

PRICES — GENERAL

1988

JANUARY — ~~3~~ JUNE

Petrol price ^{S/Times} set to rise ²⁴⁴ soon ²⁴³

By DON ROBERTSON

A PETROL price rise early in the new year is almost certain.

A spokesman for the Department of Energy and Mineral Affairs said this week

"It would be valid to expect an increase in the price of petrol in the next few months"

He says no decision has yet been taken on the possible extent of the rise, but the matter will be considered when national statistics are compiled this week

A fuel price increase will have a marked effect on the inflation rate

At present, fuel contributes an average 4,56 percent to the consumer price index, with public transport adding a further 0,81 percent

A petrol price hike almost immediately translates into higher prices of virtually all other consumer goods which at some stage are moved by road

This means Government efforts to contain inflation will be severely hit.

Deficit?

The key in determining petrol prices is the size of the "slate" — the oil industry's name for the Government-controlled stabilisation fund which compensates for under-recovery and over-recovery on retail sales.

Since July, when the price was reduced to 82c a litre on the Reef, the fund has almost been wiped out — from R195-million in July to R28,5-million in November.

Industry sources believe it would have been in the red by the end of December and it is unlikely that Government will allow it to stay in deficit as it has done in the past.

Petrol prices on the Reef, where most fuel is consumed — peaked in January 1986 at R1,02 a litre.

Prices have since fallen to 92c in March 1986, 83c in April last year and in July to the current level of 82c

● See Page 1 Business Times.

Petrol prices rise

our files 4/1/88
244

SAVING HALLO TO 88!



HAPPY NEW YEAR This member of one of the Coon Carnival troupes parading through the streets of Cape

Own Correspondent JOHANNESBURG. — South African consumers face sharp commodity price increases in 1988.

Several "input" costs are set to rise early in the year — including petrol, electricity and transport tariffs.

Most analysts are cautious in their forecasts, although various industry and economic spokesmen hint that talks between government and producers involving price increases are already underway. The outcome of these discussions could have a bearing on price strategies from as early as February.

A rise in the petrol price early in the year — which oil industry sources say could be "hefty" — is likely to lead to price increases for most commodities.

'Confidential' talks

The sources say "highly confidential" talks have already taken place with more talks scheduled for early February.

Reasons for the forthcoming increase is the likelihood of the cumulative profit and loss account going into deficit early this year. After showing a surplus of R12m at the end of January last year, the slate fell to R28m at the end of November.

Favourable international crude oil prices and a better exchange rate are unlikely to offset this price rise, the

sources say

"South Africans have become complacent and July 1, 1987, saw a reduction in petrol prices of between 1c and 2c due to over-recovery. A change in the equalization fund levy, plus the better exchange rate since December 1986, placed petrol in an over-recovery position. Petrol retailers benefited to the tune of between 1,6c and 7,6c a litre."

However, sources say, the United Nation's resolution in November, which included a call for an oil embargo against SA, would still have to be examined. Added to this is anti-apartheid pressure on United States oil companies to quit SA.

Despite Escom's efforts to contain cost escalations, electricity tariffs were lifted by 10% as from the beginning of this month.

Railway tariffs

In the face of a stronger rand, SA Airways has upped fares to most destinations by 5% as from January. This raises a question over air-freight costs and their potential to drive up commodity prices.

The potential threat of railway tariff increases being implemented on January 10, to finance the SA Transport Services Trading deficit, have been consistently rebuffed by SATS.

And the finance general manager of the Transvaal Coal Owner's Association, Mr Gerald Robinson, says prices are under discussion, with the outcome expected in about three weeks' time.

Prices set to rise sharply this year

4/1/87 (244) B/day

ROBIN TAYLOR

RISES in input costs early in the new year could see SA consumers facing sharp commodity price increases in 1988

Several input costs are set to rise early in the year — including petrol, electricity and transport tariffs — which could have a multiplier effect on consumer prices and fuel inflation.

Most analysts are cautious in their forecasts, although various industry and economic spokesmen hint that talks between government and producers involving price increases are already under way. The outcome of these discussions could have a bearing on price strategies as early as February.

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ly this year. After showing a surplus of R192m at the end of January last year, the slate fell to R28m at the end of November.

Sources say favourable international oil prices and a better exchange rate are unlikely to offset this price rise. As well, the UN's resolution in November, which included a call for an oil embargo against SA, still has to be examined. Added to this is anti-apartheid pressure on US oil companies to quit SA.

Despite Eskom's efforts to contain cost escalations, electricity tariffs rose by 10% as from the start of this month.

In the face of a stronger rand, SAA has upped fares to most destinations by 5% from this month. This raises a question over air-freight costs and their potential to drive up commodity prices.

The potential threat of railway tariff increases being implemented on January 10, to finance the SA Transport Services (Sats) trading deficit, have been consistently rebutted by Sats.

Courier Times 6/1/88 (244)
**Sugar price up by
11,5% on February 1**

THE price of sugar is to be increased by an average 11,5% on February 1

The Consumer Council yesterday said the increase would probably have a ripple effect on the prices of other commodities

The Sugar Association announced yesterday that the consumer price of sugar was to be increased by about 11,5%, while the industrial price of white sugar would rise by 12,6% and brown sugar would increase by 11,9%

A spokesman for the association said the retail price of sugar was no longer controlled and it was difficult to say what specific increases would be

He said other products affected would probably include softdrinks and cordials, sweets, canned goods, cakes and condensed milk.

Wave of price rises imminent

244
8/10/88
7/1/88

DURBAN — A looming wave of price increases by manufacturers threatens to raise the cost of an estimated 15 000 products by up to 10% before Easter.

Consumers will be paying more for all supermarket items within the next three months — and the expected prices have sparked a call for an end to the traditional January wave of increases.

Durban retailers have been swamped by a wave of planned new prices.

"In one fell swoop, essential salary increases which have been won by many hard-pressed families have been wiped out," said Margaret Cooke of the Housewives' League.

On top of these hikes, further processed food price rises can be expected after yesterday's 11,5% increase in the price of sugar.

Martin Rosen, Durban North Pick 'n Pay Hypermarket manager, said inflation had gone "right out of control."

"New lists with increased prices averaging between 9% and 10% are coming in at an unbelievable rate. Most of these were posted before the current talks about a possible petrol price increase, which means further all-round increases can be expected."

Urgent steps

Rosen said the housewife could expect to pay 10% more for all supermarket items within the first three months of 1988, and urgent steps needed to be taken to break the traditional January wave of price increases.

"Many manufacturers did not even bother to give a reason for increasing prices. In most cases these increases are simply because of lack of competition."

"There is only one large cereal producer; one major soft drink manufacturer; and two dog food suppliers for 30-million customers in South Africa," he said. — Sapa.

... prices to new high

More price hikes loom

DURBAN — A wave of imminent price increases from manufacturers threatens to increase the cost of an estimated 15 000 products by around 10 per cent by Easter

Housewives will be paying anything up to 10 per cent more for all supermarket items within the next 12 weeks — and the prices have sparked a call for an end to the traditional January wave of price increases

"In one fell swoop essential salary increases, which have been won by many hard-pressed families, have been wiped out," said Mrs. Margaret Cooke, of the Housewives' League.

On top of these hikes, further processed food price increases can be expected after Feb-

ruary's 11.5 per cent increase in the price of sugar

The manager of the Durban North Pick 'n Pay hypermarket, Mr Martin Rosen, said inflation had gone right out of control

"New lists with increased prices are coming in at an unbelievable rate at an average between nine and 10 per cent

"Most of these were posted before the cur-

rent talks about a possible petrol price increase which means further all-round increases can be expected"

"In most cases these increases are simply because of lack of competition. There is only one large cereal producer, one major soft drink manufacturer and two dog food suppliers for the 30 million customers in South Africa" — Sapa

General rise in food prices

July 8/Down 7/1/88
Business Day Reporter

THE price of white and brown bread increased by 8% and 10.7% respectively from September to October 1987, the latest Central Statistical Service figures show.

During the same period there was a general increase in the price of fresh beef with the largest increases in hind quarter (12.3%), rump (9.4%) and chuck (9.5%).

The lettuce price increased by 27%, cabbage by 11.8%, beetroot by 12.6% and pumpkin by 8.8%.

Large monthly drops were in the prices of grapes (23.1%), onions (9.8%), tomatoes (9.3%), potatoes (8.7%), squashes (13.3%), oranges (8.7%) and bacon (6.5%).

244

SOWETAN, FRIDAY, January 8, 1988

Page 7

Uniforms price shock

BLACK parents with children going to school for the first time this year must brace themselves for a big 20 percent increase in the price of school uniforms.

Parents will have to fork out between R120 and R200 for a complete uniform before schools re-open next Wednesday. A number of clothing stores in Johannesburg this week attributed the increase to the rising costs of raw materials and labour. They said

By SY MAKARINGE

they would have tried to absorb the increase had raw material not cost so much.

Mr Mohamed Cachalia, manager of Snappers, a popular school uniform manufacturing company this week confirmed that prices at his six outlets throughout the country had gone up by 20 percent.

According to figures he gave the *Sowetan* an average parent of a Sub-A child will spend R19,95

on a pair of shoes, R17 on two shirts, R17 on two pairs of shorts, R5,90 on two pairs of socks, R3,95 on a tie, R17,95 on a school cardigan and R51 on a blazer. These prices do not include General Sales Tax.

Mr Brian Welman, human resources manager of both Smart Centre and Top Centre, said prices at these stores had gone up "by a rand or two".

"It is not a substantial increase. The prices are almost the same as last year," Mr Welman said.

He also attributed the "slight" increase to the "normal rising costs of raw material".

Of the chain stores contacted by the *Sowetan* this week, only Pep indicated that it would not increase its prices as "this is a very difficult decision to take."

A spokesman for Pep said from Cape Town that school uniforms would be sold at last year's prices.

An angry parent, Mr Moses Mathebula, of Tshiwelo, yesterday said "it was obvious that

clothing shops timed the re-opening of schools to increase their prices

"They take advantage of the fact that thousands of black children will, as expected, be going to school this year. This is the best time for them to make money. Although uniforms are no longer compulsory in some schools, there are certain school principals who still insist that school-children must always be in uniform," Mr Mathebula said.

UNIFORMS: Up by 20 percent.

composite amount reflecting both the wholesale margin (itself 5,258c before rounding) and the "balancing item" of under-recovery, to give a sub-total of 66,9c. On top of this is added inland transport of 7,8c and a retailers' margin of 7,2c to arrive at the retail pump price of 82c.

The combined favourable influences of the oil price and the exchange rate have effectively halved the rate of under-recovery since June — to just over 2c/l for November.

Sources say there is reason to hope for a further drop in the "landed cost" of refined products for December. So the under-recovery for last month could be even further reduced.

Admittedly, the accumulated position on the slate (R28,5m in the black at the end of November) has been steadily eroded by the long period of under-recovery. But this alone is hardly a basis for a higher price — more so if long-term trends remain favourable.

Most currency analysts do not yet see an end to the dollar's fall. Some are even talking of a US\$5c rand.

Meanwhile, Opec is holding the current oil price of around \$17,70 a barrel for Brent crude with difficulty. According to reports, the cartel is over-producing its self-imposed 16,5m barrels per day quota by some 2m barrels. And an end to the Northern Hemisphere winter is in sight. Consequently, it is unlikely Opec's price structure will hold.

Under the current scenario, it would be foolhardy indeed for government to give a vicious inflationary twist to prices, which an increase in the petrol price would imply — especially when the economy is so delicately poised for a recovery.

PETROL PRICE

244

A false alarm

Government has no intention of increasing the price of liquid fuels, speculation to this effect in the weekend press aside.

Government's position is backed by favourable trends in the two main factors determining fuel prices — international oil prices and the dollar/rand exchange rate, says Department of Mineral and Energy Affairs (DMEA) Director-General Lol Engelbrecht.

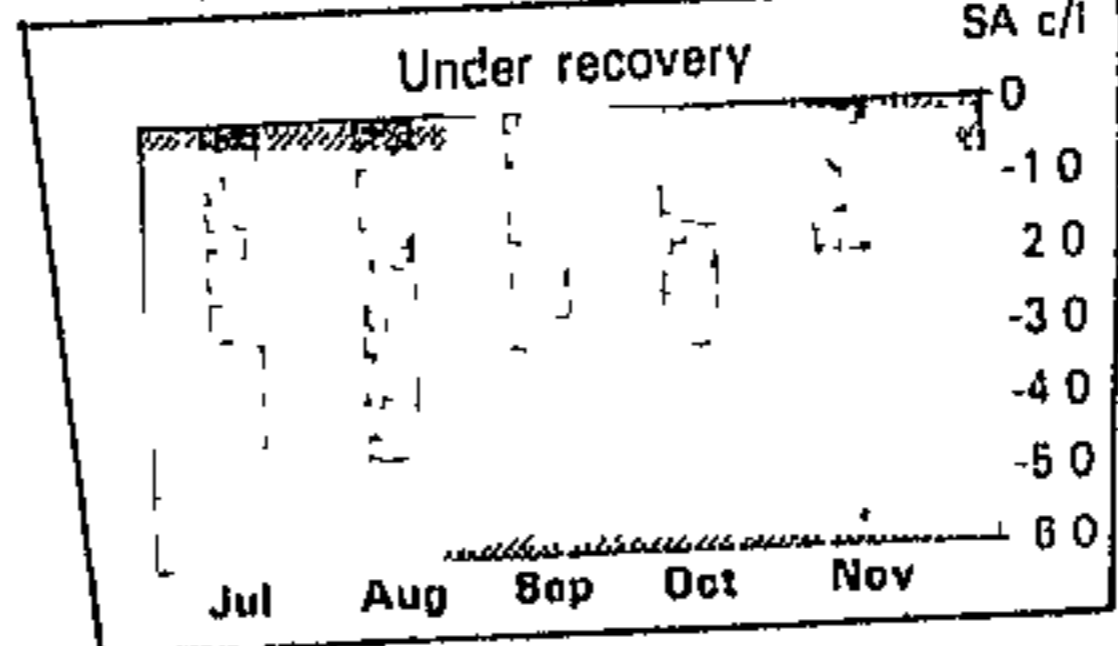
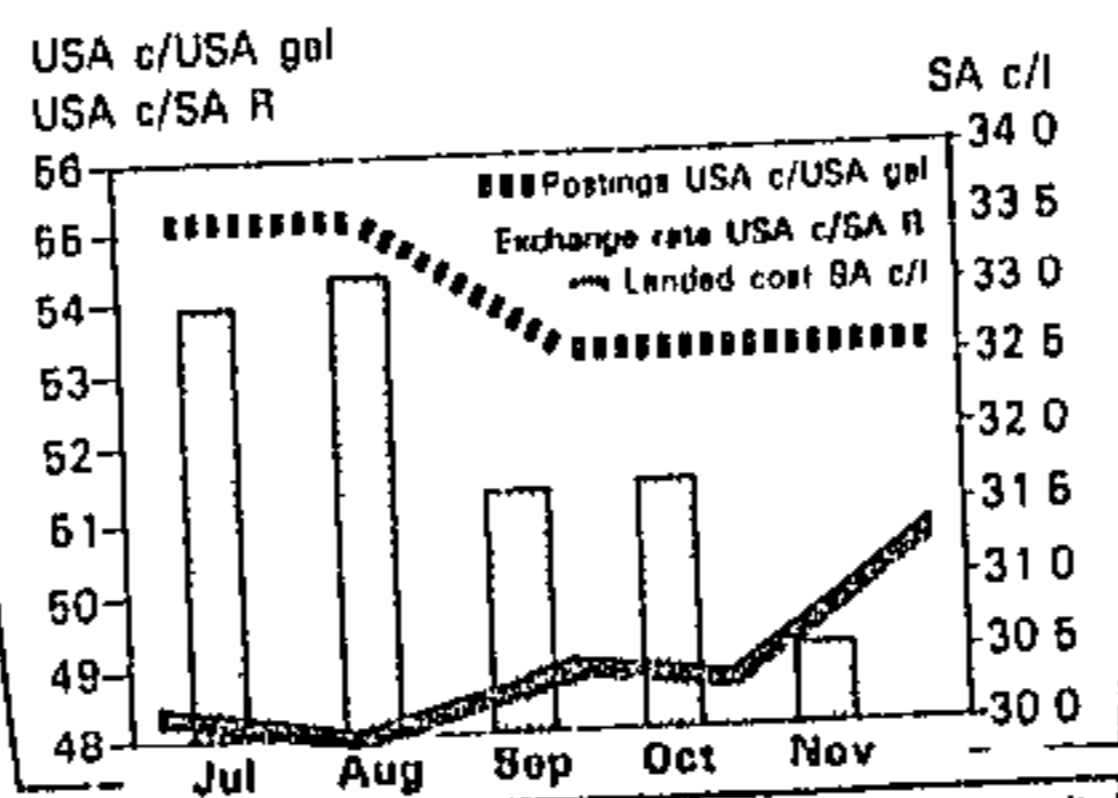
While there has been a significant degree of under-recovery on the "slate" — government's ledger kept to determine whether petrol and other liquid fuel consumers are paying enough to maintain the margins provided for suppliers — this gap is also narrowing.

Most calculations are related to the price of 93 octane petrol in the PWV area. DMEA director, energy, Laurens van den Berg says at the end of November the pump price of 93 octane on the PWV was based on a landed cost of 30,566c/l.

