest point since the early 80s.

Chief economist Dave Mohr does not foresee any marked improvement in the consumer's position in the near future and believes the economic recovery will be sluggish.

He says: "We do not expect employment and per capita wage rates to improve before profit and production levels have recovered. This will depend on rising exports, increased public sector spending on social infrastructure and some renewed private sector activity. The low level of inventories relative to sales should also assist.

"Consumers are under increased pressure as interest rates and debt levels remain high against a historically low personal saving ratio This leaves consumers with very little room for raising their real expenditure levels significantly in the near future."

He expected a mild upswing during the course of next year, but that the financial position of most consumers would not improve much in the early stages.

On a more positive note he said once the economy started its recovery, a number of factors would sustain the growth.

The scenario for exports looks more positive for 1992 as sanctions are gradually lifted, the international economy starts recovering and the recently introduced policy aimed at promoting exports takes effect

"Another positive aspect is that the relaxed sanctions pressure against South Africa reduces the need to stockpile oil," said Mohr

Joe Burgher: Rich man or poor man?

How well off are urban South Africans? Not that well off in some ways, but not yet quite as Third World as they imagine, reports **REG RUMNEY**

COMPARISONS, especially when it comes to wealth, are odious — but irresistible So people of the 48 cities surveyed in the latest edition of the Union Bank of Switzerland's *Prices and Earnings Around the Globe* will eagerly scan the publication to see where they stand.

The survey shows as conclusively as possible that middle-class urban South Africans, taking Johannesburg as the norm, are worse off than those in advanced industrial countries. But they not as badly off as many people in poorer cities

The rule of thumb is that those in industrialised countries generally earn more and pay higher prices But despite their higher prices their money goes further and their wealth is by no means illusory.

Johannesburg has many of the benefits of cheap living associated with the Third World Prices, based on a basket of goods and services, are half that of, say, Switzerland, but similar to Mexico City. However, the cheapest places to live are Bogota, Bombay, Kuala Lumpur and Manila

Hotels are reasonable, and a short stay in Johannesburg will cost a traveller less than half the money he would spend in Europe

Another similarity with Mexico City, **food** in Johannesburg costs 40 percent of what it does in Zurich and 43 percent of that in New York Food in Tokyo is three-and-a-half times more than in Jo'burg

Residential rentals are still cheap An unfurnished three-room apartment in Johannesburg is among the lowest priced in the world, with few cities cheaper (Mexico City and Nicosia being two such exceptions).

Earnings, however, are not up to scratch. The survey of **wage and salary levels** shows the mythical average worker in Zurich earns four times as much as his or her counterpart in Johannesburg By comparison, however, Mexicans in Mexico City earn around one-twentieth of their counterparts in Zurich

In **gross (before tax) buying power** Johannesburgers rate 28th on the list of 48 Their earnings have under half the buying power of money earned by Swiss living in top-of-the-list Zurich Gross earnings in Manila buy around a 10th of those in Zurich.

So money goes further in Europe and North America. But the "basket" of goods and services is based on European habits, so it has less relevance than it might seem

The clincher is how much work you have to do to get the money to live

One measure used by the survey is the **amount of work it takes to buy 1kg of bread.** In Johannesburg this is only seven minutes. The figure for New York is 22 minutes, for affluent Zurich nine, for indigent Lagos 216, and for Tokyo 14

But modern consumers don't work for bread alone What about things like **cars and clothes?**

Since models and availability vary, the report shows only the prices of individual models, but the survey came up with an average price for a popular medium class car with a 1,5l to 2,0l engine, such as a VW Golf, Ford or Honda. That average was $15 748 for the 48 cities, or R45 669 on the exchange rates used when the survey was made

The price of a VW Golf CSL in Johannesburg was $12 500 or R36 250 On the whole, South African car prices, according to the survey, don't seem too far out of line with the rest of the world and are cheaper than some other places, like Oslo, where a VW Golf CL costs $22 400 at the time of the survey, or R64 960

The survey shows actual prices for a set of men's and women's clothes as well Men's clothing isn't really a bargain in Johannesburg, and only cheaper and medium-range women's clothing seems really more affordable than in Europe. Latin America is still the best place to buy clothing

Look at **working hours** The number of hours worked a year in Johannesburg is similar to that of Mexico City at 1 945 That's above the norm for European cities of between 1 700 to 1 800 But it is below that of the Far East, with Hong Kong topping the list at 2 375

Again, we don't work ourselves to death, neither do we slack off Residents of Sydney, however, work 1 668 hours a year, and take around 22 days a year, two more paid vacation days than their counterparts in Johannesburg Mexico City inhabitants get only 10 paid vacation days a year on average.

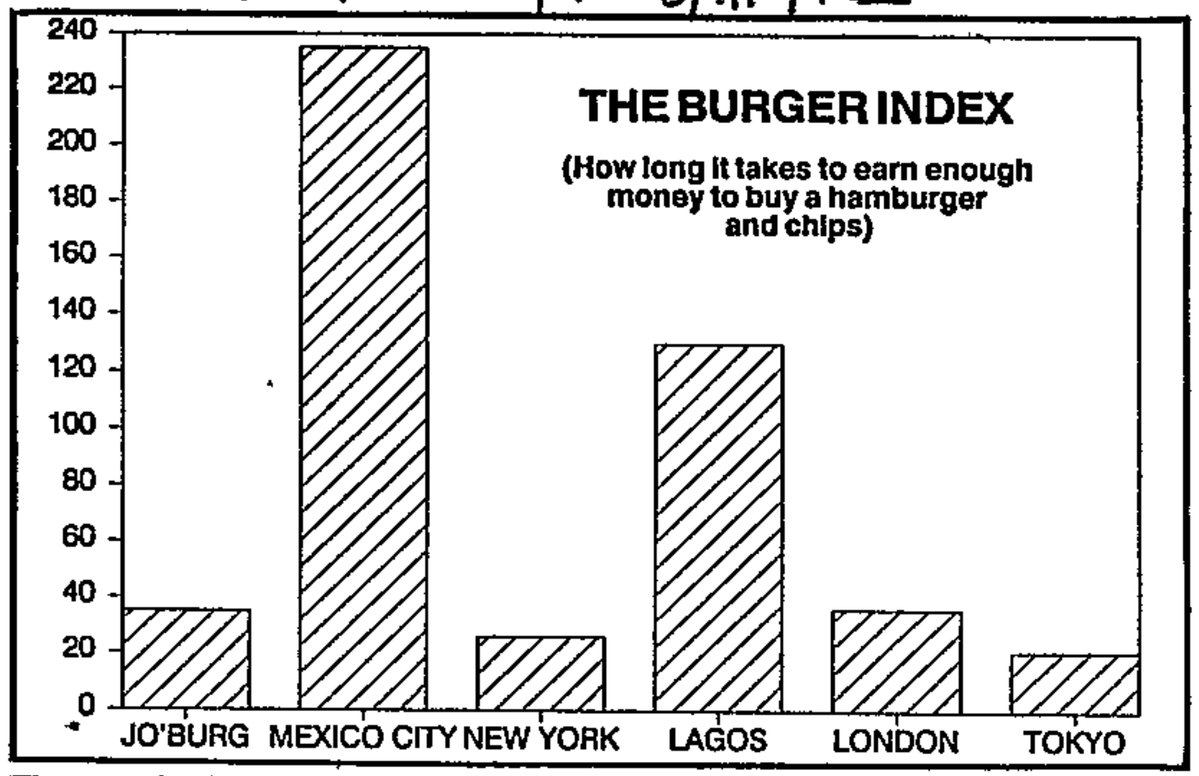
A word of caution, however: measuring relative wealth between countries is fraught with perils of various sorts. For instance, the amount of work per kilogramme of bread (or hamburger) method used by the survey makes Johannesburg a hungry man's paradise as compared to many other cities around the world