To this is added customs and excise of 4c, the Unified Fuel Levy of 23,5c, a

Narrowing the gap

What makes the petrol price (93 octane)



KM 8/1/88

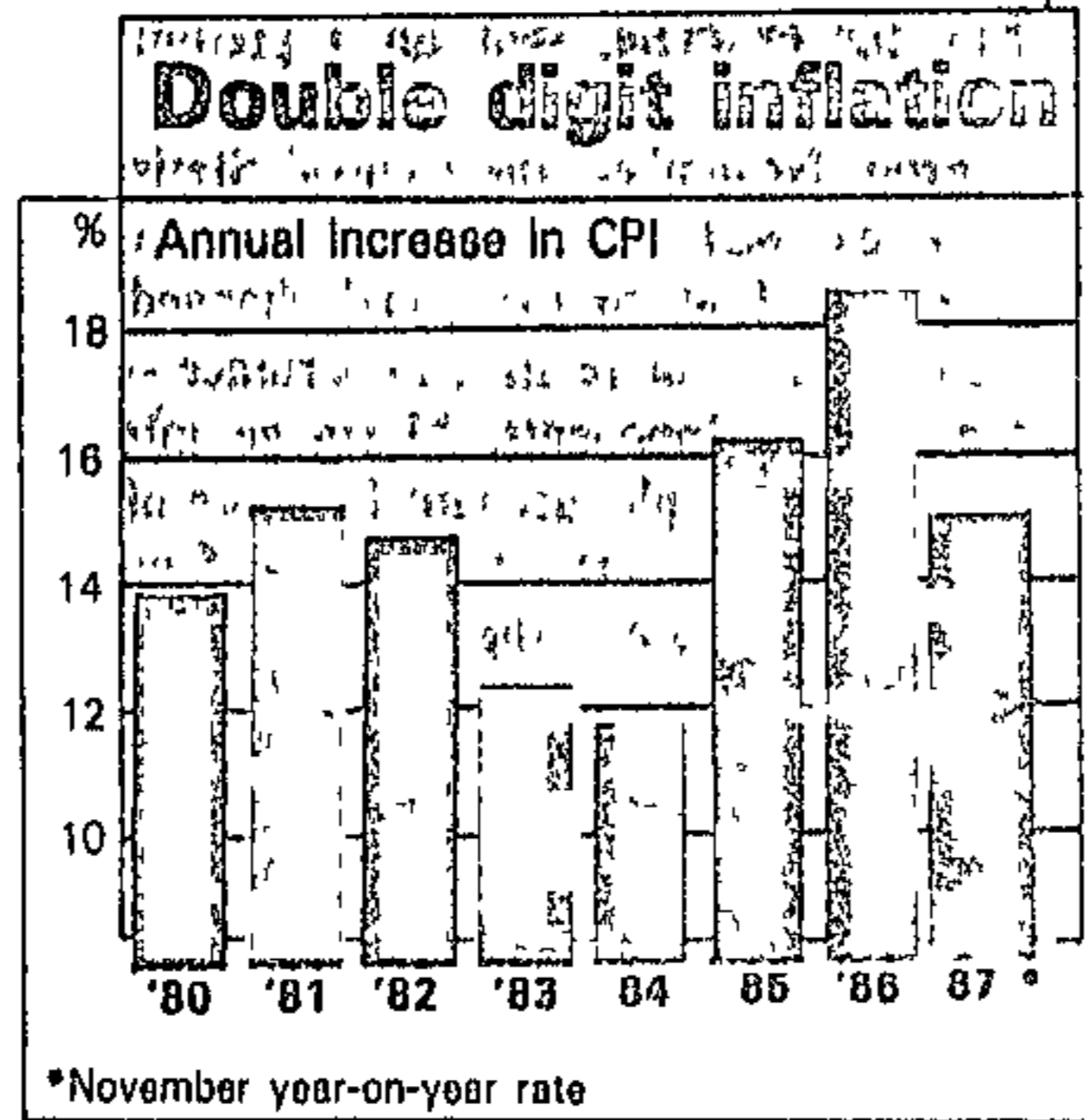
CPI rose 18,6% in 1986, 16,2% in 1985 and 11,7% in 1984

Wits business economist Dan Leach says we shouldn't be surprised that consumer prices continue to go up and up "As long as money supply increases at 15%-20% a year, you'll have price inflation at about that level. The high growth rate in money supply generates the continuing increase in the price level. There's no mystery about it."

Says Free Market Foundation analyst Nancy Seijas "It's the same old story of more money chasing about the same amount of goods. Prices must go up, but don't blame businessmen and workers."

For CPI to moderate in 1988, there will have to be less money, more goods, or both, Seijas says. That means Pretoria must take decisive action such as setting lower targets for money supply growth and deregulating to allow more wealth to be created.

Leach says Pretoria could show its commitment to fighting inflation by rolling back spending — both to make the economy more efficient and to remove its temptation to pay



off debt by creating money

"At the same time government curbs monetary growth it should make a large cut in spending," he says. "This would be a strong signal that the authorities mean business. Government spending must be funded somehow, and it is often easier for it to debase the currency than raise taxes directly."

But is a drastic cut in government spending a realistic prescription? Seijas thinks so — if Pretoria packages it right. Government could make big cuts in spending on education and housing, for example, if it would allow private schools to operate freely and strip away zoning and building regulations. In other words, people have to see their aspirations can be met without government spending, or they will resist all cuts.

Seijas is not particularly optimistic about the outlook for consumer prices this year. "I think government is going to do more about freeing up the economy and giving blacks more economic freedom. But I'm less convinced it'll get monetary inflation in check."

Other analysts are also cautious about the CPI outlook.

"I think we're going to see inflation slightly lower this year — just below the 15% or so we ended up with last year," says Rand Merchant Bank economist Rudolf Gouws.

He expects that money supply growth will be kept in check by rising interest rates later this year. "As the demand for credit accelerates, we'll see a combination of the market bringing about increased interest rates and the Reserve Bank increasing bank rate."

Gouws warns, however, that his inflation prediction could be too low if Pretoria widens its budget deficit and finances it by borrowing from the banking system. Also, he says, SA could face higher import prices if the rand should fall because of a sharp drop in the gold price.

Econometrix senior economist Tony Twine expects price rises to soften early this year but turn around in the third quarter. "That will be the beginning of a real rise, and next year could be a very uncomfortable one." He figures CPI will be lower on average this year than in 1987 but will approach an annual rate of 20% in 1989.

He cites the increasing money supply as the underlying problem. The broad measure M3, for example, shot up a preliminary 17,4% in the year to November.

From November, the Central Statistical Service (CSS) has changed its base year for CPI from 1980 to 1985, and changed the weightings — or relative importance — of the index components. Mortgage interest rates, for example, account for more of the index because South Africans were found to be spending more of their incomes on housing in 1985 than in 1975, the last time a survey was done. Food, furniture and clothing, on the other hand, now account for less of the index.

If measured by the new weighting, CPI in October would have shown a year-on-year increase of 13,8%, compared to 15,5% using the old weighting — which is the published figure. The November figure of 15% uses the new weighting, but is adjusted by the CSS so that it can be reasonably compared to previous figures using the old weighting.

CONSUMER PRICES (244)

Grim prospects

Consumer prices continue to increase at a double-digit rate, and economists see little hope of a slow-down. In the year to November, CPI increased 15%, following a year-on-year increase of 15,5% the month before.

F/M 8/1/88

Chasing Marievale

Competition for the mining title controlled by Gencor's dying Marievale gold mine is hotting up. It is reliably understood that Les Holmes' Sub Nigel mine has emerged as a contender in opposition to Glen Laing's Southgo mine which made an earlier pitch to Gencor (FM October 30). Holmes declines to comment on Marievale, while Gencor's gold and uranium CE Bruce Evans repeats what he said last October on Southgo — that Gencor is considering every possibility concerning the future of Marievale.

Marievale is situated next to both Sub Nigel and Southgo, near the town of Nigel on the Far East Rand. Southgo has already negotiated a tributing agreement to mine the southern section of Marievale's lease which is too far from Marievale's existing shaft systems for economic exploitation. The Marievale lease would be an asset for either mine, but Holmes could have a particular incentive to make a strong pitch for Marievale. Its acquisition could help solve Sub Nigel's soaring capital spending problem.

Sub Nigel's annual report for the 1987 year showed the mine had experienced severe cost overruns on its capital budget. The

prospectus forecast it would cost R24,3m in 1986 money values to re-open the mine and get it to full output of 40 000 t/month. In his review Holmes estimated that figure had escalated 44% to R35m.

At R14m, spending for the year to end-June was more than double the prospectus estimate and a further R7m is budgeted for the current year. Part of this involves cost overruns and part results from a decision to speed up development. Sub Nigel is expected to mill at 30 000 t/month from April this year, a level which would not have been reached until early 1989 on the original planning.

Holmes tells me the cost overruns have been caused by inflation, equipment manufacturers pushing up prices to take advantage of high demand from the gold mining industry and because he has been forced to buy new equipment instead of second-hand equipment as planned.

"We had estimated we could get underground locomotives second-hand for about R12 000 each but they are simply not available," he says. "We've had to pay about R36 000 each for new ones. Prices of such basic pieces of equipment as a scraper winch have risen from about R6 000 two years ago to about R12 000."

Holmes says faster development at Sub Nigel makes long-term sense. The mine has come into production smoothly apart from higher-than-expected gold lock-up in the

treatment plant, and he says it is essential to push up gold production swiftly to cut fixed costs. However, he concedes that a short-term adverse result of the higher capex is that Sub Nigel's dividend payout in the current year could be trimmed but Holmes declines to make a specific forecast on the dividend Sub Nigel will pay.

Acquiring Marievale could offer Holmes a chance to curb spending over the next two years. Marievale is milling between 25 000 to 30 000 t/month, which means Holmes could hit his 40 000 t/month target immediately from a combined Sub Nigel-Marievale operation even if he chopped back drastically on output from Marievale.

Overall benefit of such a move to Sub Nigel shareholders would depend on the dilution of capital through issue of shares to acquire Marievale.

Holmes, Laing and other small mining entrepreneurs are keen to get their hands on an operation like Marievale as they believe they can mine it more efficiently and profitably than major mining houses. The mining houses slap hefty head office overheads on to the marginal mines which cannot afford them. The contention on more efficient mining raises the blood pressures of several mining house executives, particularly in the case of Marievale which was run by Union Corporation before the merger with General Mining. Union Corporation prided itself on cheap and efficient mining.

Brendan Ryan

UP GOES SUGAR

The South African Sugar Association (SASA) has announced that the price of sugar, for Durban, is to rise on February 1 by 12,6% to R983/t for white sugar and by 11,9% to R892/t for brown sugar.

SASA chairman John Chance's advance notice of the increase on Tuesday represents a break with tradition and will limit the speculative dealing that generally preceded price increases. At the same time all consumers will have an equal opportunity to buy in stocks ahead of the price increase.

Sugar prices are no longer controlled at the retail level, but assuming margins remain constant, SASA calculates that the retail price of sugar on the Reef will rise by around 11,5% after the latest price increase.

The increase comes notwithstanding a continuing glut of sugar on world markets. This over-supply means consumers could theoretically import sugar at some R300/t below the newly fixed domestic price.

SASA's defence against criticism of the protection afforded by government against such cheap imports is that the domestic industry would collapse and leave its 1m dependants without work if the price were not controlled.

In addition SASA points out that world sugar prices and currency exchange rates are notoriously cyclical. If natural disasters wiped out the world sugar surplus and currencies went against them, users could find themselves paying over the top for imported sugar.

The formula in terms of which the domestic price of sugar is fixed allows South African sugar millers a 14% return on the historical book value of their capital assets, while growers are allowed a 7% return.

8/1/88 *[Signature]*

'Petrol price will not rise'

SVEN FORSSMAN

Good news for hard-hit consumers is that the Department of Mineral and Energy Affairs is not considering increasing the price of petrol, says spokesman Mr Harald Bielfeld.

Commenting on the final reconciliation of the retail price of petrol for December, Mr Bielfeld said yesterday that motorists in the PWV area paid 1,56c per litre too little for 93-octane petrol.

"But the under/over-recovery account will make up this loss," he said.

The latest preliminary estimates of the under/over-recovery account indicate a favourable balance of between R10 million and R15 million.

"If the exchange rate and the lower crude oil prices remain at their current levels, there will be no need to increase the price."

The bitter sweet rise in prices

Clips 10/1/88
244
Sugar

By **SINNAH KUNENE**

IT is a bitter pill to swallow for those with a sweet tooth from the beginning of next month – the price of sugar is going up

The news that all sweet goodies go up by 12 percent on February 1, has hit the poor and left them stunned

President of the Black Consumer Union Ellen Khuzwayo sounded distraught when approached for comment

"What do you do with people who have already been hit by unemployment and those who earn poor wages and can't keep up with the high cost of living?"

"Sugar is a primary product used by poor families and they can't live without it," said "Ma-K," as she is affectionately known

"I personally feel helpless and heaven only knows how these people feel," she lamented

The hardest hit will be people from the rural areas who depend on canned foods, because they have no fridges. Their children also live on soft porridge, which if served without sugar, is inedible.

The South African Sugar Association announced this week that the price of white sugar (industrially) will rise by 12,6 percent from R873 to R983 a ton, an increase of R110 per ton. Brown sugar will increase from R797 to R892 a ton

This means a 2,5kg pack will cost 38c more

Sasa, however, believes the increase is well below the current inflation rate of 16 percent and managing director Peter Sale assured consumers there would be no further increase in the price of sugar this year. He urged consumers to take advantage of the pre-announcement, which gives them four weeks in which to buy sugar at the old price.

However, the news of the increase is being regarded as a tip of the iceberg as both manufacturers of foods that contain sugar and consumers expect more price increases early in the year

Dave Upshon, of Nestle's corporate relations department, said condensed milk and confectionery lines would definitely be affected by the increased sugar price, although there would be an overall increase on all their products when other increases were announced

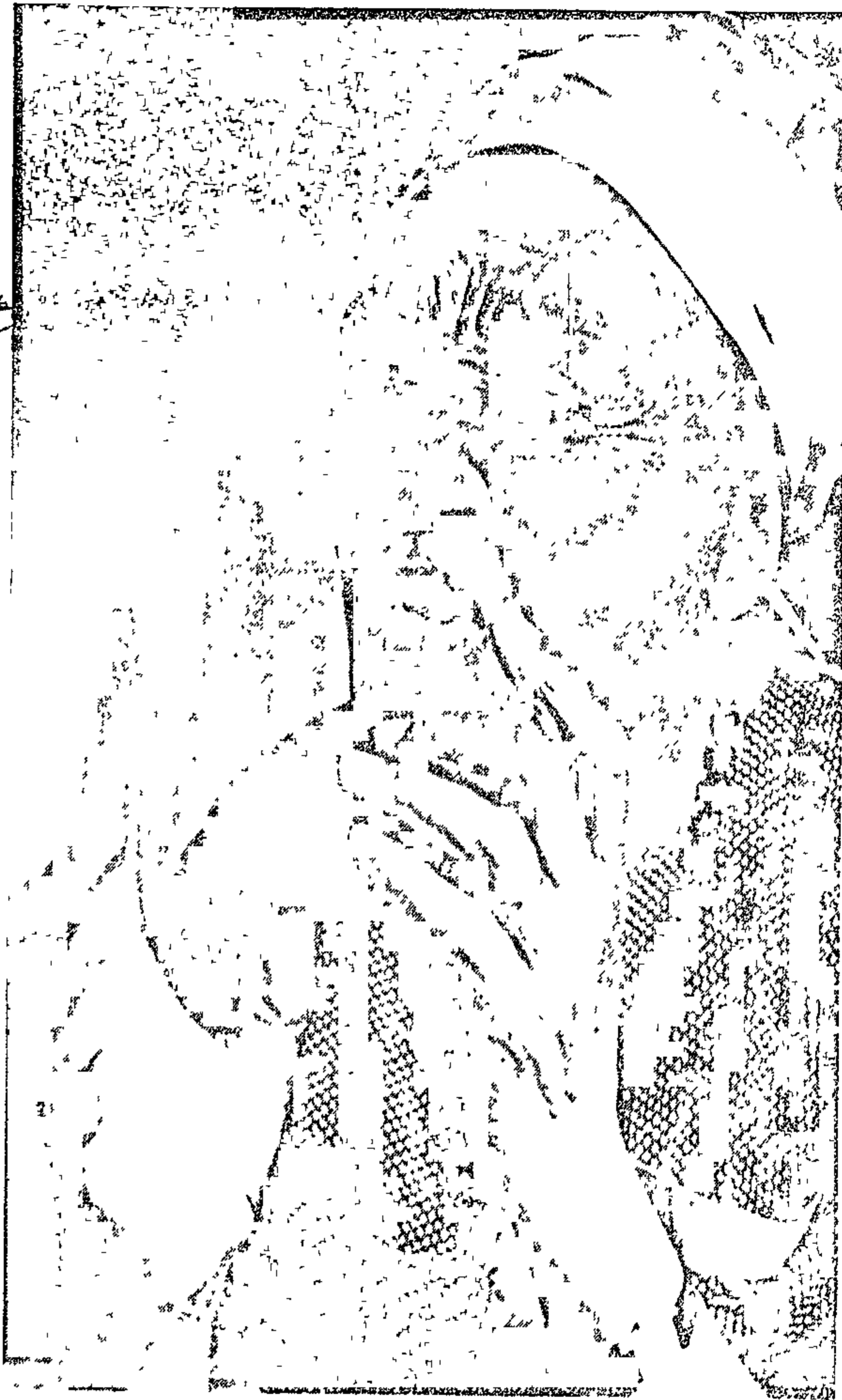
Jo-Anne Papas, manager of Mono Bakery, also shared the same sentiments. She said consumers should expect a

price increase on confectionaries because "an increase on the price of raw materials is unavoidable"

The managing director of sweet manufacturers Chapelat Industries said although they had not yet received an official notice from Sasa, their product would definitely be adversely affected by the increase.

"There is a very steep increase in raw materials and we're expecting many more increases to be announced. Although we cannot at this stage determine the percentage, the increase on our products may be between 10 and 12 percent," he warned

Other foodstuffs likely to be affected by the increase are soft drinks, canned foodstuffs and ice cream.



"M-K" Kuzwayo ... a bitter pill.

'Good Samaritans' rob youngster

By **SIMPIWE NCWANA**

A YOUNG man from the Ciskei, who came to Johannesburg look for his long-lost brother, was on Sunday afternoon robbed of his money and a suitcase full of clothes near the Charles Hurwitz Santa Hospital, Baragwanath, and ended up spending the night at the Moroka Police Station.

Mphathi Mzayiye, 21, was robbed by three men who had offered him a lift from Alice. The men had promised to help him find his elder brother, Buyisile Mzayiye.

Mzayiye said that when they were near the Santa Hospital, the men stopped the car and took out knives, threatening to stab him.