But the employee doing the buying in each city is an abstract — a weighted average of 12 occupations, such as nurses, cooks and electrical engineers in each city. It does not include the very poor and the plight of the unemployed, whose number in South Africa is high and growing

Take the comparison of net (after-tax) earnings in Germany, Switzerland and Scandanavia compared to North America Scandanavian, Swiss and German workers earn high gross salaries But taxes, which can cut those salaries by half, leave their buying power looking unhealthy in comparison with those of North America.

So North Americans are better off than the Swiss and Northern Europeans? Not so fast Those high taxes include social security contributions, and the social welfare net many Europeans have must mean far greater peace of mind How does one put a value on that?

In Johannesburg there is a small difference between gross and net salary and wage levels — indicating low rates of tax and/or social security contributions The social security net isn't large in South Africa, a definite but unquantifiable drawback Moreover, the bare figures don't reflect positives like sunny skies and wide open spaces or negatives like crime and pollution. You may pay more for a car in certain countries, but you are less likely to have it taken off you at gunpoint



The graph shows how long it takes to earn enough money (in minutes) to buy a Big Mac hamburger or its equivalent, and a portion of chips, in six cities **Source: Union Bank of Switzerland**

Arguments against wealth tax are ill-founded

B Day 22/11/91.

NEVA SEIDMAN MAKGETLA

THE ANC has no firm plans for a wealth tax. Nonetheless, at the mere suggestion, the white-oriented Press had hysterics. In the event, the proposed tax is hardly radical Its major benefit is that, given massive wealth disparities, it could target those most easily able to pay. Its drawbacks do not include a tendency to impoverish the middle class.

Most whites are not rich A recent Market Research Africa (MRA) study suggested that only 6% of urban whites had net assets worth more than R500 000 in 1991. Half owned net assets worth less than R100 000 and a fifth less than R10 000. Most whites own little more than a house and a car; since they frequently buy these assets on credit, their net assets remain low.

The great disparities in ownership mean that a wealth tax need not affect most salary earners or small-scale businesses Yet it could generate significant revenues. A 3% tax assessed on the assets of the top 40 private sector companies would increase government revenues by 20%; MRA data show a similar levy on net personal wealth over R200 000 should increase revenues by almost 7% Neither tax would affect the vast majority of the population.

A carefully targeted wealth tax could shift the tax burden to profits, permitting some relief for individuals. If we posit, conservatively, a 15% return on capital, a wealth tax of 3% a year would raise the actual tax incidence on capital for liable companies from one seventh at present to around 40% That figure more or less equals the real rate in the US.

A tax on personal assets need worry only a small percentage of the population. If the first R200 000 were exempted, only about 10% of the population would pay anything at all. At a rate of 3%, only families with more than R240 000 in net assets — about 250 000 households — would pay more than R100 a month

If there was no punitively high tax rate, moderately productive companies and individuals could pay a wealth tax out of current income

Some economists would extend the concept of wealth to include education or "human capital" Apartheid put this form of accumulation out of reach for most South Africans A wealth tax on human capital could help raise revenues as a step towards overcoming these problems.

The obvious problem is that such a tax might discourage the acquisition of skills This drawback could be overcome by addressing only the historic differences in education provision for whites and blacks The tax would thus apply only to people who attended schools within the relevant educational administrations. It would transform the excess paid to white families into a grant to be repaid over a period of, say, 30 years. It would phase itself out following the establishment of an integrated school system.

The amount repaid would depend, naturally, on the number of years of school attended, with a premium for more expensive university courses.

Four principal arguments have emerged against a wealth tax it would reduce capital formation, cause capital flight, discourage capital-intensive projects, and prove difficult or impossible to levy. All but one of these points turns on the impact on investment

Closer consideration suggests that these fears are ill-founded They presuppose that companies now invest adequately and efficiently — a supposition which cursory examination proves untenable. A wealth tax could foster more efficient investment in the private sector. A corporate wealth tax levied only on large groups would discourage the centralisation of capital Conglomerates could reduce their liabilities by breaking up into smaller parts.

Similarly, a tax on personal property would deter investment in non-productive assets The system could promote productive investment by reducing the tax on desirable investments — for instance, to produce basic goods or exports or create employment.

As for the threat of capital flight, it has become the standard private sector response to any measure designed to restructure the economy. At least from the turn of the century, most of Europe had a wealth tax of between 0,7% and 2,5%. For 30 years, the Germans had an additional surcharge of 1% a year to provide loans to refugees from the Second World War. A similar tax has now been reimposed to assist the eastern provinces

Neither tax caused noticeable capital flight Rather, despite much grumbling, the vast majority of wealthy Germans seem to have accepted that, if they want a prosperous and stable society, they must compensate those citizens impoverished through no fault of their own

In short, given the misuse of investible assets by the rich, most arguments against the tax seem weak at best The more important question is whether and how the state, or whatever financial institutions it may establish, can do better

A wealth tax cannot, by itself, bring about the institutional arrangements required for a more democratic economy. The tax may raise needed revenues from appropriate sources, but its long-run success depends on the ability of the state and civil society to redirect investment both directly and by regulating markets

☐ The author is an ANC member and teaches economics at Wits University. These are edited excerpts from an article in the latest edition of Work in Progress.

LETTERS

FM 22/11/91

ducted in 1989-90, has been done by the Sandton ad agency BSB/Bates

The most astonishing figure is that for television, where the black audience grew by 25%, while that of non-blacks increased only 3,4% This rate of growth has only to continue for one more year and black viewership of TV will be bigger than that of non-blacks

Of course, a bigger *percentage* of whites, coloureds and Asians watch TV than do blacks (74% compared with 27%), but in absolute numbers blacks will probably be dominant by next year If current trends continue, by then there will be 5,5m black viewers of TV, against 5,1m other viewers

Much the same situation prevails among daily newspaper readers, where blacks are slightly behind non-blacks in total readership at present, but likely to forge ahead of them within two years (128)

But blacks are already dominant in weekly, mainly Sunday newspaper, readership and in radio listenership, where they outnumber the others by two to one and are still increasing. They also read more magazines than whites, though in this category, black numbers declined while the other groups showed marginal growth

Lack of black readership is clearly a problem for Afrikaans newspapers Though their readership is rising almost as rapidly as that of the English-language papers, very little of it is among blacks Only 46 000 blacks read any Afrikaans daily, whereas 2,3m read an English daily

But one of the "blackest" newspapers is *The Citizen*, a strongly right-wing publication owned by Afrikaans publishing house Perskor Some 60% of its readers are black, compared with only 56% for *The Star* Among so-called "white" newspapers, only the *Daily Dispatch* is blacker, with 68% black readership

Tony Koenderman

Black power

FM 22/11/91 (128)

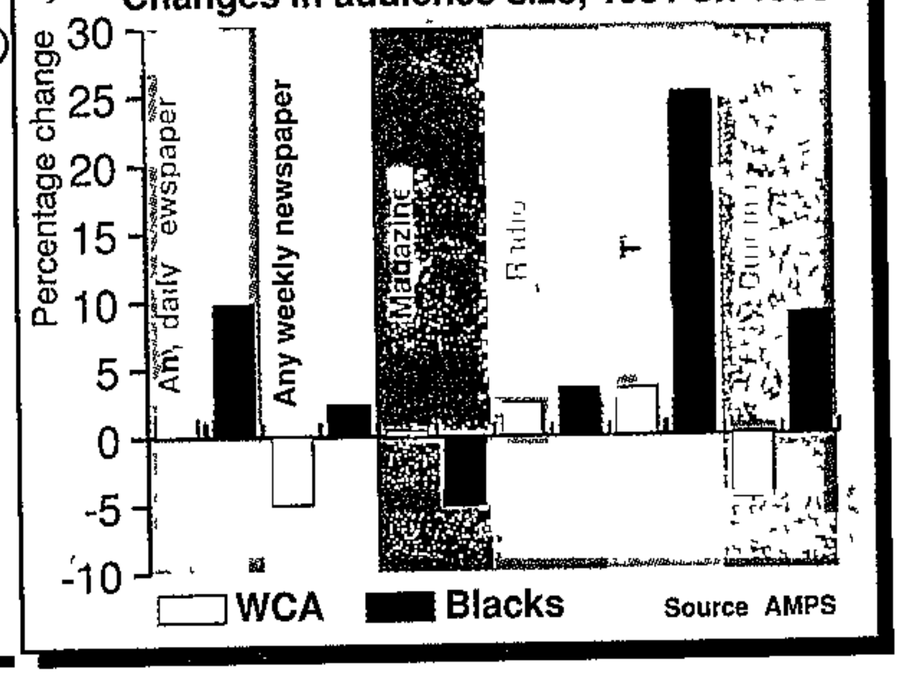
The growing power of blacks in the SA economy is reflected in the latest All Media & Product Survey (Amps) Despite tight economic conditions, black consumption of media is increasing much faster than that of whites, coloureds and Asians Already blacks are the leading consumers of magazines, weekly newspapers and radio Within two years at the most, they will be dominant in every other major category as well

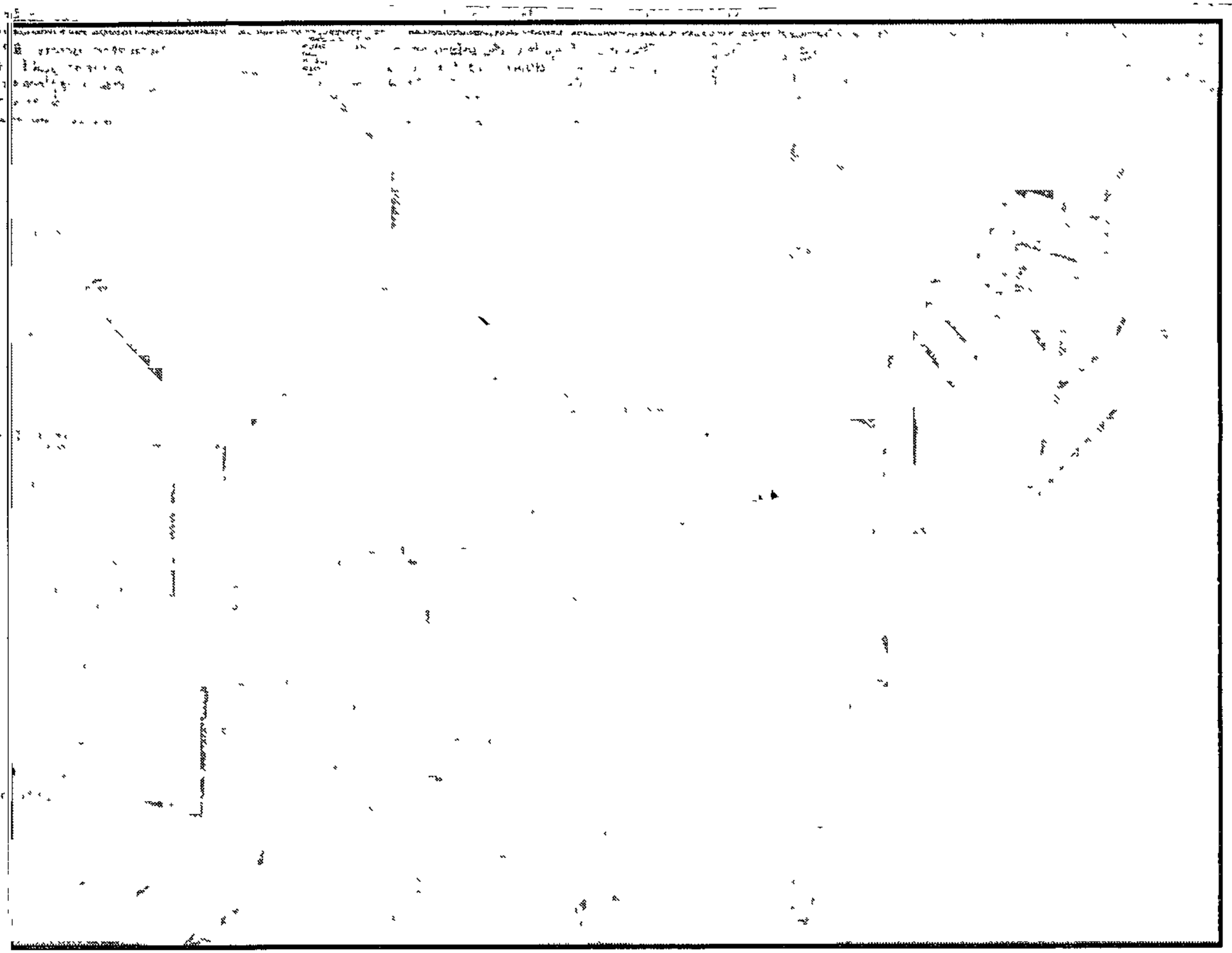
Except for the magazine category, black readership, listenership and viewership is outpacing that of other race groups to an impressive degree, outdating the notion that blacks cut back when they can't afford to buy newspapers In fact, it is the wealthier race groups that seem to be most affected by economic stringencies