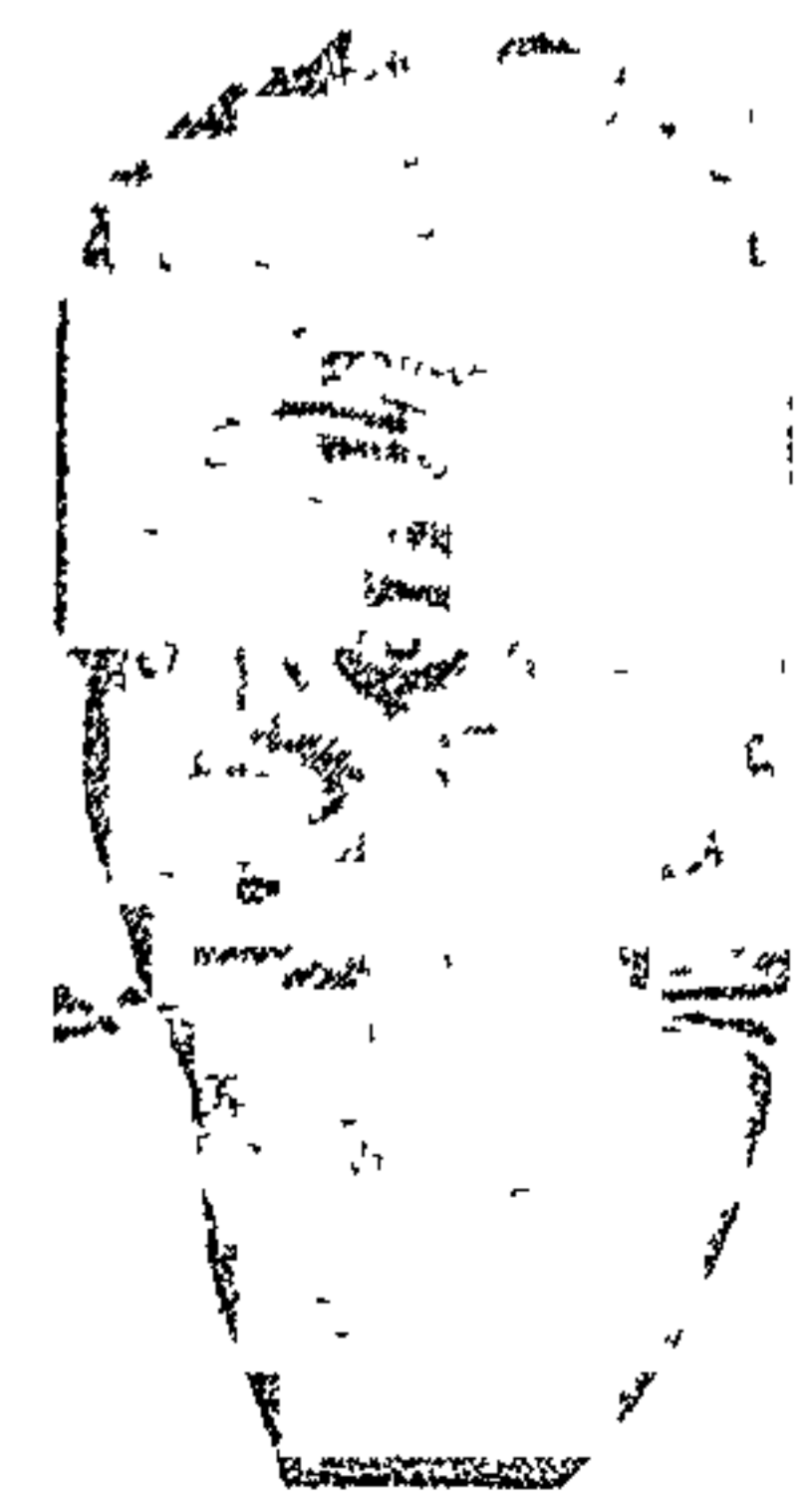
"They demanded all the money I had. I gave them R100, but they searched me and took another R80 which was in my inner pocket. They then kicked me out of their car and drove off with my suitcase.

"I was shown to the Orlando Police Station, where I laid a charge of robbery and assault and gave the police the registration number of the car.

"I moved on not knowing where I was going, until I landed at a house to ask for water and came across men who asked me a lot of questions

"They turned out to be police, who then took me to the Moroka Police Station and told the other policemen that I was a terrorist and they then put me in a cell. Early the following morning they took me to the Protea Police Station and I was released after a long process of questioning," he said

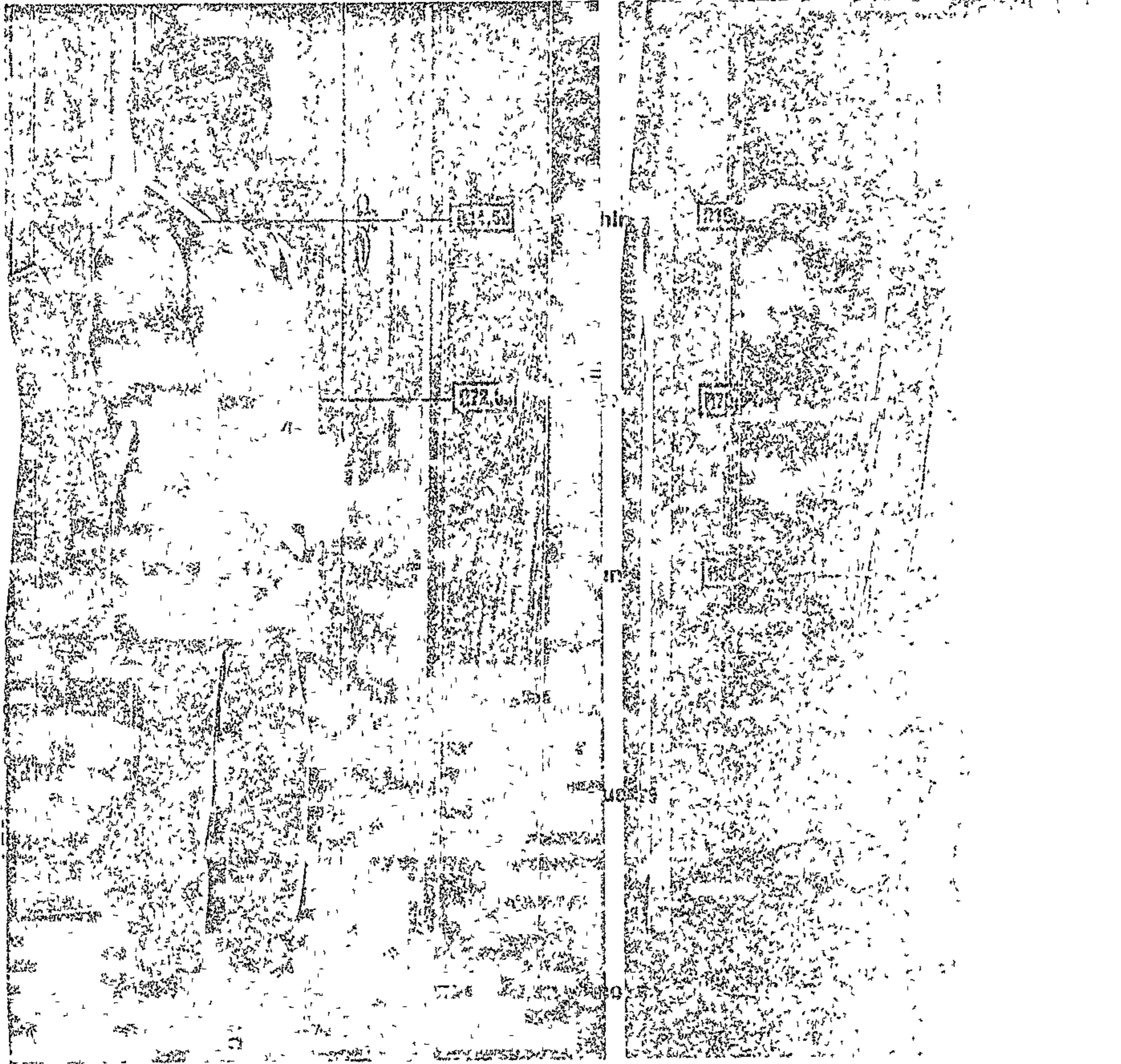
Police liaison officer in Pretoria, Captain RA Crewe, confirmed the incident and said that Mzayiye was arrested under the Criminal Procedure Act as a suspect. He was released after observation and questioning



Mphathi Mzayiye

(244) DP 13/1/83

School uniforms up 15-20 per cent



Daily Dispatch Reporter
BY LONDON — The cost of school uniforms has risen by 15-20 per cent and parents here can expect to pay about R200 to equip a Std 6 pupil with the necessities.

The cost of dressing

boys and girls is roughly the same, but black pupils are paying substantially less than their white counterparts because of bulk buying and the use of locally manufactured rather than imported materials.

The director of a Cambridge store, Mr Elton Kingdon, said the single most expensive item was the blazer, which cost R79.99 or R99.99 excluding GST, depending on the school.

The director of a supplier for black schools, Mr D Bhika, said only a few schools required their pupils to buy blazers. "Most use pullovers

or tracksuit tops," he said.

"We are able to keep our prices down since we buy in bulk and use local cloth. It has been tested and approved by the SABS, and has helped us to stabilise prices."

It costs about R180,50 including GST to equip a black boy with a basic wardrobe.

This includes a blazer (R72.00), badge (R6.00), tie (R6.00), shirt (R14.50), grey trunks (R30.00), jersey (R20.00) and shoes (R32.00).

These items are 16.8 per cent up on last

year's prices, Mr Bhika said.

Black girls' uniforms are somewhat cheaper, and include a tunic (R32.00), shirt (R14.50), tie (R6.00), badge (R5.00), jersey (R20.00), shoes (R32.00) and socks (4.50). These prices are up by 10 per cent on last year's prices.

"We liaise constantly with school principals, and try to implement their suggestions to keep prices down," Mr Bhika said.

It costs about R235.00 to buy the basics for a white boy — some R35 up on his black counterpart.

This includes a blazer at R79.99, shirt (R15.00), tie (R4.95), long pants (R11.00), socks (R4.00) and shoes (R32.00).

Girls need many of the same items, but a skirt or tunic at about R28.99 replaces trousers.

Mr Elton said these prices were about 15 per cent higher than the time last year.

Another supplier, Mr John Hunter, said his business had managed to offer some items at similar prices to last year, but that the entire range had not risen by more than 20 per cent.

Many schools, however, require their pupils to buy additional

items, which can bring the total to over R300.00.

The director of a supplier for white schools, Mr D Bhika, said his business had managed to offer some items at similar prices to last year, but that the entire range had not risen by more than 20 per cent.

Many schools, however, require their pupils to buy additional

Weighing the odds

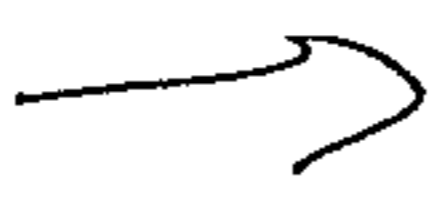
Each month, the cost of a basket of goods and services is calculated and released in the form of the consumer price index (CPI). In the year to December — the most recent figure — the index rose 14,7%, according to Central Statistical Service (CSS)

But what exactly does this mean?

It doesn't mean that everybody's cost of living went up 14,7% in the year. People can counteract price increases by substituting cheaper goods. The CPI cannot take such habit changes into account each month. Also, we don't all buy goods in the same ratios, the cost of living of people who buy a lot of items whose prices don't go up fast will go up more slowly than the CPI suggests.

Basically the index tries to give a reasonable estimate of how much prices rise on average for all consumers. CSS collects by post the prices of 600 items at 2 000 outlets across SA and from municipalities, govern-

PIM 29/1/88 → 41



ment departments and bodies such as the Post Office.

Some prices are more important than others, thus getting a bigger "weighting" when the index is calculated.

Until November, CSS based the index on how consumers spent their money in 1975. Food accounted for 24,98%, followed by housing (17,6%), transport (14,94%), clothing and footwear (8,77%), furniture and equipment (5,98%) and many smaller categories. Obviously, a large increase in food prices would increase the index more than, say, an increase in the price of shoes.

But spending habits don't stay the same. To make the CPI a more accurate reflection of what people spend their money on these days, CSS took another survey in 1985 (and plans to do new surveys every five years). It determined that food would now account for just 22,72% of the index, followed by housing (up to 21,21%), transport (up to 17,23%), clothing and footwear (down to 5,98%) and furniture and equipment (down to 4,72%)

Now the trouble begins

New weights change the inflation rate. CSS demonstrated this by calculating the October year-on-year increase using both the 1975 and 1985 weightings. It found the increase was 15,5% using the old weightings and 13,8% using the new.

Why the big difference?

Much of it was accounted for by the sharp decline in home mortgage rates in the 12 months to October. In the 1975 weighting, mortgage rates accounted for just 3,4% of the overall index, so the drop in rates had only a mild effect. Under the new weighting, however, mortgage rates account for 9,47% of the index, so changes will have a big effect.

CSS will stick with the 15,5% figure for October and will not revise its previous figures. "If we were to revise the figures back to 1985, there would be chaos because of all the contracts and financial agreements linked to CPI," a spokesman explains.

November is the first month in which the

year-on-year increase reflects the 1985 weightings. The reported 15% is a blend of the old and new weightings. It is derived by totalling 11 months of increases based on the old weighting and one month of the new. The year-on-year figure for December was derived from 10 months of increases on the old weightings and two of the new.

After November 1988, the year-on-year increases in CPI will be derived strictly from the new weightings.

Though the CPI is released monthly, CSS cautions about over-reacting to any one report. "You shouldn't put too much emphasis on a given month's change," the spokesman says. A large increase in one month could be the result of several major sectors coincidentally raising prices. One has to look at figures over several months to see the real picture.

"In statistics, we distinguish between signal and noise. There is a lot of noise in monthly inflation-rate figures. To eliminate noise, look at the smooth curve, the underlying trend. Then you see the real signal."

CONSUMER PRICES

On the up and up?

244 FIM

Consumer prices shot up 14,7% in the year to December. This is the 14th year in a row of double-digit increases, and will not be the last.

"The CPI is in bottomish territory now," says Standard Bank chief economist Nico Czipionka. "A change in the direction of inflation this year is almost a certainty. It's a question of when."

Other analysts agree, arguing that recent rises in interest rates reflect increased inflationary expectations as well as increased credit demand.

A 0,8% increase from November to December brought the consumer price index (CPI) to 145,9 from a base of 1985=100 (for how the newly weighted index is calculated see page 41).

Central Statistical Service calculates the official year-on-year inflation rate for 1987 as 16,1%.

That's determined by comparing the average monthly level of CPI in 1986 (118,6) with that of 1987 (137,7).

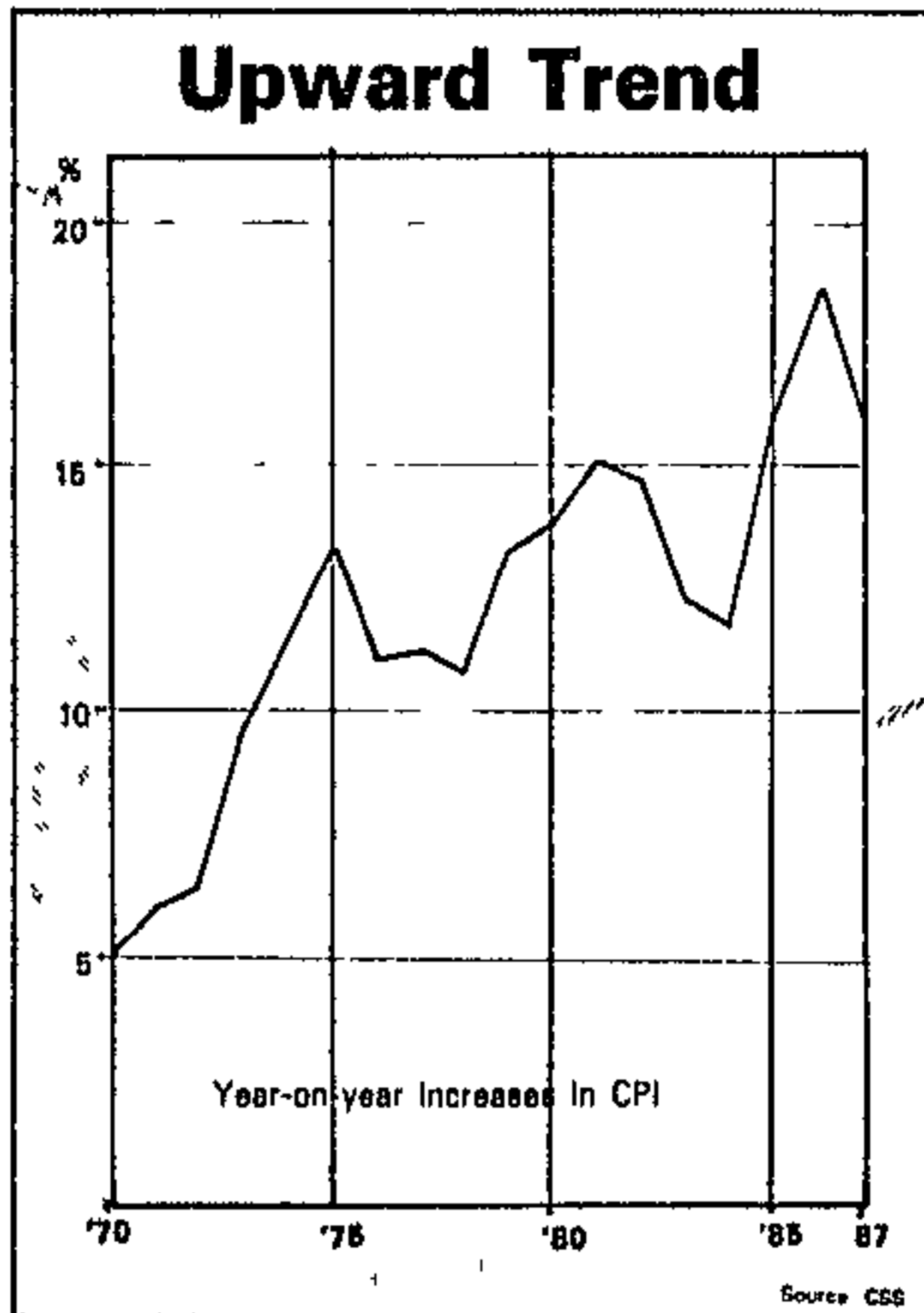
The 1987 year-on-year rate is down from 18,6% in 1986, but follows an upward trend in CPI that has seen prices triple since January 1980.

There is a similar trend in the production price index: the year-on-year increase in November dipped to 11,7%, the best performance in three years, but analysts expect the index to move up strongly as imported price pressures come through.

Likewise, Econometrix chief economist Azar Jammie cautions against getting too excited about the 14,7% CPI figure for December. "While one can be optimistic about inflation short-term, it's in the long term where the problems really lie."