An analysis of the figures which compares the 1990-91 Amps research with that con-

Ebony and ivory

Changes in audience size, 1991 on 1990





YUPPIEDOM HERE WE COME: Black businessmen are moving in the fast track in increasing numbers

Blacks step up on two key ladders

(128 C&D E&S)

Star 23/11/91.

DEREK TOMMEY

BLACK people are moving up the income and educational ladders at a rapid pace in spite of the South African economy being in recession for almost three years

This is shown by the latest AMPS survey carried out between February and June this year, some 15 months after the previous survey

In the 15-month period between the two surveys, the number of black adults earning more than R4 000 a month increased by 30 percent, while the number earning between R2 000 and R3 999 almost doubled, rising by 90 percent, an analysis of the survey by the the media department of the advertising firm Young and Rubicam shows

The increases are from a small base, but nonetheless they do show that black advancement has been continuing in spite of the country's economic difficulties and the continued unrest

According to the survey, the number of black adults earning between R700 and R1 999 rose by only 8,4 percent

One possible reason for the small increase in this income category is that the base was probably much bigger

The number of black adults earning less than R699 dropped by 8,9 percent This is encouraging if it reflects a move by people out of this income bracket into a higher one, and is not the result of increased unemployment

The AMPS survey shows that the tremendous amount of money that has been spent on black education is at last beginning to show some results

In the 15-month period between the two surveys, the number of blacks with some high school education rose by 8,1 percent while those who had completed high school rose by 19,7 percent

Urbanisation

Blacks with some university experience rose by 25 percent and those who had completed university by 50 percent Blacks with other postmatric qualifications rose by 5,3 percent

The data also reveals that there was a 3 percent increase in urbanisation among black adults in the 15-month period — an increase of some 484 000 people

Other data showed growing ownership of TVs and VCRs with increased electrification in many townships

Going broke on a higher salary

STAR 30/11/91.

MAGNUS HEYSTEK

THIS year you most probably earned more money than you've ever done before. But despite that, you have more debt than ever.

In fact, chances are very good that you are flat broke with a huge overdraft to boot.

If you are, don't feel alone as most South Africans, particularly if you are white and middle-class, fall into this category: Broke at your highest pay ever.

This is the result of several factors, but particularly fiscal drag and inflation.

Latest figures from the department of Inland Revenue show that the greatest number of taxpayers now earn between R50 000 and R60 000 a year — and this level is rising rapidly.

This is the result of more taxpayers being forced into the top marginal tax bracket of 43 percent for married men

Fiscal drag

The effect of fiscal drag on the average individual's tax position is clearly illustrated by looking at the relationship between current income and direct taxation

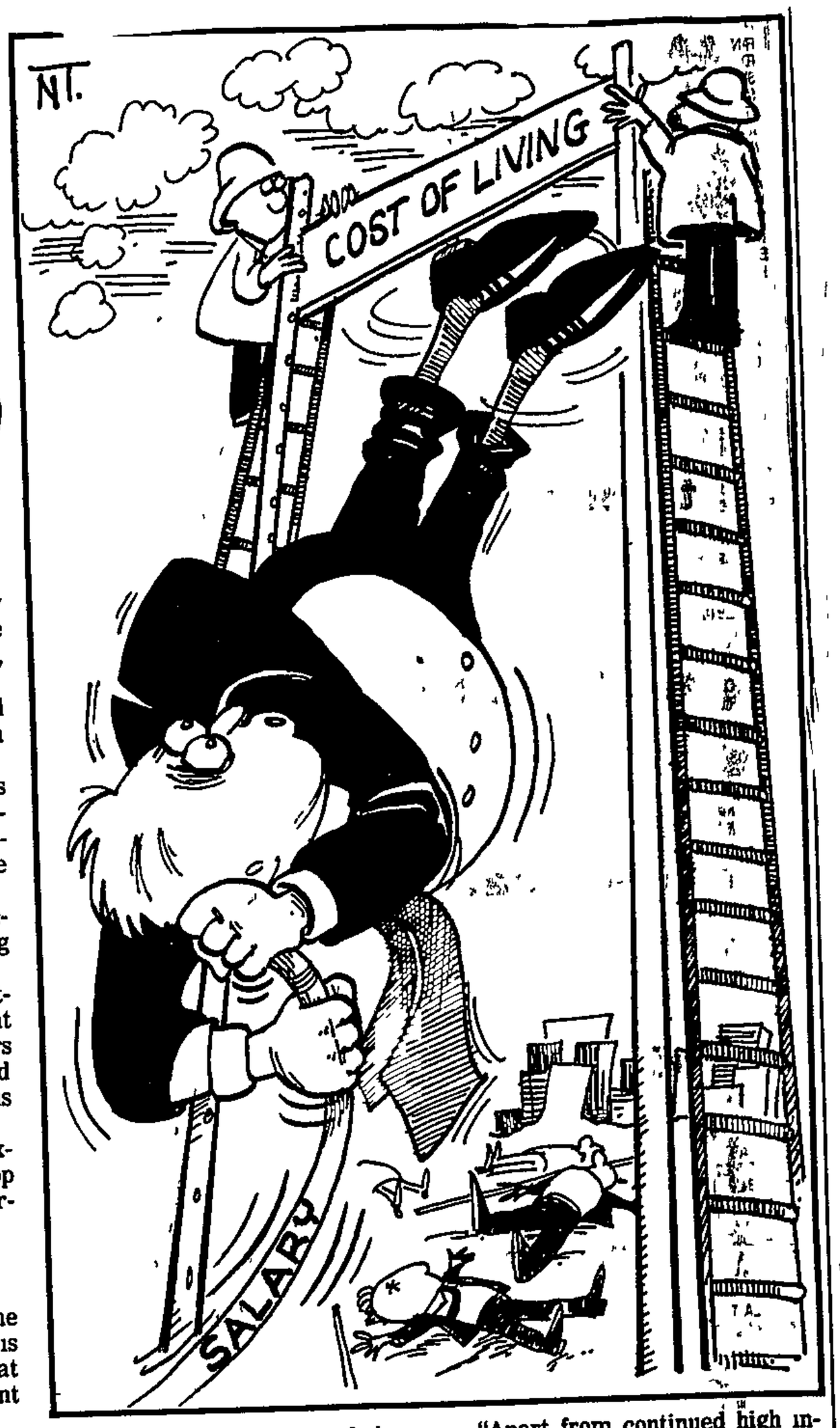
In 1975 this relationship stood at only 8,1 percent, according to the quarterly bulletin of the SA Reserve Bank.

By 1984 individuals were paying more than 11 percent of their income as direct tax, while by the end of the 1990 this figure had increased to 12,8 percent.

This is in addition to indirect taxes like general sales tax, now replaced by valued-added tax, which were not even around in 1975

While the final figure for 1991 is not available yet, tax economists are predicting that on average South Africans will be paying more than 14 percent of their disposable income to the state in the form of revenue

In addition to fiscal drag, which pushes people into ever higher tax brackets without a real increase in income, salaries and wages have also started lagging behind the inflation.



The joint effect of fiscal drag and trailing salaries has put enormous pressure on living standards This is evident in declining house sizes, and the ever-ageing car pool (now on average nine years old) as well as sharp increases in debt levels

A recent study by Old Mutual shows that average remuneration (wages and salaries) have started lagging behind the inflation rate This means that to maintain living standards people have no choice but to save less or borrow more.

But, as Dave Mohr, chief economist at the insurance giant, points out, savings levels are at historically low levels, which means only one thing Debt levels are increasing or living standards are dropping

"Consumers have indeed been under increasing financial pressure lately," he says

"Apart from continued high interest rates, the falling levels of output in the economy have resulted in both a further decline in total employment in the non-agricultural sectors of the economy in the first half of the year and a slowing per capita remuneration.

"Consequently, the growth in the aggregate wage bill has dropped behind the prevailing inflation rate."

With the economy still very much in the grip of the longest recession since World War 2, workers will have very little bargaining power with employers.

Company profits are under severe pressure and until profits start rising again, employees will have to accept smaller wage increases

It is highly unlikely that wages will catch up with the inflation rate until the economy starts growing again And this seems some months down the line.

Economy set for a poor Christmas

BIDay 3/12/91 · (128)

LINDA ENSOR

CAPE TOWN — Economic conditions, particularly consumer spending, will remain weak for several months and a poor Christmas seems a certainty, says the Board of Executors' (BoE) latest Investment Outlook.

Pronouncements about an imminent upswing were premature

"Volume growth in such basic items as bread, maize, sugar, beer and tobacco has recently either slowed sharply or even turned negative — a sure sign of really hard times," it said

"With the level of wage increases now dropping sharply, unemployment still rising, fiscal drag continuing to take its toll, and no significant relief likely in terms of lower interest rates, we anticipate that consumer spending will remain weak well into next year

"Even the anticipated post-VAT bounce in spending on capital and intermediate goods does not appear to have materialised to any significant degree, presumably influenced by the generally low level of confidence and high level of uncertainty"

However, senior portfolio manager Rob Lee said conditions for a long and healthy economic upswing continued to fall into place.

GDP had started to rise, agricultural conditions had improved, exports had been buoyant, state spending had been high and destocking had fallen off

Another beneficial result of the continued economic weakness had been that inflationary pressures were being seriously eroded

"Money supply growth is no longer 'financing' a 15% inflation rate, and it is only a matter of time before consumer price inflation moves to lower levels as well

"An inflation rate of close to 10% by the end of next year or early 1993 now seems achievable, providing the Reserve Bank does not allow itself to be panicked into a too rapid reduction in interest rates next year," Lee said

He added that the first significant cracks in the high level of inflation expectations were developing

Lee said an encouraging sign was private sector plans for a significant increase in capital expenditure in the next two or three years.

"The potential for an economic recovery powered by private sector investment is greater now than it has been for many years"

Regarding the stockmarket, Lee said it was trading at historically high rating levels and a solid rising trend in company earnings was necessary before any further significant rise could be justified

Since this would take some months to develop, "the market remains vulnerable to weakness in the short term Barring unforeseen disasters a major downside correction to the market is unlikely to occur", said Lee

He was cautiously positive about the merits of gold share investments and said a cyclical bull market in long bonds seemed to be under way with well selected property investments remaining attractive on a longer-term view

A clear upswing in the international economy should be developing by the second half of next year.

Lee predicted an average economic growth rate of about 2,5% for the industrialised countries next year compared with 1% this year

Government urged to ease consumer's burden

STAR 5/12/91

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By Derek Tommey

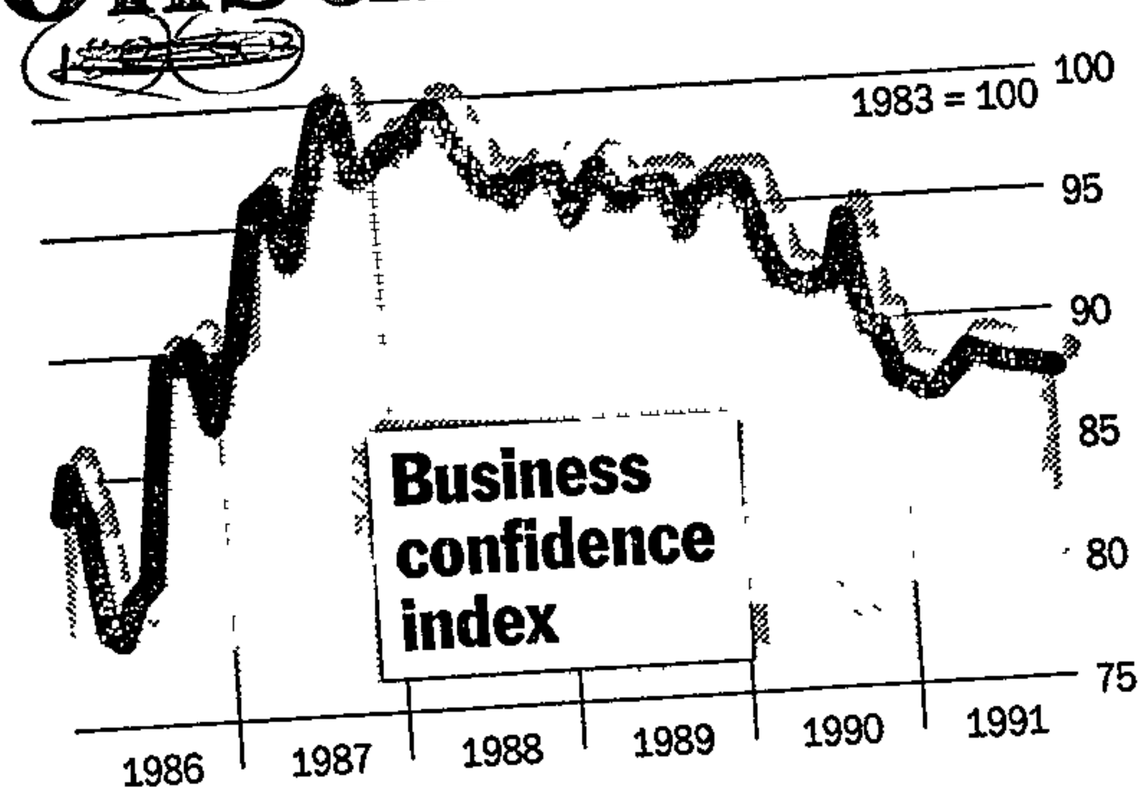
The Government must guard against further economic decline by ensuring that consumer spending is maintained at least at current levels, says Chamber of Commerce (Sacob) economist, Dr Ben van Rensburg.