Jammie attributes the recent gradual decline in the rate of CPI increase to what transpired in 1986 and most of last year: a firmer exchange rate, wage demands that lagged behind the inflation rate, and relatively slow money supply growth. "But," he says, "all these have started to reverse."

The rand has fallen against third currencies in the past two months, which has started putting pressure on import prices. Wage increases have begun to catch up to the inflation rate, which will put pressure on local firms to raise prices. And Reserve Bank figures



show that the money supply has recently shot up — which provides the fuel for higher price inflation

Structural problems

Added to that, Jammie says, are structural problems administered prices by the government that bear no relation to market forces, increased concentration in the private sector, which makes it easier for some firms to raise prices, and a closing of the wage gap between blacks and whites without a commensurate increase in productivity

"Most frightening of all is that government expenditure keeps rising inexorably," says Jammie

If Pretoria raises taxes to pay for the spending, it curbs growth and angers taxpayers. If it borrows, it crowds the credit market and pushes interest rates up. It could sell off State assets, but it seems unwilling to do so. That leaves the South African solution, Jammie says: "Pay for it by printing money out of thin air"

That's what makes him nervous about future prospects.

"I think growth in CPI will turn around near the end of this year and approach 20% in 1990. But I'm not worried so much about 20% in 1990 as 50% in 1995 — going the Third World way"

Year-end CPI statistics show large average increases between 1986 and 1987 for vehicles (23,2%), food (22,9%), footwear (21,1%), cool drinks (19,3%) and clothing (19%).

Lower increases were posted for alcoholic beverages (11%), fuel and power (11%), housing (10,6%), reading matter (10%), public and hired transport (3,1%), and running costs of vehicles (1%)

PRIME RATE

Head of steam

In financial markets, moves tend to gather their own momentum. With one half percentage point rise in prime rate just behind us, another half percentage point increase may be in the offing

Pressures building up slowly during 1987 — a year of comparative stability in rates — have erupted in sharp increases in interest rates, with important implications for banks' cost of funds

For most of last year, interest paid by banks ranged from 8,5% to 10,5% at month's end for short-term money — averaging 9%. With prime at 12,5% last year, this gave a 3,5 percentage point margin

As the cost of money moved up in recent months, this came under serious pressure. By the start of January the average cost of short-term funds was over 10%. Last week's rise in prime to 13% relieved the pressure but bankers feel it has not gone far enough. If market conditions remain tight, another move will be needed to preserve the margin

Bankers predict that this could happen within two months

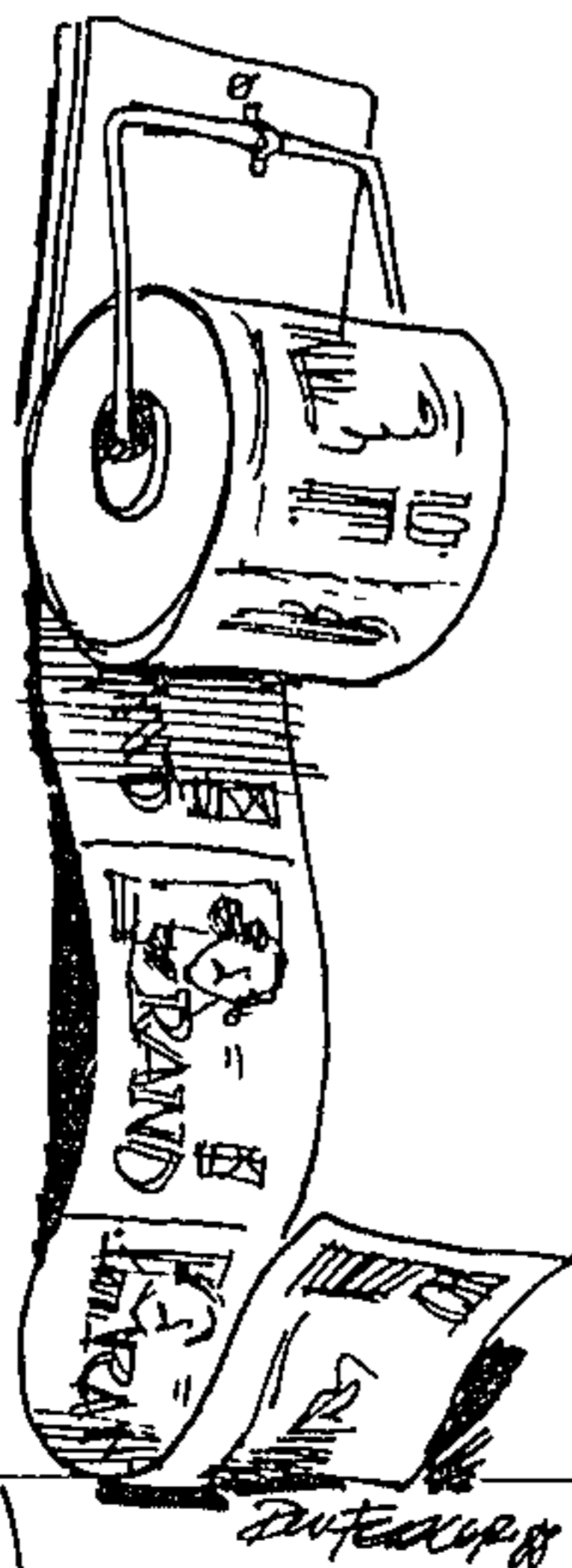
Moves are made in consultation with the Reserve Bank, which may respond by adjusting Bank rate from the 9,5% in place since December 1986 to 10%

However, senior deputy governor Japie Jacobs says the authorities are not "prepared to anticipate future developments. We would like clear evidence of the strength and sustainability of the upturn. One key factor is the 1988-1989 Budget and supplementary Budget for 1987-1988"

Should Bank rate move up it will immediately increase the cost of funds borrowed from the Reserve Bank, lender of last resort, and ultimately the price of all funds

Because such situations feed themselves, we may then see a ratchet effect. Over the past few years, rapid movements up and down have been the norm, with the stable 12,5% of last year being the exception

So the latest move could be the first in a



Prices of wines, spirits to rise

EAST LONDON. — The prices of various wines and spirits are to increase by between eight and 14 per cent from Monday.

The regional director of Stellenbosch Farmers' Winery (SFW), Mr Willie du Toit, said his company had been compelled to put up prices following the KWV price increase on January 14.

SFW's price adjustment had been made in tune with the KWV increase and had not taken inflation or wage increases into consideration.

Although the increases officially take effect on February 1, "it is up to the individual retailer to decide when to implement it."

The increase will affect about 135 products and the increase for each product will vary between eight and 14 per cent.

Comment could not be obtained from other liquor wholesalers. —
DDR

123 244 B/dom 1/2/88

IF PRICES increase, wages tend to follow, and vice versa. If one group of employees receives a wage increase, other groups submit similar demands, while a similar ripple effect is also discernible in the case of prices. When the price of an important input in the production process — eg, electricity — rises, it has wide-ranging repercussions throughout the economy.

Inflation is a complex and deep-seated problem for which there are no instant solutions.

The rate of inflation cannot be forced down to acceptable levels in the short-term through direct control measures or a comprehensive suppression of the demand for goods and services, at any rate not without major sacrifices in terms of economic growth and job-creation.

Experience has shown that direct control measures, such as wage and price control, are hardly able to be applied successfully in order to force down the rate of inflation.

Unavoidable cost increases must necessarily be allowed, and it is virtually impossible in practice to distinguish between avoidable and unavoidable cost increases, because it would involve an investigation of each and every case. Therefore, a tendency exists in countries which rely on such measures to accept all cost increases in the course of time.

Such rigid regulations would also give rise to the building up of inflationary pressure as a result of the limitations imposed on the supply of goods and services.

If rigid regulations which are aimed at forcing down the rate of inflation at all costs are nevertheless adhered to, this will of necessity lead to a misallocation of production factors, which will not only be to the disadvantage of economic growth and employment, but will also give rise to the building up of inflationary pressure as a result of the limitations imposed upon the supply of goods and services.

Unless strict monetary and fiscal discipline is maintained, the abolition of control — which must occur at some stage — will probably be accompanied by sharp increases in the general price level.

It is therefore an illusion to think that wage and price control can serve as a substitute for monetary and fiscal discipline.

On the contrary, in order to have any chance of success at all, wage and price control must necessarily also be accompanied by the maintenance of strict monetary and fiscal discipline.

Even under such circumstances, the abolition of control will probably still be accompanied by ex-

Wage and price controls don't cut inflation

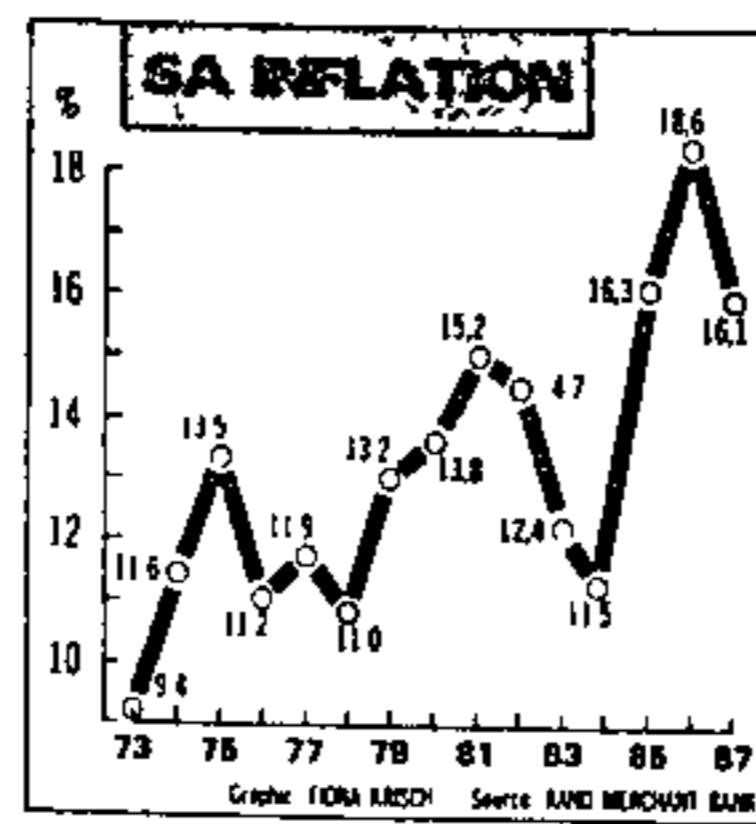
Business leaders expect to hear proposals on some form of incomes policy when they meet President Botha on Thursday to discuss his Economic Advisory Council's plan to cut inflation. This is an edited extract of the EAC's proposal for pay and price guidelines

cessive rises in the prices of specific products where necessary structural changes were suppressed, which in turn will lead to further price rises.

In addition to the limitations they place on economic growth and employment, measures that are aimed at the symptoms instead of the causes of inflation — such as direct wage and price controls — therefore are not likely to relieve the problem of inflation over the longer-term, but will more likely aggravate it. This point of view enjoys reasonably broad support amongst economists world-wide.

It may be argued, of course, that if inflation is inclined to feed upon itself — in the sense that current price increases are determined to a large extent by previous price increases, as is apparently the case in SA — a temporary wage and price freeze may indeed relieve the problem of inflation.

In order to be able to change perceptions, a wage and price freeze will, however, have to be adhered to for a considerable period of time, with all the disadvantages referred to earlier. Even then it is still not certain in which



direction expectations will be influenced.

Experience has also shown that temporary wage and price freezes, more often than not, create more problems than they solve.

Maintenance of monetary and fiscal discipline, with a view to keeping a balance between the demand and supply of goods and services and to avoiding conditions of surplus demand, should form the cornerstone of any anti-inflation strategy.

A major part of SA's inflation problems could probably be attri-

buted to wage and price determination practices and various other factors that put limitations on the effective operation of the market and price mechanism.

These factors tend to maintain or increase inflation and/or unemployment and at the same time to channel the effect of restrictive monetary and fiscal measures to production and employment rather than to prices.

Consequently, there is also a need for measures to promote the more efficient operation of the market and price mechanism, in addition to and in support of monetary and fiscal discipline.

Indexation apparently plays a major role in the wage and price determination processes in SA. It not only inhibits the effective operation of the market and price systems but, as such practices increase, may also increase the upward pressure on prices and eventually lead to hyper inflation, as has been the case in Israel and in some South American countries.

The ordered collection of information on wage and price movements, and matters relating to them which are not generated nat-

urally by the market system, is likely to have a favourable effect on both the operation of the market economy in general and the effectiveness of monetary and fiscal policy in particular.

However, the point at issue here is only the collection, preparation exchange and utilisation of information to make the final decision-makers aware of the macro economic context within which their decisions are taken, as well as the possible implications of their decisions.

Therefore it should not be the intention to try to reach consensus on the rate at which wages or prices should be increased nor to act in such a manner that the allocation function of the market and price mechanism is undermined.

Calculations indicate that the rate of inflation could be reduced, provided that factors beyond the control of the country do not once again cause the prices of imported goods to rise sharply and provided that it is ensured that prices, wages and salaries determined by the public sector increase at lower rates.

The success of such a policy approach will depend on the extent to which it is able to keep all of the participants in the economic process aware of the role they play in the inflation process, and able to create confidence that it is indeed possible for inflation to be brought and kept under control.

Consideration should be given to periodically setting clear, qualified and quantified — but at the same time also very realistic — objectives in respect of combating inflation.

Such objectives ought to be set in advance by government for the current and ensuing year and can, if made public, also serve as general information to the private sector in respect of the maximum average rate at which prices and wages and salaries should rise if the objectives are to be attained.

In order to ensure that all the participants in the economic process remain constantly aware of the role played by them in the inflation process, it may also be necessary for government from time to time to draw attention to general price, wage and salary trends which, bearing in mind the allocation function of the market and price mechanisms, could endanger the attainment of the objectives laid down.

To the extent that this succeeds and confidence is restored in the ability of the country to combat inflation, the setting of objectives could become self-fulfilling, particularly if groups and organisations in both the public and private sectors associate themselves with such objectives in advance.

'Price spiral to boost inflation'

244
B/day
1/2/88

MICK COLLINS

DESPITE government's predictions of a decreasing inflation rate, economists are now pointing to a price spiral on essential commodities that could cause a sharp escalation to over the 16% mark towards mid-year.

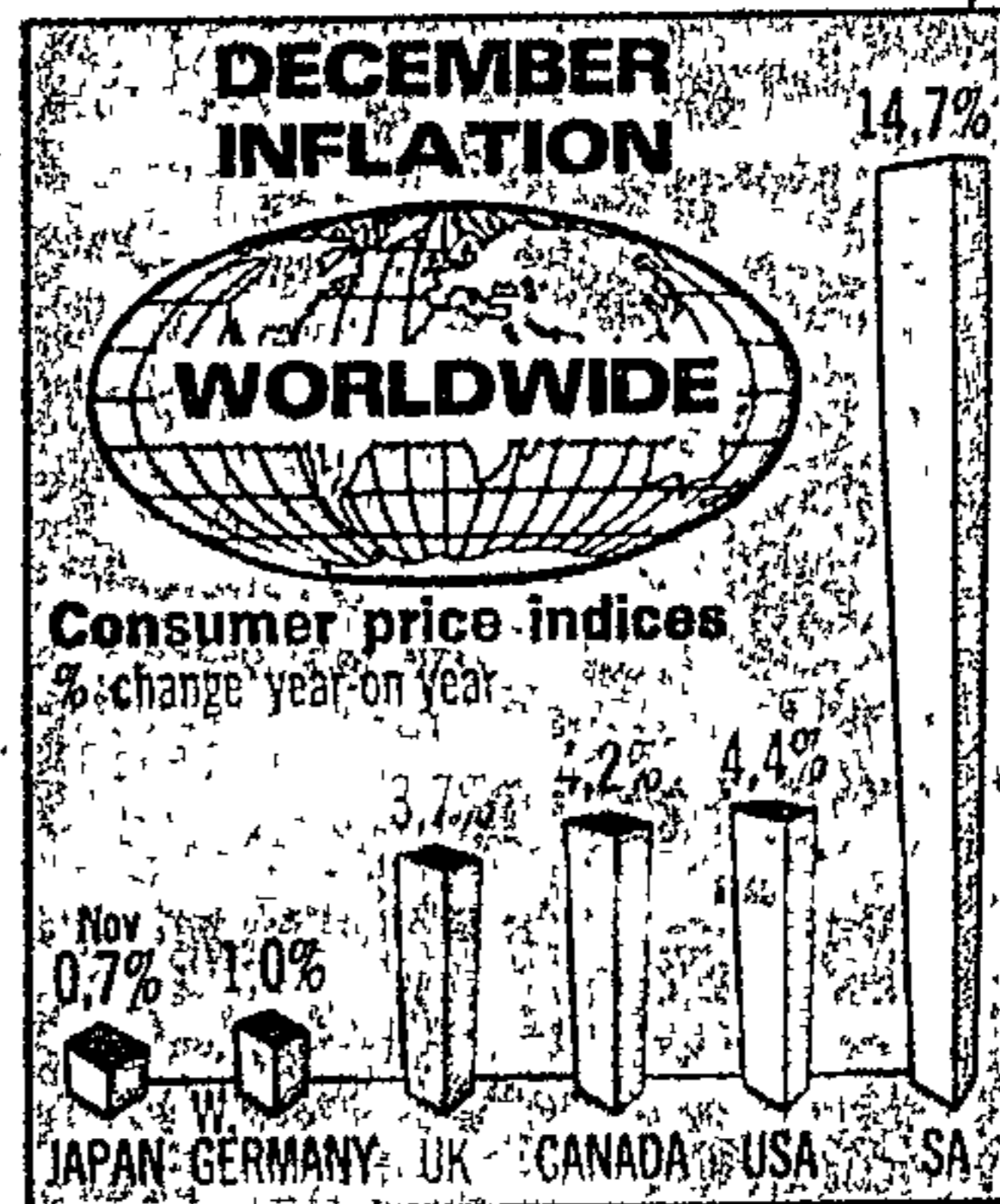
Government's proposed plan of action for combating inflation indicates that by 1990, SA's inflation rate should be running at 9%.

But the latest round of price hikes has seen essentials such as sugar, tyres, meat and bricks all rise over the 10% level, which in turn will have a ripple effect across the economy.

Steel, which rose by between 15,2% and 19,5% last year, is set for another 12% jump later this year, say industry sources.