The Government must make certain in the next Budget that tax rates are adjusted for fiscal drag and that the benefits are passed on as soon as possible, he says

Sacob's Business Confidence Index (BCI) suggests that businessmen have put their expectations on hold for the time being, though their mood might be slightly more positive than it has been

The index (1983 equals 100) for November is 87,9 — only fractionally lower than the October figure of 88 and not much different from those for the preceding months of the year

This lack of movement suggests that businessmen are in a waiting mood, unwilling to spend the money required to give the economy and the index a shove, but still spending enough to stop them from contracting



However, despite the slight October fall, by straining a little one can detect a slight improvement in the business mood.

The main reason for the drop in the index was the Vat-induced jump in prices

Dr van Rensburg says that uncertainty about the future, together with difficult trading conditions, continued to depress the mood in November

"There are increasing concerns within the business community that the long-expected recovery will be further delayed and that severe damage could be done to a number of sectors if conditions do not start to improve soon"

He says some of these fears may be based almost exclusively on the experience of current conditions and that businessmen may have failed to recognise factors pointing to a recovery

But faltering confidence could serve to undermine such fundamentals

"Businessmen must see an improvement in activity before embarking on new ventures," he says

Political and economic developments are contributing to this high degree of uncertainty But the continuing slowdown is now the primary concern of most businesses, he says

Dr van Rensburg says poor economic conditions are the result of three over-riding factors — low consumer confidence and declining real incomes, low levels of investment and problems in the world economy

The steady decline in retail sales in real terms shows the deteriorating financial state of the consumer

With unemployment 83 percent higher than last year and wage increases below the inflation rate, consumers have less to spend

"With interest rates remaining high, credit is not an attractive option to most people — particularly those who do not have secure employment."

Dr van Rensburg says that faced with this prospect, it is essential that the Government prevent a further erosion of personal disposable incomes

One way of doing this is to provide for the effects of bracket creep in next year's Budget and to make the adjustment at the earliest possible moment so that the benefits are felt immediately

Modest growth will redistribute white income to blacks report

SHARON WOOD

AN URBAN Foundation report shows that even modest economic growth will redistribute income away from the white population to blacks in the next few years.

A recently developed Urban Foundation income distribution model projects at least a 4,3 percentage point increase in the black population's share of personal income by 1995

The figure is based on an average growth rate of 2,5% a year until 1995, which lifts blacks' share of personal income to 37,3% from 33% in 1990. A more optimistic growth projection of 4% a year increases their share to 37,8%

A clear redistribution of incomes away from whites is projected even at the modest growth rates assumed, the report says

Whites' share of personal income is expected to fall by at least 0,7 percentage points to 48,5% (2,5% growth) or by 6,1 percentage points to 47,8% (4%) from 53,9% in 1990

The report says the two reasons for the redistribution are the differences between race population growth rates and the changing relationship between per capita personal income by race

Stripping out the effects of varying race population growth rates, the per capita personal income of blacks is projected to rise 8% to 115,3 (1985=100) if growth is 2,5% from 106,3 in 1990. At a growth rate of 4% the increase doubles to 16,5%.

In contrast, whites' per capita personal income is set to slip by at least 2,2% (2,5% growth) to 93,7 from 95,8 in 1990

RACIAL SHARES OF PERSONAL INCOME (%)

	Whites	Coloureds	Asians	Blacks
1985	58,8	8,3	3,7	29,2
1990 ..	53,9	9,2	3,9	33,0
1995 (2,5%)	48,5	10,0	4,2	37,3
1995 (4%) .	47,8	10,2	4,2	37,8

The effect of personal income redistribution will be to reduce the percentage of black households living in poverty.

The poverty gap, the total sum needed to bring all households below the minimum living level, stood at R13,8bn in 1990 and this is projected to rise to at least R14,6bn (2,5% growth) by 1995

However, the informal sector perhaps can be regarded as removing about R4bn from the aggregate poverty gap, the report says.

The Urban Foundation cautions that other aspects of economic policy, other than growth, will have a direct effect on the outcomes projected for 1995.

Govt 'must ensure social investment'

LINDA ENSOR

CAPE TOWN — Government would have to guarantee the payment of capital and interest on socially desirable loan investments which did not meet the criteria of security and return, Old Mutual chairman Mike Levett said in a statement yesterday

"Such loans would in effect be off-balance sheet borrowing by government and could well be considered as an extension to the budget," Levett said, stressing that the assurer's primary responsibility was to its policyholders and pension fund members

He said assurers did not have the skills or capacity to manage small investments such as home loans or small-scale entrepreneurial developments and that other agencies would have to do that

Levett called for a lower tax rate which at its current level acted as a disincentive to growth However, he said reducing the rate would require fiscal discipline and spending restraint as experience had shown that the option of expanding deficit financing lowered standards of living

"The budget deficit should be dictated by and should not be greater than the level of investment spending by government, he said

"Spending discipline will require substantial redistribution in favour of the less privileged Such a restructuring will not be painless, but the benefits achieved should outweigh the negative aspects"

Assets of the society at end-June totalled R62,8bn Total assets, including those managed on behalf of clients and unit trusts, stood at R72,4bn of which more than R42bn (70%) were invested in shares and property In Zimbabwe, where Old Mutual claims over 70% of the market, assets were Z$4,7bn

In the year to end-June total premium income rose 13% to R8bn with Old Mutual's market share rising 1% or 5% over the last five years Total income amounted to R12,1bn with income from investments at R4bn Benefits paid out came to R4,5bn

Levett said during the year several large provident funds were placed with Old Mutual, which had secured the underwriting contract for a group life scheme providing cover for more than 400 000 workers with a premium income of R100m a year.

Referring to the loss of money through embezzlement and fraud by members of Old Mutual's investment team, Levett said controls were being tightened

He said Old Mutual was the largest life assurer in Africa and was market leader in SA, Zimbabwe, Namibia and Malawi.

To comply with legislative changes in Kenya which required that all insurers be locally incorporated, a Kenyan subsidiary, Old Mutual Insurance Co Ltd was being registered with 60% of the shares held by Old Mutual and 40% by policyholders

Old Mutual's Kenyan policies, liabilities and assets would be transferred to the new company in 1992

The Kenyan portfolio was closed to new business in 1975 for tax and other reasons, but there were still 4 000 policies on its books backed by assets of about R78m

Former president of the Deutsche Bundesbank Karl Otto Pohl seconded the adoption of the annual report with a speech on the implications of German and European unification

Harry O loses to Cape families

(128) CT 19/12/91

Own Correspondent

JOHANNESBURG. — The Rupert and Hertzog families are poised to take over the Oppenheimers' top spot in South Africa's personal wealth stakes, according to a Financial Mail survey of South Africa's 20 richest families.

They have assets of R2,818bn, up from R1,522bn last year, while the Oppenheimers' assets are now valued at R2,872bn, up from last year's R2,534bn

The FM's 1990 figures did not include the Ruperts' and Hertzogs' share in Richemont. This, and a sharp rise in the share price of Tegniese & Industriële Beleggings, helped boost their asset value by 85%.

The Hertzog family wealth is tied to the Rembrandt group, of which their late father, Mr Dirk Willem Ryk Hertzog, was a co-founder.

Both the Ruperts and the Hertzogs are based in Stellenbosch. Other Western Cape families featuring in the top 10 are those of Mr Raymond Ackerman (fifth), Mr Christo Wiese (eighth) and the Jowell family (ninth)

Defying the recession, the combined value of the Top 20's assets increased by 58%, or R4bn, from last year, to R10,77bn. The valuations refer only to known shareholdings in listed family companies.

The Oppenheimers' major shareholdings were in Anglo (18,7 million shares worth R2,35bn) and Minorco (11,9 million shares worth R524m).

The Gordon family remained in third place, with its stake in Libvest worth R890m (R482,7m last year).

In the No 4 spot was the Methven family, with its shares in Rainbow Chicken worth R595m.

The fastest climber was Royal's Imerman family — up three places to No 16 with assets growing from R37m to R97m.

Grim outlook for wages in '92 – experts

STAR 19/12/91

By Shareen Singh

If wage increases this year were disappointing, next year would be worse, according to labour experts

Brian Allen, director of Andrew Levy and Associates, said he could not see the recession lifting before the completion of the traditional wage round for 1992 Wage negotiations would be as intense, if not worse

Wage increases below the inflation rate were possible next year, he added.

The commercial sectors and the motor industry would be hardest hit as a result of the recession. Low wage increases could also be expected in the public sector, he said.

In the mining industry, the shared-responsibility bargaining, which resulted in productivity and profit-linked wage increases, had to a large degree set a base for next year Mr Allen said.

A similar pattern would follow unless major unforeseen problems arose in the administration and application of those agreements.

He dismissed the possibility of wage freezes, saying he could not see unions accepting this

PE Corporate Services managing consultant Naomi Brehm said many companies were looking at the possibility of productivity bargaining and that this could become a trend next year. Most wage increases were expected to be between 3 and 5 percent below the inflation rate, she said.

Labour consultant Theo Hefer said the current trend of lower increases would continue next year, but increasing pressure would come from workers at the lower levels to get higher percentage increases

"It would be necessary for lower-paid workers to get higher percentage increases than white-collar workers in order to narrow the wage curve, which is abnormally steep in most companies," he said

Many companies had recognised the importance of more equitable wealth distribution, and a trend in this direction could be seen next year, Mr Hefer added

It would be unfair and wrong to expect lower-paid workers to absorb the pain of recession, he said.

pingo when they apply

One-man-one-light seen as key issue

STAR 24/12/91

While most South Africans can afford electricity, it remains unavailable to about two-thirds of the population, according to the SA Institute of Race Relations

The institute's latest Social and Economic Update 17 states that homes without access to electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half the cost.

Almost 81 percent of the 7 845 schools under the administration of the Department of Education and Training did not have electricity, which limited their potential to provide a well-rounded education programme, with audio-visual aids or electrical tools for technical courses.

Both the National Energy Council and Eskom aimed at providing energy to all South Africans, and Eskom hoped to provide 80 percent of the population with electricity by the year 2000, reports Update.

It said the pre-paid electricity meter known as the budget energy controller had been widely accepted The system operated with a disposable magnetic card which was slotted into a meter box in the user's home, and the user bought as much electricity as he could afford.

"Municipalities are making use of this system, and in Durban a plan has been introduced to electrify every home within its boundaries, including shacks, within the next five years, using the budget energy controller By 1996, it is hoped that 168 000 homes will be electrified."

Update reports that one of the systems Eskom is looking at, to provide electricity in areas without access to the national grid, is the Remote Area Power Supplies (RAPS) system, which would generate its own electricity or use a hybrid of energy sources such as solar power, diesel generators, and wind and hydro-turbines.

Update's business section notes that in March the Government estimated that the informal sector was growing at 8 percent a year, while further research indicates that the number of people involved in the informal sector on a full-time basis increased by 20,5 percent between October 1989 and October last year Consequently, the job creation possibilities in the informal sector are of increasing importance.

The publication noted that the Johannesburg City Council had convened a group of 10 officials to advise hawkers individually, and intended to expand the programme.

The council had also erected folding shelters in the city for hawkers, and had encouraged private enterprises to make storage facilities available for hawkers' wares.

In Natal, further assistance had been given to hawkers in the informal sector through loans from the KwaZulu Finance and Investment Corporation (KFC) These KFC microloans were aimed at small industrialists in the informal sector or moving into the formal sector

Update notes that the single largest capital investment by an international company in the Small Business Development Corporation (SBDC) is that of German subsidiary Hoechst SA, which invested in shares worth R2,5 million in May This is linked to the newly launched SBDC hive project in Industria, Johannesburg, the purpose of which is to place small manufacturing businesses in "industry hives" under the tutelage of the SBDC.

Update also reports that applications for over 40 million shares in National Sorghum Breweries (NSB) were received from about 9 000 distributors, consumers, members of the general public and employees, almost 90 percent of these applications coming from the black community

According to Update, the privatisation of NSB, now the largest black-owned company, could have important implications for the process of black economic empowerment.