Paint prices have already been pitched up by 8,5% in January, while timber, which accounts for about 6% of the cost of a new home, has shot up by a massive 16%. Industry spokesmen say most of the timber sizes used in housing have in fact risen by 30% and more.

Also hanging over the economy is the possibility of a rise in rail rates to compensate for the Sats' budget deficit. This in turn could spur heavier costs to be



passed on to consumers.

Although an increase in petrol prices has been discounted in some quarters, analysts still point to the precarious "slate" balancing act brought about by under-recovery in fuel prices.

Government defends its position by citing low world prices on crude oil and a stronger rand, which could offset any deficit.

● To Page 2 →

'Price spiral to up inflation'

244

"South Africans have become complacent about the inflation rate," says one Diagonal Street analyst.

"Government appears delighted with December's 14,7% level. But when this is compared with rates of our leading trading partners, it is pitiful."

The US annual rate of consumer price inflation fell to 4,4% in December, while that of the UK eased to 3,7%; Canada recorded a rate of 4,2% and West Germany 1%.

The star performer with which SA has increased its trade dramatically was Japan, which has just announced an inflation rate of 0,1%. This, says one export house, could be the turning point in the year ahead and could upset SA's exports.

"Local manufacturers will become uncompetitive. They will be out of the running when fresh business is struck," says a Johannesburg merchant banker.

Added to this, he says, is the rand's two-month drop against major curren-

← ● From Page 1

cies, except the dollar, which will put pressure on import prices.

A tougher line by unions could also see wages and salaries rocket, which in turn would add to SA's inflationary trends when manufacturers and producers are forced to up prices.

University of Stellenbosch's Graduate School of Business professor of managerial economics Attie de Vries says further increases in interest rates are in store for the second half of the year.

"The Reserve Bank is walking a tight-rope. On the one hand, the bank must not keep rates of interest down too long, leading to false expectations and hence sharp increases in inflation. This would lead to eventual tightening of policy."

"On the other hand, despite the improvement in psychology the Reserve Bank must be careful to avoid people thinking of the 25% interest rate levels of two years ago."

B/day
1/2/88

Which is ^{star} 'cheapest' ^{2/2/88} per trolley? ⁽²⁴⁴⁾

Pick 'n Pay supermarkets and hyperstores are the cheapest 'per trolley', a South African Consumer Council survey has revealed.

The survey was conducted in 40 stores in Johannesburg and Pretoria during January, where 98 products were priced in each. The stores were divided into hyperstores and supermarkets.

The cheapest supermarket was Pick 'n Pay (R247,82 a trolley), then Checkers (R251,34), OK Bazaars (R251,91) and Spar (R267,33).

The cheapest hyperstore was Pick 'n Pay Hypermarket (R243,03 a trolley); then Checkers Warehouse (R244,23) and OK Bazaars Hyperama (R244,89).

Goods included toiletries, cleaning agents and groceries.

Other facts which emerged were:

- The average price a trolley increased by 11,5 percent from R244,37 in January 1987 to R250,08 in January 1988.

- The cheapest hyperstore was Boksburg Pick 'n Pay Hypermarket.

- The cheapest supermarket was Pick 'n Pay in Verwoerdburg.

Concept suppresses, not cures inflation

B/don (scribble) (scribble) (scribble)

'No' to incomes and price policy

4/2/88

JENNY BOBERG

ORGANISED commerce and most economists have rejected the idea of an incomes and price policy saying it holds little potential to combat inflation.

On the topic, expected to be high on the agenda at today's business meeting called by President P W Botha, Assocom says: "Wage and price restraints address the symptoms rather than the underlying causes of inflation."

Not only did such restraints require mechanisms to ensure co-operation, but, their inevitable withdrawal resulted in the emergence of suppressed inflation.

Economist at Old Mutual Dave Mohr said one of the reasons for

high wage increases was the shortage of skilled labour "And a wage and price policy is not going to change this"

He said the skills shortage, together with the fact that the economy is beginning to show some sign of life, would make it difficult for the private sector to abandon freedom to determine competitive wages and prices.

Southern Life's Mike Daly said even if the private sector agreed to co-operate, unless the consensus of unions was sought, an incomes policy would spell disaster for industrial relations.

He said the attack on inflation had to be multi-faceted, launched via a monetary and fiscal policy

Economist at Sanlam Johan Louw, however, did not share the prevailing scepticism

He said that while a monetary and fiscal policy had to be the cornerstone of any attack on inflation, a price and incomes policy certainly had a role to play in the SA economy.

"In SA there are certain markets in which there is not enough competition to keep prices at realistic levels. As a result, certain firms have the freedom to set wage and price levels without regard to market forces"

negative publicity, no bar

Anti-inflation package likely

PW to call for pay and price curbs

B/day SP/88 244

CAPE TOWN — An onslaught on inflation, including a package of far-reaching restraints aimed at undercutting the spiral of cost increases, is expected to be announced by President P W Botha when he opens Parliament today.

He is, however, expected to exclude the possibility — speculated about by some businessmen — of introducing a prices and incomes freeze.

Instead, the emphasis will probably be on an appeal for moderation from all sectors of the community on the setting of prices, and on making wage claims.

This may be accompanied by a promise that similar restraints will be imposed in the public sector to set an example.

Lending weight to the likelihood that Botha's opening address is to focus on these issues and the economic problems facing the country in general, was his top secret — but much publicised — briefing to a select group of business leaders in Cape Town yesterday afternoon, on the eve of the opening of Parliament.

Notable was the fact that the entire Cabinet also attended the briefing.

It is to be followed by a similar briefing to financial journalists and foreign diplomats early this morning, before the delivery of the address.

Delegates, including newspaper editors, who attended yesterday's briefing

CHRIS CAIRNCROSS

have been requested to keep silent on what transpired until after Botha has addressed the nation. Yesterday they refused to be drawn on the specifics of the meeting.

However, in what could be gleaned, it emerges that one of the major elements in government's new battle plan against inflation could be the effective implementation of policy measures announced some time ago.

The anti-inflation package may, therefore, reflect promises of greater fiscal restraint, such as contained public sector spending and less government borrowing.

Finance Minister Barend du Plessis — thought to have had a hand in deciding the expected emphasis of the President's address — has already announced that government has made substantial progress in developing plans to cut back on spending.

It is generally expected that more details of the plans, including the possible setting of expenditure priorities, may be revealed today.

Plans to give effect to government's declared policies on deregulation and the privatisation of key state enterprises may also form part of the package.

ALAN FINE reports that according

● To Page 2 →

PW expected to call for pay and price curbs

to Nactu general secretary Phiroshaw Camay, workers' wage proposals are realistic in terms of their needs, and they will continue pursuing them

He said any government call for wage restraint would be hypocritical, given excessive salary increases for MPs and cabinet ministers

The hypocrisy was exacerbated by

← ● From Page 1 (244) expecting workers to accept wage restraint after inferior apartheid education had left them unschooled and unskilled, he said

"Thatcherite responses are not the answer to our complex economic and political problems," he added

(244) STT 7/2/88

INFLATION as measured by the consumer price index fell to 14,7% last December. But most housewives continue to experience great difficulty in exploiting this joyous news at the supermarkets.

There are good reasons for this, in addition to which the official number can be expected to fall a little more, only to rise Phoenix-like later this year and in 1989-1990.

The CPI's downward tendency is being helped by marginal slippage in still-high food prices (index weighting 22,7%); further falls in already-low housing costs (weighting 21,2%); declining import-sensitive inflation (weighting 10% to 15%) caused by a stable weighted rand, and low increases in transport running costs and public transport (weighting 11,8%), aided by a high dollar-rand and declining dollar oil price.

However, the change in weighting from a 1980 to a 1985 base has been the single most important factor behind CPI inflation of 14,7% in December. The weighting changes for 70% of the CPI basket of goods (covering food, clothing, housing, furniture and transport) caused the December CPI number to fall by a one-off 0,7% on the 1985 weightings compared with what it would have been on the 1980 arrangement. On the old basis, the December CPI inflation rate would have been about 15,4%.

It is interesting to note that all the "low" inflation items gained in weighting, and all the "high" inflation items lost. Although the weightings are traditionally changed at the beginning of every decade and at mid-decade, it would appear that 1985 was a bad year for new weightings as the exceptional recessionary conditions of that year caused major distortions which, one hopes, will turn out to have been temporary.

Food actually lost importance in household spending relative to 1980 as personal incomes fell drastically, leading to an unprecedented trading down in day-to-day expenditure, especially as the interest burden on household debt and the tax take reached record proportions.

Furniture, domestic appliances and motor vehicles experienced an unprecedented collapse in sales volumes in 1985. Their loss of CPI index weighting was partly neutralised by the steep cost increases caused by imported price inflation after the rand's collapse, which ensured that nominal sales values of these products were actually kept up.

TAX BURDEN

On the other hand, total services increased their CPI index weighting from 33% to 39,5% (and total commodities fell accordingly from 67% to 60,5%) because of record high interest rates and a rising tax burden in 1985. The former is a financial "service", the latter translating itself into a rising level of government "services".

Housing, being counted as part

Inflation a little tamer — but not for long

THE REX COLUMN
CEES BRUGGEMANS
 reviews the world and South African scene



of services, in particular increased its weighting from 17,6% to 21,2%, mostly because of record high mortgage rates, the still-high white residential rents and the increase in black housing rents (relative to the composition of housing expenditure in the previous base year 1980).

Running cost of vehicles (weighting 7%) experienced "negative" inflation early last year, and a low figure of only 4% at the end of 1987. Even though the dollar price of oil increased substantially from 1986 to 1987, the rand recovered even faster against the dollar in that time.

WORRYING

The exceptionally large decline in the weighting for clothing (from 7,3% in 1980 to 4,8% in 1985) defies an easy explanation, except to suggest that clothing and textiles did not experience the same boom as durables and suffered in a bad 1982 recession, pulling the sector down in the weighting stakes on sales volumes alone.

In addition, this sector experienced lower inflation than the overall CPI for most of 1980-1985, and this is probably the main explanation for the fall in relative sales "values" and therefore CPI weighting.

All these special factors are worrying as they have given the CPI inflation rate a downward bias for 1985-1990 merely because 1985 was an exceptional year in the sense of monumental structural dislocation in incomes, spending patterns and product costs.

One early observation is that 1990 may turn out to have a similar distorting effect when the CPI

weightings are changed. If 1990 is as bad a recession year as 1985 was, the impact of a weighting change may at most be neutral for the CPI inflation rate.

DROUGHT

If, on the other hand, recession has either ended or not yet started, or has seen at least a partial correction of the exceptional dislocations of 1985, the 1990 weighting change could give a one-off upward bias to the CPI inflation rate for 1990-1995 of between 0,5% and 1,0%.

The outlook for the CPI inflation rate for 1988 appears to have the potential for further decline. However, the outlook is clouded by major uncertainties.

High food inflation is caused mostly by meat and vegetable prices, both still suffering from supply imbalances because of the long drought. The good rains of late may have encouraged meat producers to keep some of their cattle off the market, expecting both higher prices now and next year from better-quality animals.

It would appear that the consumer may have to wait a long time before receiving real relief.

The decline of imported inflation — for example, motor vehicles, domestic appliances, transport running costs — reflects a stable weighted rand in the past year. Although a slight decline in the dollar price of oil this year may keep running cost inflation down for a little longer, the rand's weighted stability may not outlast the year, given the falling balance of payments surplus.

A new cycle of rand depreci-

ation to protect the balance of payments would in time initiate a cycle of import-based inflation (directly) and import-parity pricing inflation (indirectly).

Housing inflation is only 7,7%, probably reflecting low interest rates (compared to their 1985 record highs) and small rent increases for whites and black public sector housing.

NEW CYCLE

Although black housing is proportionately represented in the index and its slowly increasing rents would place downward pressure on CPI, the relatively higher "value" of white housing is giving it a larger weighting. With open market property values recovering, and a new interest rate cycle for home mortgages likely to begin later in the year, there is bound to be an acceleration in home ownership costs and rents as the economy continues to grow. A major

reversal in the inflationary momentum of this CPI component is therefore to be expected next year.

Bearing in mind all these uncertainties in nearly 60% of the CPI (housing, food and imported), there appears to be high potential for a new inflation cycle to get under way later this year and continuing until 1990.

To this must be added improving domestic sales and capacity use, increasing shortages and profit margin improvement in industrial sectors such as clothing, textiles, furniture, food processing, packaging, beverages, tobacco and others that directly and indirectly make up another 30% of the CPI in terms of being "commodities" which are prone to remain heavily inflation-biased.

Furthermore, it should be borne in mind that, like shock absorbers, the major CPI components experiencing "low" inflation at present (housing and imports) are probably already reflecting their maximum contribution to bringing the overall inflation rate down. Because these components are not expected to experience much slower inflation, and could indeed undergo a trend reversal within six to 12 months, the downward potential for the overall CPI inflation rate appears to be limited.

WAGES

A major uncertainty remains in nominal wage increases throughout the economy, the role of public and private employers in this process, and particularly the role of the many trade unions.

Wage restraint is likely to be an interesting exercise in the current political environment, both on the Right and on the Left, and assisting — one hopes — in slowing our progress towards a Brazilian situation.

For the next six to 12 months, there is hope of somewhat lower official inflation numbers. The position is likely to reverse itself, possibly badly, in 1989-1990.

Let us concentrate on today while we can.

D/D 9/2/88

244

Businessman predicts 20pc hike in price of electrical goods

JOHANNESBURG — Prices of electrical goods are rising rapidly under the twin influences of increased demand and inadequate production capacity.

The coming year will, therefore, see wholesale prices of electrical goods rising by up to 20 per cent. This should have a significant impact on building costs.

This is according to Mr Reuben Mowszowski of the JSE-listed Elcentre Corporation, the largest national distributors of electrical products.

Mr Mowszowski said the effects of inflation are being felt throughout the electrical goods chain" adding, how-

ever, that some manufacturers and suppliers of raw materials were being irresponsible with their increases

The price rises were bad news for electrical contractors and construction companies, where competition remained fierce for available work, particularly in the mass housing sector where the government had adopted a policy of farming out the contracts to as many companies as possible, he said.

Mr Mowszowski said the impact of price increases on the wholesale sector would be significant.

He said Elcentre had

large stocks, but on a R450 million per annum turnover, these stocks were comparatively short lived and prices would have to rise. A spin-off effect was the impact on creditors

Mr Mowszowski said credit limits were being reached sooner, posing difficulties for credit control. Lack of planning by some electrical contractors also aggravated the problem as large last minute orders placed a strain on stock holdings, he said.

He added that he felt electrical contractors should be more generous in their quotation for escalations in view of the current bout of price increases — Sapa

Prices of ^{3 to 4} electrical ^{9/2} goods on ^{1/8} the rise ⁽²⁴⁴⁾

Finance Staff

Prices of electrical goods are rising rapidly under the twin influences of increased demand and inadequate production capacity.

The year will therefore see wholesale prices of electrical goods rising by up to 20 percent, which should have a significant impact on building costs.

So says Mr Reuben Mowszowski of Elcentre Corporation, the largest national distributor of electrical products.

He says the effects of inflation are being felt throughout the electrical goods chain. However, some manufacturers and suppliers of raw materials are being irresponsible in their increases, he claims.

Price rises are bad news for electrical contractors and construction companies where competition is fierce for available work, particularly in the mass-housing sector.

Mr Mowszowski quotes prime examples of price rises: There will be a 60 percent increase in the price of PVC conduit by the end of February, compared with a year ago, insulated wire has increased by 49 percent in 10 months and cable prices are 67 percent higher than a year ago.

Copper prices accounted for the wire and cable price increases, he says. The Republic copper price (RCP) December to December increased from R2930,00/ton to R4969,00/ton. The impact on a product such as cable mirrored this increase with 16mm four-core cable, for example, going up from R640,67 per 100m to R1073,38 in 12 months.

The impact on the wholesale sector will be significant, he says.

PPI rise ^{stay} is lowest ^{19/2/88} for almost ²⁴⁴ three years

The producer price index (PPI) dropped to its lowest year-on-year rate in almost three years when it rose by only 11.3 percent in December, compared with 19.5 percent in December 1986, Central Statistical Services said yesterday.

It decreased from a year-on-year rate of 11.7 percent in November 1987. This brought the average rate for 1987 to 13.9 percent, down from 19.5 percent for 1986 and 16.8 percent for 1985.

The average annualised rate of increase for locally produced commodities continued on its downward trend to 15.2 percent. Prices of imported commodities — which contribute about 23 percent to the total PPI — rose by a mere 9.7 percent over the year.

The CSS said, however, it was alarming that in local commodities, annualised increases of 19.2 percent had occurred in fishing, 26.2 percent in fish-meat and 23.7 percent in transport equipment.

The declining rate of increase in the PPI bodes well for inflation as measured by the consumer price index (CPI) and consumer firms recent estimates by economists that the annual increases in the CPI will remain below 15 percent in the next few months.

In the latest *Capital Market Report*, Senbank economists expect the inflation rate not to exceed 15 percent for 1988, mainly because of the recent change in weights used to compile the CPI and the minimal impact of price rises from imported commodities.

Standard Bank shares this view, saying that a small further decline in consumer price inflation is likely in the first half of the year and that although upward pressure may be felt in the second half, this could to some extent be diluted by anti-inflationary elements contained in the Government's new economic policy. The Economic Research Institute also sees inflation declining to 14.2 percent on average this year.

Platinum prices rise on world markets in wake of coup attempt

LONDON — Platinum prices edged higher here yesterday after news of the coup attempt in Bophuthatswana, where some of Southern Africa's major platinum mines are located

London dealers said platinum prices rose to around \$464 an ounce at midsession, up \$14 from Tuesday's close

They noted that the unrest in the homeland had led to army orders for most residents not to report for work today

Platinum prices in New York also opened sharply higher

Platinum for April delivery was quoted \$11,40 higher at \$466 an ounce

Analysts said the firmness stemmed from concern over disruptions of platinum shipments from that area. Trade estimates show the region produces up to one million ounces out of total annual world output of three million ounces.

"It's a highly significant producer where Impala Platinum mines are located," said Mr. John Brimelow of Keane Securities in New York.

Mr. Jeff Nichols of American Precious Metals Advisors noted the coup did not have an impact on South African platinum shares on the Johannesburg stock exchange. "It's doubtful there will be lasting effects on supplies," he said.

About 80 per cent of the non-communist world's platinum is supplied by South Africa — Sapa RNS

Inflation's

25 years

of havoc

outlined

Own Correspondent

PRETORIA. — The spiralling living costs of the past quarter-century and the havoc caused by inflation have been dramatically outlined in a Unisa survey.

A food basket, it was found, that cost R35 in 1960 cost R400 last year. A single salaried person who earned R200 a month in 1960 would have needed about R1 964 after tax last year to maintain the same living standards.

The prices of all expenditure items rose 30% from 1960 to 1970, but from 1970 to 1980 jumped 177%, and from 1970 to 1987 an incredible 648%.

The price of reading matter was 18 times higher last year than in 1960. Education costs rose 16 times more and household operations 14 times more. Food was 12 times more expensive.

A consumer whose meat bill was R157 in 1987 could have bought the same quantity and quality of meat for R10 in 1960. Fish which cost R10 would have cost R135 last year. A basket of vegetables rose from R10 to R127.

The average price rise in all items was 882%.

1987 12/2/88

PRODUCTION PRICE INDEX

At low ebb

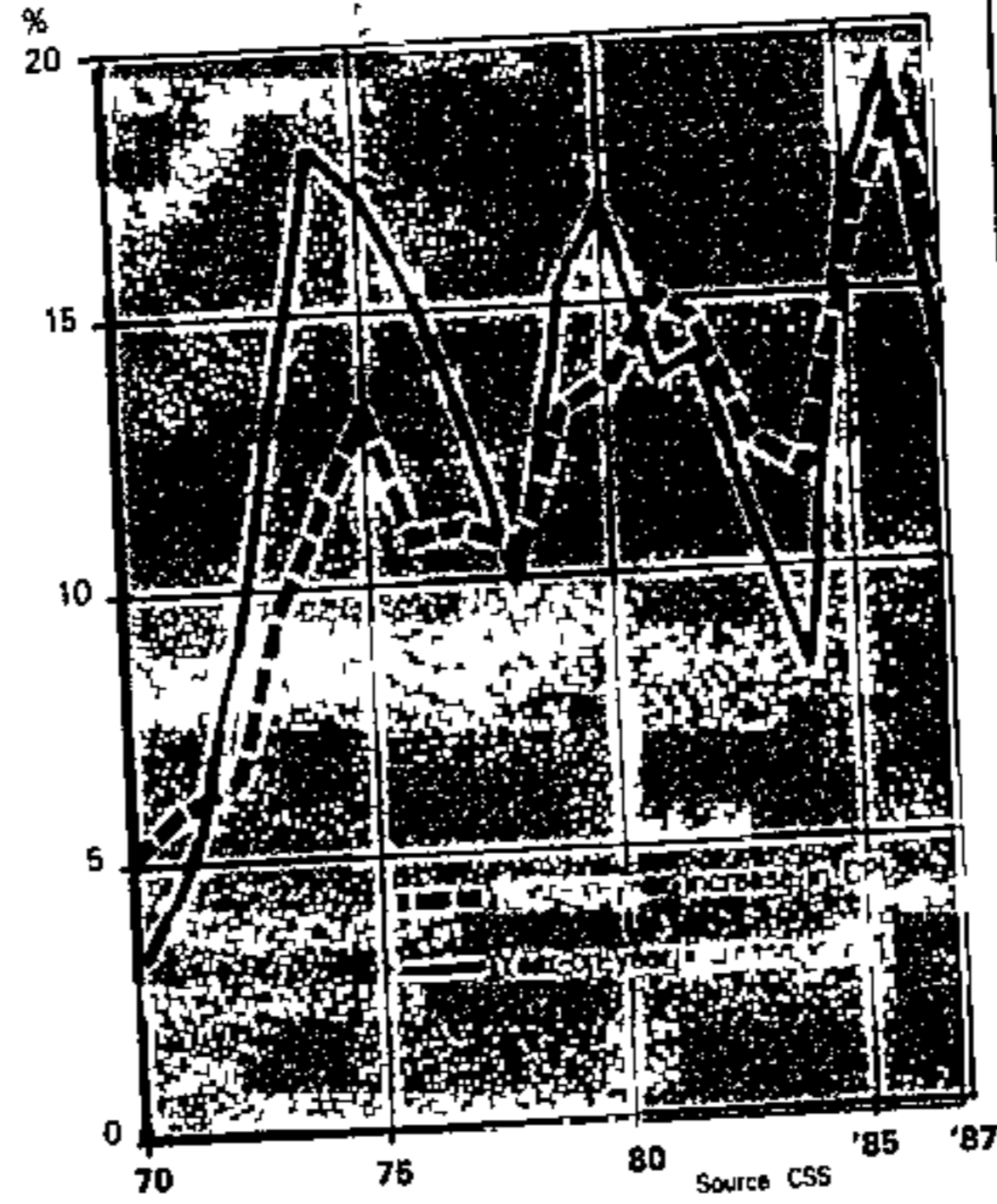
244

The production price index (PPI) rose just 11,3% in the year to December, the lowest rate of increase in more than three years

Economists warn, however, that PPI could increase strongly this year as imported prices climb to reflect the fall of the rand against third currencies.

Central Statistical Service calculates the year-on-year PPI inflation rate as 13,9% That's determined by comparing the average monthly level of PPI in 1986 (216,6) with

Upward trends



that of 1987 (246,8)

The year-on-year PPI rate — historically more volatile than CPI (see graph) — was 19,5% in 1986, 16,8% in 1985, 8,4% in 1984, and 10,5% in 1983. A 0,5% rise from November to December brought the overall index to 258,3 (base 1980=100).

The index of locally produced commodities — which make up three-quarters of PPI — rose to 257,6 in December, 12,7% higher than a year earlier. The imported component of PPI — the other one-quarter — rose to 260,4, just 6,7% higher than December 1986.

The average percentage increase for locally produced commodities was 15,2% between 1986 and 1987. For imported commodities the figure was 9,7%.

Higher-than-average increases between the two years were reported in fresh meat (26,2%), transport equipment (23,7%), leather and leather products (20,3%), metal products (19,4%) and fishing (19,2%).

Drinkers face price hike

0/10
13/488

244

CAPE TOWN — The brewer's price of beer is set to rise an average of 9,6 per cent on Monday

The actual rands-and-cents dent in the average tippler's pocket will, however, only be clear by mid-week, retailers said yesterday

South African Breweries (SAB) said yesterday the average price increase of 9,6 per cent was well below the inflation rate, despite substantial increases in costs

The specific price increases are 10 per cent for quarts, 13 per cent for pints, 6,9 per cent for cans and 10,6 per cent for dumpies

Last year's price increase averaged 9 per cent

The western Cape regional director of the Federated Hotel, Liquor and Catering Association of South Africa, Mr Arnold Brock, said yesterday that most retailers had a week's stock and would sell this off before increasing prices. — Sapa

Comefinder Inside

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4911

SATURDAY, FEBRUARY 13, 198

CARE TIPPS 13/2/88
Beer to go up 9,6%

Staff Reporter

THE brewer's price of beer is set to rise an average 9,6% on Monday — but local retailers have stocks for about a week and will sell these at the old prices.

The actual rands-and-cents dent in the average tippler's pocket will, however, only be clear by mid-week, retailers said yesterday.

A statement from SA Breweries said the average price increase of 9,6% was well below the inflation rate, in spite of substantial increases in costs.

Last year's price increase was an average 9%.

● Windhoek beer prices will remain unchanged, SWA breweries said.

244

PERSONAL FINANCE

Shocking catalogue of rising prices

What product would you say rose by the largest percentage since 1960? Motor cars? Petrol? Meat? No, not one of them.

According to a study conducted by Unisa's Bureau for Market Research, reading-matter tops the list with the biggest price increases during the 27 years from 1960 to 1987 with the index rising from 100 in 1960 to an astonishing 1 834 at the end of last year.

In layman's terms this means that the price of reading-matter was approximately 18 times higher in 1987 than in 1960.

Second highest increase occurred in the cost of education which at the end of last year cost 16 times more than it did in the halcyon days of 1960, followed by house-

hold operation, consisting of cleaning materials, domestic servants and other laundry and dry-cleaning services) which rose 14 times.

Food cost twelve times more than it did in 1960 and transport today costs is ten times as expensive.

To just maintain his living standards a single, salaried person who in 1960 earned R200 per month would need to earn roughly R1 964 after tax in 1987. To make provision for income tax, however, he would have to earn R2 235, or eleven times more in 1987 than he did in 1960.

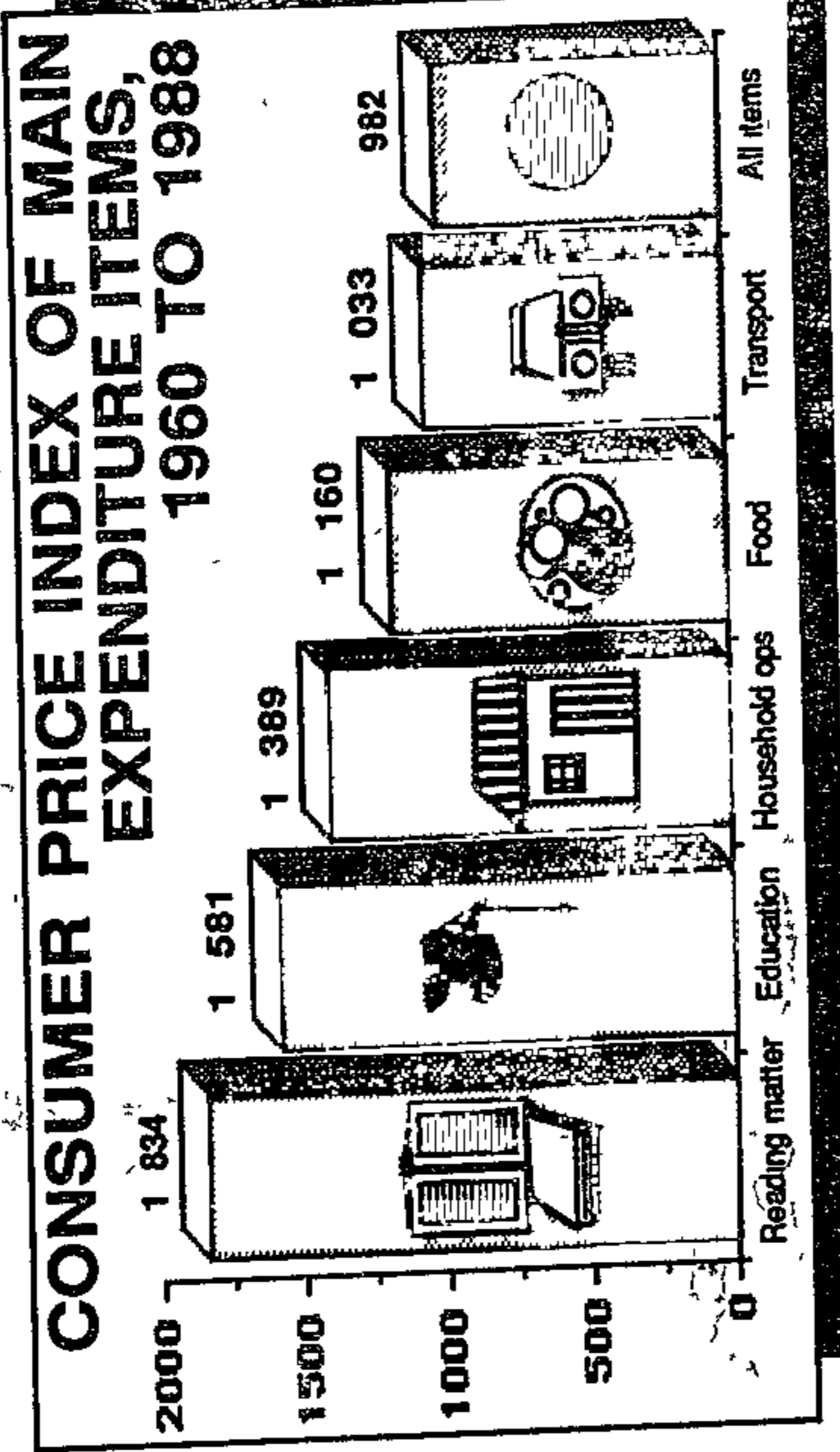
The five main food groups with the biggest increases are meat, fish, vegetables, sugar and other food items which include spices,

flavouring, concentrated soups and sweets.

A consumer whose meat bill was R157 at the end of 1987, for instance, could have bought the same amount of meat for just R10 in 1960. Fish costing R10 in 1960 would cost roughly R135 today while a basket of vegetables increased from R10 to R127 in the same period.

Among the main expenditure items with the smallest price increases were cigarettes, cigars and tobacco which were about 5 times costlier in 1987 than in 1960.

The price of clothing and footwear rose by 518 percent, furniture and equipment by 616 percent, communication 633 percent and alcoholic drinks 711 percent.



Unisa survey shows drastic price increases since 1960

A single, salaried person who earned R200 a month in 1960 would need roughly R1964 after tax to maintain the same standard in 1987, according to the latest issue of *Research for Marketing* published by Unisa's Bureau of Market Research.

The survey found that, to make provision for income tax, the person would therefore have to earn R2235 or 11 times more in 1987 than he did in 1960, while a food basket for which he then paid R35 would cost him R400 in 1987.

"Reading matter tops the list with an index rising from 100 in 1960 to 1834 in 1987. This means that the price of reading matter was approximately 18 times higher in 1987 than in 1960.

"Education cost about 16 times more and household operation (cleaning materials, domestic servants and other laundry and dry-cleaning services) 14 times, food 12 times and transport 10 times more"

The survey found that the main food groups with the biggest price increases were meat, fish, vegetables and sugar, as well as spices, flavouring, concentrated soups and sweets.

"A consumer whose meat bill was R157 in 1987, for instance, could have bought the same amount of meat for R10 in 1960. Fish costing R10 in 1960 would cost R135 in 1987, and a basket of vegetables for which the consumer paid R10 in 1960 cost him R127 in 1987"

15/2/88 (244) Stan

PRETORIA — Consumers are to get a bigger say in the fixing of prices of agricultural products, Agriculture Minister Greyling Wentzel said yesterday.

Opening the Agricultural Outlook Conference (Agrocon) here, he said he had accepted a Marketing Council recommendation that control boards should establish price or consensus committees, with producers and consumers equally represented.

Agriculture in SA had entered a new era, where market-orientated prices and production, together with less government interference, would lead to greater competition, said Wentzel.

The new deal for consumers would replace the current one-sided system in which a majority of producers determined prices.

This gave rise to the suspicion in the

Blauy 16/2/88 (244)

Consumers get new farm deal

GERALD REILLY

public mind that prices were not market related

The signals being sent out by the market had to be correctly reflected, and not troubled by additional payments and subsidies.

Apart from the need for mechanisms through which producers and consumers could negotiate on prices on an equal footing, market related production could also be promoted by passing on the results of the early price negotiations to the producers.

Farmers could then make rational decisions about production.

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White consumers and corpor...

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Farmers could then make rational decisions about production.

CAO 1/11/88

Tyre prices up 10% soon

OWN CORRESPONDENT

PORT ELIZABETH —
Tyre prices are to be in-
creased by between 10%
and 11%

The price increases
will probably come into
effect from March 1

The price of Firestone
tyres went up by 11% on
Monday

Most tyre manufactur-
ers here said yesterday
that they could not yet
give a specific increase
figure, but said it would
be between 10% and
11%

One manufacturer
said he thought their in-
crease would be below
10%

3 die, 1 hurt in mine rockburst

JOHANNESBURG. — Three men were killed and one was injured in a rockburst at the Anglo American-administered Western Deep Levels gold mine, about 60km west of here, early yesterday.

Anglo said in a statement that the rockburst occurred on 118 level, 3 500m below surface, at the mine's No 3 Shaft, at 2.30am yesterday.

"Rescue operations are under way to find one person still missing," the statement said.

The names of the dead will be released once their next of kin have been informed.

The accident occurred in a stope gully adjacent to a dike, Anglo added. — Sapa

Consumer Council calls for boycott

Staff Reporter

THE SA Consumer Council suggested yesterday that consumers should hit back and boycott certain commodities.

Council director Mr Jan Cronje said it was ironic that President P W Botha's announcement of a public sector salary freeze was followed by a whole spate of price rise threats.

Among them were a projected meat price rise of 15%, 20% for medicines and the threat of higher fuel and electricity, car, dairy and many other product prices.

This meant that consumers, especially those who were not granted a salary adjustment, would be dealt a further financial blow, Mr Cronje said.

"Is the time not ripe for consumers to organize themselves and refuse to buy certain commodities?" he asked.

The council warned industry not to price itself out of the market and compel consumers to use substitutes or to press for the importation of products at competitive prices.

It was ironic, too, that in spite of the lower feed maize price, the price of chickens continued to rise.

President Botha's anti-inflationary measures would be futile if all sectors and industries failed to co-operate in curbing price increases, Mr Cronje said

City Hall revamp: R10m plan

Municipal Reporter

ARCHITECTS who studied the City Hall for over a year have recommended that R1 million a year for 10 years be budgeted for its renovation and restoration.

But a spokesman for the city treasurer's department said yesterday that it was unlikely that more than R200 000 would be set aside for this purpose in the coming financial year.

The City Hall, which dates back to 1905, was "basically remarkably sound", according to the study, by Mr John Rennie and Mr Pat Riley.

Its exterior is a national monument, as are the Grand Hall and two marble stairways

Certain repairs — such as the patching of leaks — were urgently needed, according to the report. It recommended "total re-roofing" after the parapet balustrades were restored, but leaks

Cape Times 19/2/88
244

244 STI 2/12/88

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Car prices reach for the sky as rand falls

By Don Robertson

THE price of motor vehicles will rise at a faster rate this year than the 12% of 1987 as the rand continues to decline against the yen and the mark.

In the quarter to December, the rand declined by 6% against the currencies of these vehicle-source countries. It is expected that the rand will continue to weaken against the yen and the mark.

In its quarterly report to December, the National Association of Automobile Manufacturers of SA (Naamsa) says vehicle prices are likely to increase at a higher rate than last year

Shortages

The price of vehicles has risen by 68% between 1985 and 1986

The declining rand has increased the price of imported components to more than 50% in terms of the value of the car compared with an average of only 34% by weight

Other factors which could negatively influence vehicle sales are stock shortages, especially in the truck and bus sector, and world economic uncertainty

Naamsa says truck and bus

manufacturers find it difficult to increase supplies because of the inability of ADE and gearbox supplier Astas to meet the upturn in demand

However, Naamsa says that in spite of these developments, the vehicle market remains poised for modest expansion — at least in the first six months if the economy increases by about 3% this year.