"This is the only business entity which affords an opportunity for participating as owners, controllers, managers, directors, shareholders and distributors in a major company"

The publication reports that the minibus taxi industry had increased its share of commuter transport from 29 percent in 1987 to 44 percent last year, with the Southern Africa Black Taxi Association (Sabta) cornering 58 per cent of the total minibus-taxi market.

"But the industry has been hit by increasing costs of petrol and spare parts, as well as a rise in the price of new minibuses. As a result, owning a taxi is no longer the 'money-spinner' it used to be in the early 1980s. As commuters are unable to afford increased fares, profits have decreased."

A transport consultant, Paul Browning, told Update that the average monthly income of taxi owners had decreased from between R2 500 and R3 500 a vehicle owned, to between R1 500 and R2 500

Drivers employed by taxi owners had also been hit by increased costs. On average, a taxi driver must pay R300 a day to the owner, and anything over and above that was his own, so there was increased pressure to make as many journeys as possible with as many passengers as possible.

In addition, drivers must spend an average of R105 on new brake pads a week, and R8 a day on oil. — Sapa.

Break those inflation chains

Star 31/12/91 128

RESOLUTIONS

Thinking of New Year resolutions? Then take the plunge and make 1992 the year of the assertive consumer.

APATHETIC, downtrodden, uninformed South African consumers have had many labels stuck on them and not all of them are unfair

Leading consumer activists have some choice advice for consumers tired of being labelled

An informed consumer is a good consumer, says the South African National Consumer Union And, the best place to start is by knowing your consumer rights

These are to choose, to be informed, to organise, to safety; to be heard, and the right to redress

Consumer Council assistant director (communications) Daan Kruger says people will be able to make better choices if they are informed

"Everyone should take stock of himself as a consumer Inflation is regarded as public enemy No 1, but there is also such a thing as personal inflation We need to ask if we are spending our disposable income judiciously

"Is every buy I make the best I can do? It's no use going across town to get a special bargain and spending a fortune on petrol," says Mr Kruger

So, tomorrow his resolution will be "To take stock of myself as a consumer What have I done? What can I do? What does the situation allow me to do? Do I insist on good services and courtesy? If a price is beyond my reach, do I inform the seller?"

There will also be introspection and soul-searching, says Mr Kruger

"Do I fight for myself or do I expect other people to do that for me?"

Housewives' League vice-president Jean Tatham will take time to make informed decisions "I'm going to look and phone around before buying anything There are new products on the market and I'm going to take some time to try them "

Econometrix chief economist Dr Azar Jammine believes consumers can play an active role in fighting inflation by not accepting high prices

"I'm going to shop around and resist buying if the prices are too high," says Dr Jammine, admitting that it is easier said than done

But, by trying new products and choosing the prices they pay, consumers can help break the "inflation psychosis" South Africans find themselves in

Go on, be daring Make this the year of the active consumer

TRENDS REPORTER



Shopping around Econometrix chief economist Dr Azar Jammine.

1992 will be better, say whites in poll

B'Day 31/12/91

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NINA SHAND

DESPITE continuing violence, poor economic conditions and mass retrenchments, white South Africans are more optimistic than blacks that 1992 will be better than 1991, a recent Markinor survey has found

The Gallup Poll, conducted in October as part of an international year-end poll, found that while 40% of whites believe things will get better in 1992, only 33% of blacks have the same opinion

Last year, this situation was reversed, with 47% of blacks confident that 1991 would be better than 1990, compared with 34% of whites

Markinor director Peter Scott-Wilson said it was directly attributable to violence and poor economic conditions

Markinor says that from 1982 to 1985, optimism among South Africans decreased as a result of the state of emergency during this time, and picked up with the outcome of the 1987 general election

The escalation of township violence in 1988 and 1989 led to an overall drop in optimism, although towards the end of 1989 blacks showed more confidence in the future than whites This trend continued in 1990 after President F W de Klerk began his reforms and optimism levels among whites dropped dramatically

The poll, conducted among 2 300 urban adults (1 000 whites and 1 300 blacks), found the higher income group to be more optimistic than the lower income group

Some 45% of whites earning more than R6 000 a month feel 1992 will be better than 1991, while among those earning less than R2 500, only 36% share this view

Among blacks this difference is more pronounced, with 42% of those earning above R1 500 and 28% of those earning less than R400 having the same opinion

"The importance of earning power confirms the importance of economic factors in forming people's attitudes to the future," Scott-Wilson says

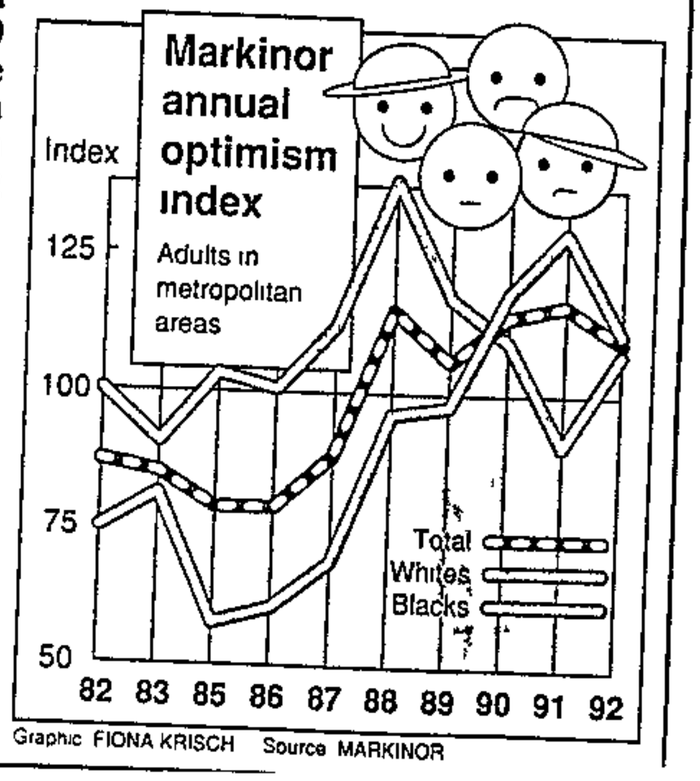
The poll found whites living in Bloemfontein (50%) and in Port Elizabeth/East London (49%) and blacks in Pretoria and Durban (39%) to be the most optimistic about the future

With regard to strikes, 45% of whites and 30% of blacks, compared with 53% and 21% last year respectively, said they would increase

English-speaking white South Africans are positive that 1992 will be a peaceful year, with only 26% believing it will be a troubled year with much international upheaval, compared to 43% of Afrikaans speakers believing this

"Perceptions seem to be easing slightly despite disturbances throughout Eastern Europe," Scott-Wilson says

Among black South Africans, 28% believe 1992 will be a troubled year and 30% believe it will be peaceful



Graphic FIONA KRISCH Source MARKINOR