Naamsa forecasts car sales of 216 500 this year and 222 100 in 1989, light commercials 106 500 and 110 000, medium commercials 5 300 and 5 600 and heavy commercials 8 500 and 8 750. These figures compare with last year's sales of 200 824, 96 500, 4 738 and 7 242 respectively.

Another factor which indicate an improvement in activity is a modest increase in capacity use in the industry which in the December quarter rose to 71,75% from 71,3% in September and 56% in December 1986

In the three months, R37-million was spent on tooling, component manufacture and production facilities.

Good weather may slow rate of food price hikes

~~244~~ 244 8/Jan
22/2/88

Inflation curbs could cut price pressures

CAPE TOWN — Government's intensified action against inflation, which might also include a less accommodating monetary policy, could temper the current upward pressure on prices being experienced because of increased demand for goods and services, says Sanlam in its latest economic survey.

"A further positive factor is the indication that food prices may rise at a slower rate owing to more favourable climatic conditions," said Johan Louw, chief economist. He expected the inflation rate to fall below 15% in 1988, compared to the 16,1% of 1987 and the 18,6% of 1986.

Louw said that the additional steps against inflation instituted by the State President could possibly result in the expected growth rate of 3% not being reached this year.

As regards government finances, Louw anticipated a total revenue of R38,6bn in the current financial year (13% up on 1986/87). State expenditure should total some R48bn, (about 19% more than in 1986/87, compared with

16,2% projected in the main budget). That would leave a shortage before loans of some R9,4bn.

It was no easy task to curb current expenditure of the government substantially in the short term, because of the large amounts required for votes such as education and training, defence and interest on government debt, he said.

Consequently, the emphasis of stricter financial discipline fell in large measure on controlled increases in labour costs. Louw anticipated that the Minister would budget for an increase in total expenditure of no more than 12% in the new financial year.

A deficit before borrowing of some R10,5bn was foreseen. That would allow the Minister only limited elbow-room for tax reductions, and he would no doubt consider it inadvisable to stimulate spending at this stage. Yet some tax reduction for individuals in the form of lower personal income tax should not be discounted, said Louw.

"In our view, it would have several advantages if the minister spelt out

more clearly his assumptions in respect of certain important economic variables on which his budget is based. This would place the business sector in a better position not only to determine the possible implications of his budget proposals, but also to put later deviations from, and adjustments to, the budget into perspective," he said.

Owing to a fairly good export performance and continued low imports, the foreign trade account was showing sustained surpluses. This year's surplus should yield between R3bn and R4bn in comparison with about R6bn for 1987.

"Thanks to the reasonable terms of the second standstill agreement with overseas bankers, the balance of payments as a whole is not yet a serious problem. The difficulties which might arise because of a too rapid growth rate in domestic demand for goods and services must nonetheless be guarded against," Louw said.

However, the ultimate success of these reforms in the economic sphere would depend largely on the co-operation between the public and private sectors — Sapa

~~244~~ 244 8/Jan
22/2/88

INFLATION RELIEF

244

Consumer prices have posted their best 12-month showing in three years. In the year to January, CPI rose 14,2%, the lowest year-on-year rate since 13,9% in January 1985.

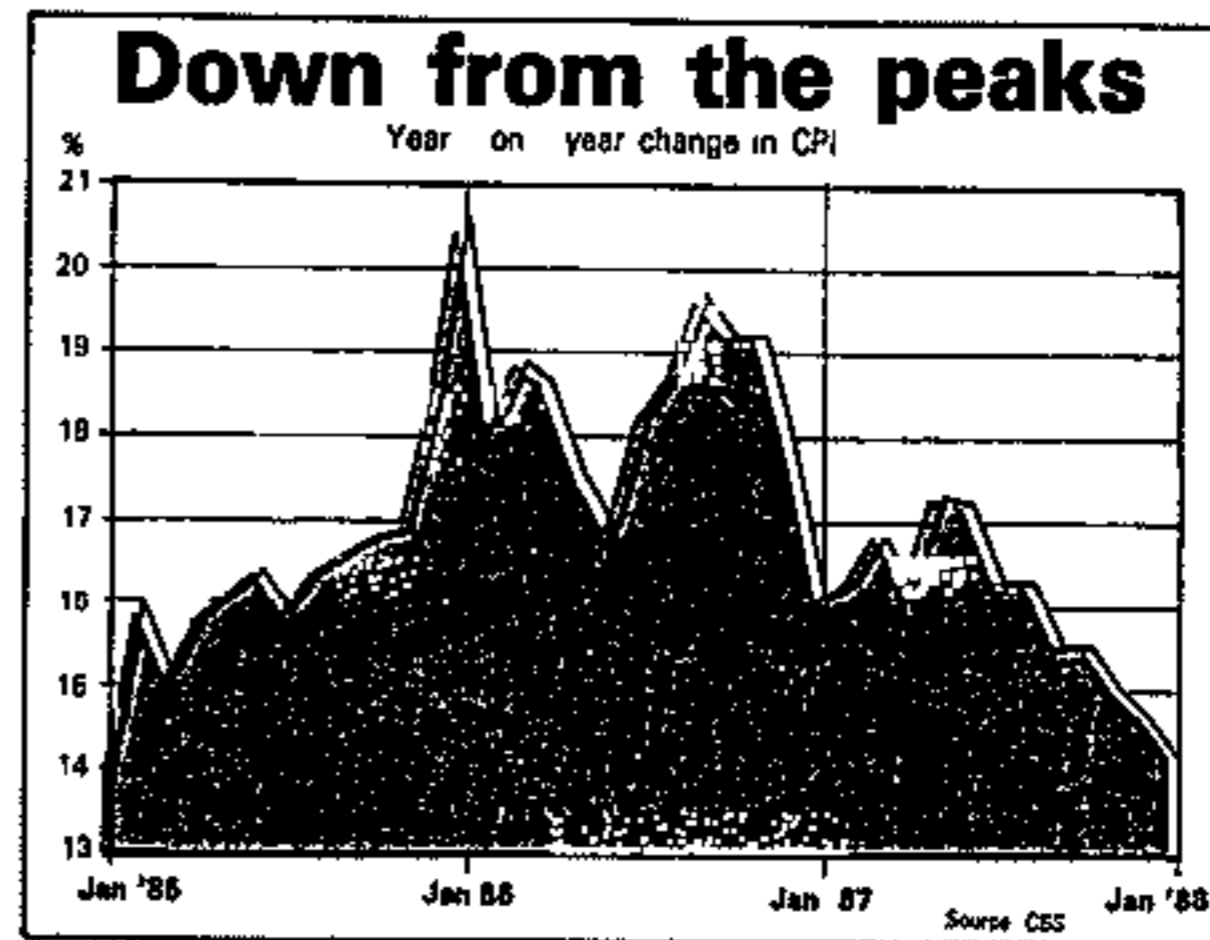
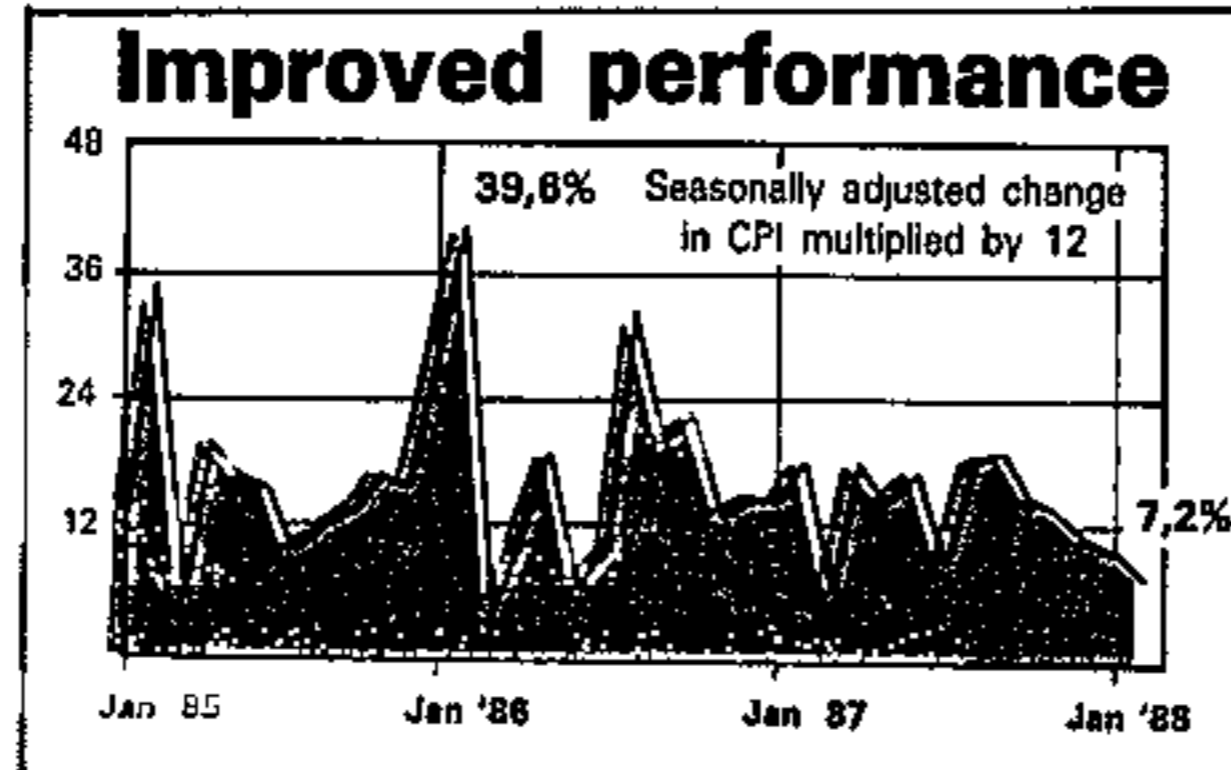
The dip is in line with economists' predictions that the rate of increase in CPI would move lower or sideways in the first half of 1988 before taking off in the second half.

In 1987, the rate was 16,3% (July and August), 15,5% (September and October), 15% (November) and 14,7% (De-

ember).

Last month's 14,2% rate, though good by recent standards, still keeps prices rising too fast for comfort. The 0,9% increase from December to January brings the index to 147,2 (base 1985=100), which means a basket of goods that cost R100 in the middle of 1985 had already gone up to R147,20 last month.

The food-only index rose to 160,3 in January, a 0,7% increase from December.



Don't blame ⁽²⁴⁴⁾ the shopkeeper

It's been a rough 27 years for consumers, faced with what seems to be an unstoppable decline in the purchasing power of the rand

Consider these dreary statistics — compiled by Unisa's Bureau for Market Research — about the cost-of-living rise from 1960 to August 1987.

- Consumer prices rose an average of 882% — almost tenfold. One needed R98,20 last year to buy what cost R10 in 1960;
- Books and newspapers top the list of rises, at 1 734%. At the bottom are cigarettes, at 509%. Vehicles rose 1 114%, milk and eggs 761%, alcohol 711%, and furniture 616%.
- Food prices increased almost twelvefold. A shopping cart of groceries that cost a mere R35 in 1960 went for R400 last year, and
- A single person who earned R200 a month in 1960 would have needed to earn about R1 964 after-tax in 1987 to maintain his living standard, and R2 235 to cover increased income tax

It's tempting, but wrong, to blame publishers, furniture makers and shopkeepers for the rise in prices. Inflation is the fault of government, not the private sector

"A 'wage-price spiral' can only be maintained if the Reserve Bank accommodates it, pumping money into the system," argues Wits business economist Frank Vorhies.

His Wits colleague, Dan Leach, concurs.

"A tenfold increase in prices between 1960 and 1987 is easily explained by a tenfold increase in M0, the monetary base. Price increases are the direct result of government's inflation of the currency"

Vorhies and Leach say the crucial distinction to be made is between price inflation, a symptom, and monetary inflation, the underlying problem. They argue that without the increased monetary base, prices could not have kept soaring.

"To stop inflation," says Leach, "the Reserve Bank must stop printing money — it must freeze M0"

When there's no monetary inflation, businessmen and trade unions cannot cause a sustained spiral of price inflation. If they raise prices and wages too high, they price themselves out of the market

Hard to see? Consider why a can of Coke doesn't cost R4. If businessmen could raise prices at will they wouldn't wait for workers to demand higher wages. They'd raise prices today. But most consumers would stop buying Coke if it were priced at R4 a can

Likewise, unions who demanded above-market wages wouldn't cause inflation, they'd cause unemployment, by pricing workers out of the labour market

Government controls on wages and prices try to deal with a symptom. But as long as the money supply is growing, American economist Henry Hazlitt argued back in

1960, "government price-and-wage fixing only discourages, distorts, and disrupts production, without curing the inflation"

With money supply increasing faster than production, there's no point trying to talk inflation down. It's only natural for prices to rise with more rands around, only a fool would demand less for his product or labour.

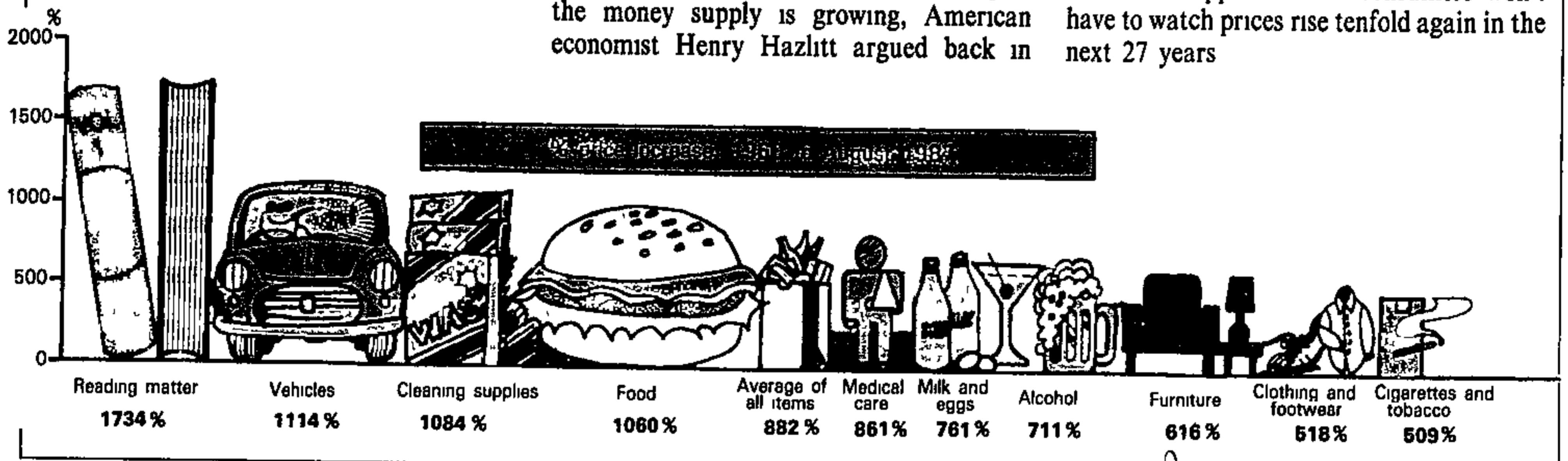
It is, therefore, pointless for P W Botha to run full-page advertisements calling on every man, woman and child to "exercise self-discipline with our demands and our prices". We don't cause inflation. The Reserve Bank does, at government's behest, by printing money to finance government spending

The president's plan to privatise and deregulate offers more hope than the premises behind his newspaper ads

Carried out with vigour, these steps could boost real growth

Price inflation is caused by too much money chasing too few goods, so a boost in the amount of goods would lower inflation. But production would have to skyrocket to counteract the 15%-20% annual money supply growth we've been seeing

By disengaging itself from the economy, Pretoria could cut its debt and take pressure off the Bank to monetise debt. If fiscal discipline leads to monetary discipline, inflation could be stopped — and consumers won't have to watch prices rise tenfold again in the next 27 years



D/D 27/2/88
1,6pc rise gives wool new heights (24A)

PORT ELIZABETH — Wool prices reached new heights at this week's auction here when the average price increased by 1,6 per cent compared to last week's sale

The South African Wool Board's market indicator now stands at 1804 compared to the 1776 of last week. The increase in wool prices is attributed mainly to a further weakening of the rand against the Australian dollar and the increase in Australian wool prices.

The biggest price increase occurred in the 24 and 25 micron categories for fleece wool which sold for about four per cent higher, while prices for 20 micron fleece wool and finer strengthened by almost three per cent compared to last week. Prices for fleece wool of 21, 22 and 23 micron increased by up to 1,5 per cent and those for bel-

lies and locks by three per cent and 2,5 per cent respectively. However, prices for lambs declined by almost four per cent.

Competition was good and 94 per cent of the 2302 bales of merino and other wools were cleared to the trade. A total of 768 bales of karakul wool were offered of which 45 per cent was sold. The merino offering (13809 bales) comprised 64 per cent long, 19 per cent medium and seven per cent short wool as well as 10 per cent locks.

The highest greasy wool price of R35,46/kg was fetched for a bale of wool (type 50) of 17,4 micron and a clean yield of 68 per cent. The wool belonged to Mr R D Sharratt, of the farm Uithoek in the Harri-smith district.

Approx 16300 bales of merino and other wool will be on offer next week. — Sapa

Consumers in Pretoria and Verwoerdburg paid more for food in December than consumers in other major centres in the country.

A monthly survey of retail food prices by the Central Statistical Services shows that a shopping basket of 64 basic items cost R233,49 in Pretoria and Verwoerdburg, compared to R202,73 in the cheapest centre, East London.

The basket cost R226,69 in Maritzburg and R224,64 in the Cape Peninsula. Johannesburg consumers paid R217,88 and those in Port Elizabeth R216,24.

Kimberley and the Vaal Triangle were among the cheaper areas

Pretoria ster 11/3/88 pays more for food (244)

at R204,71 and R209,31.

The survey found the average price of several items had increased dramatically since November. These included lettuces (26 percent), tomatoes (20 percent), chicken (13 percent), hake (9 percent), raisins and instant coffee (both 7 percent).

Groceries that had dropped in price included eggs, cooking oil, condensed milk, butter, and seasonal fruit and vegetables such as squash and green beans.

Zola's passport 'convenient'

WELLINGTON — New Zealand has called for a halt to athletes like South African-born runner Zola Budd travelling on "passports of convenience" Star 3/3/88
244

Deputy Foreign Affairs Minister Ms Fran Wilde yesterday reiterated the government's opposition to Budd competing for Britain in the 1990 Commonwealth Games in Auckland. Budd is due to compete in the World Cross Country Championships in New Zealand as a member of the British team.

Ms Wilde said a move by the Commonwealth Games Federation in January to tighten its rules on residence and eligibility would probably prevent Budd from competing.

"I suppose some people would support the view that poor Zola is a young, innocent lass running for the love of sport, who is being harassed by political heavies from African countries," she said.

"That is nonsense. Zola Budd is not an innocent abroad. She is a young woman deliberately manipulating the system chasing big dollars and continuing to do so using a British passport."

Milk price increases: Govt may step in

Cape Times 5/3/88

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By ANTHONY JOHNSON
and CHARL DE VILLIERS

THE government yesterday threatened to reinstate price control over fresh milk after recent sharp rises.

The Minister of Agriculture, Mr Greyling Wentzel, expressed his "alarm" at recent increases — first announced by Dairy Belle on Monday and implemented on Tuesday — and said that fresh milk was a basic food-stuff and should therefore be "affordable to the general public".

Mr Wentzel said he had instructed the National Marketing Council and the Dairy Board "to advise me without delay" as to whether the the latest rises were justified.

He would then decide on the possible reinstatement of price control.

Mr Wentzel said he had warned last year that he reserved the right to reintroduce controls over the maximum

price of fresh milk in the larger urban areas "should it become evident that distributors are introducing exorbitant increases".

The general manager of Dairy Belle in the Western Cape, Mr Jan Kotzé, said yesterday that the 8% increase was unavoidable. Animal-feed prices had pushed up the price of fresh milk in the Western Cape by five cents a litre.

The marketing manager of Cape Dairies, Mr Mike O'Connor, said he believed that it would be a "retrogressive step" if the government were to reimplement price controls. The "astronomical" cost of packaging, the increased sugar price and wage and electricity rises all contributed to increasing production costs, he said.

At present a retail chain like Pick'n Pay sells a litre of Dairy Belle milk at 98 cents. Homestead milk sells at 94 cents and Bonnita milk at 98 cents.

SHARESPOT

Danglo (formerly Glomine)

The investment holding company, Danglo, has suffered an extensive price collapse — from 225c a year ago, to yesterday's faded 55c. At the same time, the company has blossomed in the sense that its size and turnover have grown rapidly (During the 1987 financial year, acquisitional expansion alone exceeded R30 million)

The thorn in the flesh, however, is the means used to finance the new ventures. Danglo used share capital, increasing the number of ordinary shares in issue from 13,5 million to 42,6 million. Furthermore, since then, the company purchased a controlling interest in Danech, issuing a further 21,8 million shares (bringing the total to 64,4 million).

Not surprisingly, shareholders have shied away in fear of the inevitable earnings (and other) per share dilution that will follow.

The extent of the dilution will be significant. The current financial year (to September 1988) will use 64,4 million shares in its per share calculations, compared with only 23 million used in the previous year.

This means that Danglo will have to achieve approximately a three-fold increase in attributable income in order to merely maintain last year's declared earnings of 15 cents per share.

Rest assured, however, not only is this likely to be the case, but there may even be a small increase in per share earnings. Chief Executive Neville Parry warns that while interim earnings (to be declared in May) may appear on the low side, he is con-

LYNNE PEACH

fidant that earnings for the full year to September 1988 will be "at least 15 cents per share".

The extensive structural change, effective from October 1 1987, was initiated by the controlling shareholders who decided to "neaten" the group's structure by shuffling ownership. Mr Parry points out that the restructuring is not only visible "outside", but involves both management and the balance sheet too. The changes have also removed a conflict of interests involving the controlling shareholders — their main interest now lies in Dico rather than in both Dico and Danglo.

The nature of Danglo's business is also affected. It changes to that of an industrial holding company following its new controlling interest in Danech and existing interests in Plastall and other unlisted subsidiary companies.

Structural change

In view of this, Danglo is likely to be relocated from the engineering sector to the industrial holdings sector.

Assuming that the Danech acquisition had been in effect for Danglo's entire financial year to September 1987, earnings per share would have been 9 percent lower (13,6 cents instead of 15 cents). In addition, net asset value per share would have plummeted by nearly 15%, from 89 cents to 75,6 cents.

This follows a near-doubling of the weighted average number of

shares in issue (used in all per share calculations), which would have been 41,3 million rather than the disclosed 23 million. In addition the debt equity ratio would have deteriorated to 72 percent, from the pre-acquisition 48 percent.

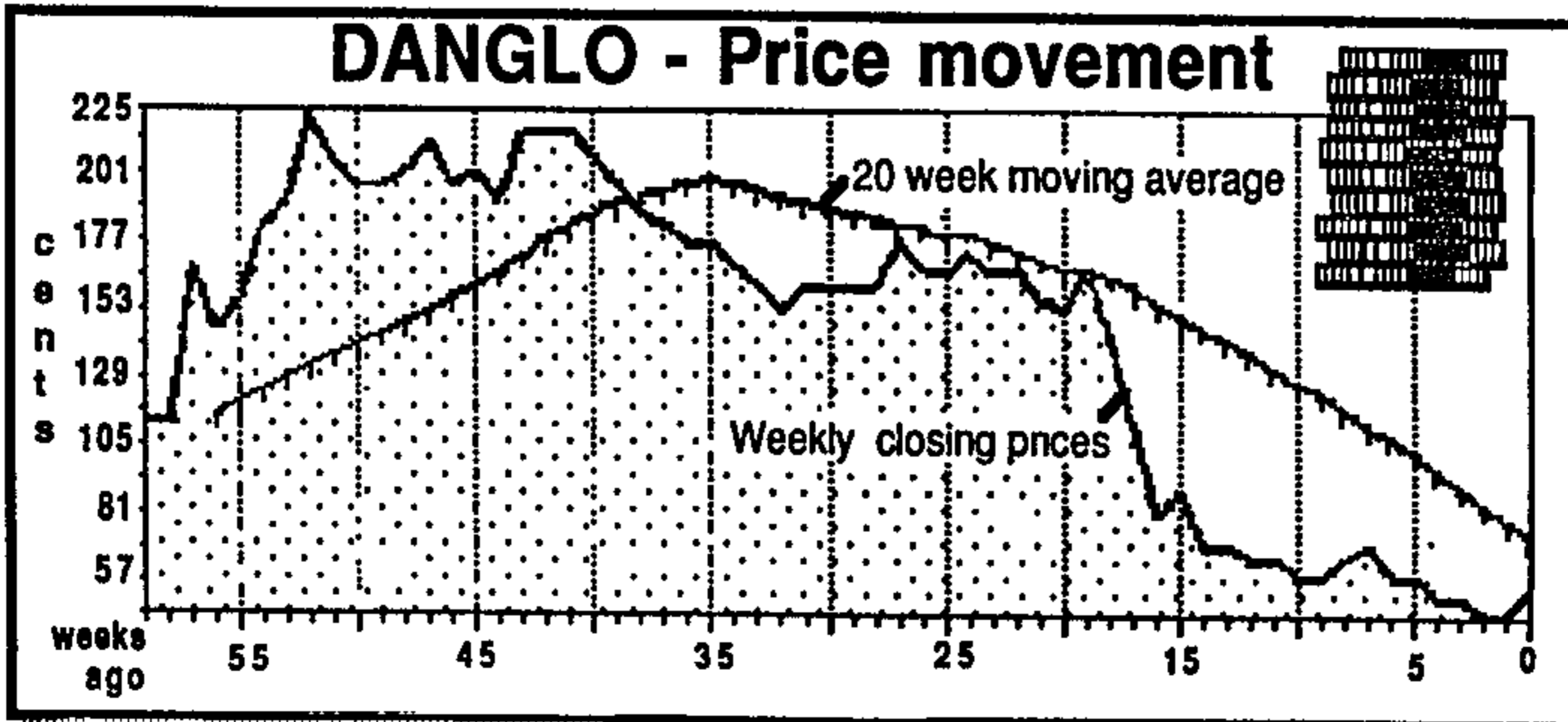
Asset base

However, according to management, the pros of the acquisition are set to outweigh the cons. Danglo is expected to benefit from an expanded asset base and diversified portfolio of businesses. In addition, rationalisation benefits will arise through Danech distributing the products of Danglo's subsidiaries through its national network servicing the mining industry.

The acquisition will facilitate future growth. This, however, will not occur at the expense of increasing the debt equity ratio. Nor, according to Mr Parry, will any further share issues be made in the foreseeable future. He further explains that the company is in the process of consolidating its affairs and ensuring that its newly acquired interests contribute more significantly to group profits.

CONCLUSION

Danglo appears to offer excellent future earnings potential (especially in 1989) suggesting that accumulation of this share is in order as confirmed by the charts. The forward price:earnings ratio (September 1988) is estimated to be less than 4. This compares favourably with the current industrial holding sector average of about 8.



Danglo has clearly been in a bear phase for the past 10 months. (Over this period it has also consistently been an under performer in the engineering sector). The price line shows a stepped formation with periods of consolidation (lasting between 11 and 13 weeks) dividing major price moves. At present, Danglo looks about 10 weeks into a period of consolidation. The imminent price move should be positive and significant, turning the bear phase into a bull phase as the price line breaks through its 20-week moving average.

Sound outlook for granite producers

Star 5/13/88

244

244

TEIGUE PAYNE

The three listed granite companies, all of which will report soon, are likely to produce results at least in line with prospectus forecasts, although rain may have depressed production figures somewhat.

Keeley, which has a February year-end, will probably publishing its annual results in early April, while Marlin and Kudu, with June year-ends, are likely to report within a week.

Leading analyst Dr Kevin Kartun of brokers Simpson McKie says while rain has hindered black granite production in the Belfast area, nothing major ails the industry — in contrast to most other mining sectors.

The recent slide in the gold price and depreciation in the rand have emphasised the granite producers' quality of being near-perfect rand hedges, says Dr Kartun.

With gold, the exchange rate and the gold price are interlinked. When the dollar gold price declines, the exchange rate declines.

This safety net for gold is a lift for granite because prices for granite are not declining. The opposite, in fact — they are showing a steady uptrend in dollars, in which they are determined. South African production is almost entirely exported.

Price increases

Keeley and Marlin are reported to have recently obtained 20 percent dollar price increases for black granites, and slightly less for grey granites. In a market in which order books generally are full at least a year ahead, it was apparently not difficult to obtain that magnitude of increase.

Taken with a 10,1 percent decline in the rand this year (from R1,9323 to R2,1485), and more likely in the future, there is considerable gearing in the upward price, and little downside for granite shares.

If the rand appreciates against the dol-

lar, producers will find it easy to obtain price increases from their main customers who are mainly European and Japanese, and whose national currencies have generally risen against the dollar.

Of course there have been cost increases. Most important has been an estimated 25 percent rise in rail tariffs for exports. But railage makes up a relatively small part of costs in producing and exporting granite.

Granite producers are not complacent about sanctions, but the industry is low-key, and countries which have banned South African coal import its granite without demure. Overseas customers, normally relatively small concerns, have strong interests in resisting sanctions because they multiply their money about 600 percent in slicing and polishing the raw blocks.

The sanctions risk is also spread between 30 countries to which local producers export. Competition for South African producers, mainly from India and South America, presents no major problem, they say.

South Africa at present produces about six percent of the free world's granite. Mr Fred Keeley, chairman of Keeley Granite, estimates that this could rise to 25 percent.

Forecast of results of the three granite companies are

- Kudu earnings of 26,1c a share for the year ended June, and a 3,2 times covered dividend of 8,2c.
- Marlin earnings of 41c a share for the full year, and a 2,4-times covered dividend of 17c.
- Keeley: earnings of 27,8c a share for the year ended 29 February, a 2 times covered dividend of 13,9c. Keeley may well accompany its annual results with an announcement about exploitation of its platinum rights, hopefully on a tribute basis, which would increase earnings in the future.

has been challenged successfully in the January. Who

Rumours of books prices hike denied

Star
7/3/88

244

Education Reporter

Rumours that the price of hardcover novels is to be pushed through the R40 level from April 1 have been denied by the president of the Overseas Publishers' Representative Association (Opra), Ms Anita Wolfe-Coote.

The present acceptable price range for the books is between R36,95 and R39,95.

Ms Wolfe-Coote said there was no collusion among association members on prices.

"Although it is the policy of Opra to try to keep prices as low as possible, they are set by each publisher, depending on the exchange rate, freight and other costs.

"There has been a steady increase in the past six months in the exchange rate, but it has not worsened to the extent that we would consider increasing prices dramatically," Ms Wolfe-Coote said.

She added that if the situation changed, her own company, Heinemann Publishers, would reconsider its prices.

There are no beds because separate live-in Super-bike race between the is not enough nursing staff.

WHISKY prices yesterday shot up another 10% — the second increase in just over a month — without any warning to retailers

Retailers said the increase in whisky prices this year, after a February hike for a currency adjustment, amounted to about 15%.

Retailer Vaughn Johnson said yesterday's increase would not replace the annual April 1 increase.

Industry sources expected the April increase to be another 10% — which means an overall increase of 25% for this year.

Retailers and liquor-industry experts slammed the move, for which no official explanation has yet been given, saying consumers would be badly hit and the

Whisky prices jump by 10%

8/day 8/3/88

DOMINIQUE GILBERT

whisky trade would suffer.

Although retailers acknowledge the slide of the rand against major European currencies is one of the reasons for the price hike, they blame suppliers in the UK and SA for the sharp increases.

Retailers said whisky had risen by about R30 a case since the end of last year amounting to about R156 a case, while there had been an increase of about 33% in duty free prices

D/D 8/3/88

Whisky price is ~~782~~
up another 10 pc ²⁴⁴

JOHANNESBURG
Whisky prices yesterday shot up another 10 per cent — the second increase in just over a month.

Retailers said the increase in whisky prices this year amounted to about 15 per cent.

Industry sources expected the annual April increase to be another 10 per cent — which means an overall increase of 25 per cent.

Retailers and liquor industry spokesmen slammed the move, for which no official explanation has yet been given, saying consumers would be badly hit and the whisky trade would suffer.

Although retailers acknowledge the slide of the rand against major European currencies is one of the reasons for the price hike, they blame suppliers in the United Kingdom and South Africa for the sharp increases.

A liquor industry spokesman, Mr Michael Fridjhon, said, however, until recently retailers could buy stock from a choice of wholesalers.

Now most brands were "in the hands of a sole importer".

The sudden announcement meant retailers were not able to buy stock ahead of time, thus the public would not be shielded from the rises. — DDC

Local calls: New charge system

Political Staff

THE Minister of Posts and Telecommunications, Mr Stoffel Botha, presented a "no tariff increases" budget yesterday, but there was a nasty sting in the tail with local calls to be charged according to duration as from next year.

Currently there is no time limit on local calls and subscribers pay a single unit cost for the whole call.

Next year, a system measuring the duration of calls will be phased in,

bringing local calls in line with the system currently used for trunk calls. The announcement has drawn flak from the CP and the PFP.

The CP's Mr S P van Vuuren said the new measure was a "thinly disguised increase" in the cost of local calls which "will add to the heavy burden already carried by the consumer".

And PFP spokesman Mr Jan van Gend asked what was the new system if not an increase in tariffs. It would, he said, add heavily to the telephone bill of those who could least afford it. Presenting a R6 154-million budget for 1988/9 — 2,3% higher than last year

— Mr Botha also gave the thumbs down to salary increases, in line with the announcement by President P W Botha when he opened Parliament last month.

Revenue for 1988/9 was estimated at R4 677m.

Mr Botha said non-profitable services such as the postal, telegram, telex and money-transfer services required an increase in tariffs, but this would not be implemented as a contribution to the fight against inflation.

Mr Botha also announced, as part of the Post Office's privatization and deregulation programme, that the pri-

vate sector would in future be permitted to provide and maintain the extension-line cabling and peripheral equipment terminated on private automatic branch exchanges.

This will be in addition to the supply and maintenance of private automatic branch exchanges, which were transferred to the private sector some time ago.

It has also been decided to deregulate the facsimile service to the extent of allowing the private sector to operate bureaux where they can undertake facsimile transmissions on behalf of the public.

Railway lines repaired

EAST LONDON — Some railway lines in the Free State and Northern Cape which were damaged by the floods have been repaired, and some services were back in operation, the South African Transport Services has announced

The Trans-Karoo between Johannesburg and Cape Town in both directions and the Johannesburg-East London train via Kimberley and De Aar operated yesterday

The Blue Train between Johannesburg and Cape Town in both directions will operate today as will the Trans Karoo and the Algoa from Port Elizabeth to Johannesburg will also operate today

The senior superintendent for operations for Sats here, Mr Kris Mynhardt, said the train services were not yet back to normal

He was not sure when they would run normally again — DDR

Bridge repairs to start

DURBAN — Repair work on the John Ross Bridge over the Tugela River, which was severely damaged in last year's floods, should begin early next month, the executive director of roads in Natal, Mr Ray Smith, said yesterday

The province received 30 proposals following its call for tenders and a short-list has been drawn up

"The Executive Committee will make a final decision based on our recommendations at its meeting on March 15," Mr Smith said

"We expect work to begin after the Easter weekend and we want it finished by the start of the builders' holidays in December. We've looked at the floods and done surveys and feel the new bridge will be able to handle the largest known flood which has taken place so far" — DDC

Council gives to fund

PRETORIA — The Teachers' Federal Council decided at a special meeting here yesterday to make a financial contribution to the Flood Relief Fund

The chairman of the council, Mr Dudley Schroeder, expressed the council's sympathy with those who had suffered during the floods

The council also expressed its appreciation for the display of goodwill in the state of emergency and the hope that the damage to educational facilities would be repaired soon so as to enable educational institutions to function normally

Mr Schroeder, who is the headmaster of Queen's College, Queenstown, said the council appreciated the contributions made by schools throughout the country to the fund — DDR

Fresh vegetable prices rise amid Q'town shortage

Daily Dispatch Reporter
QUEENSTOWN — There is a shortage of fresh vegetables here and prices have risen sharply during the past few weeks

While vegetables were obtained from the Gamtoos River Valley and areas along the coast to East London, Queenstown dealers bought a large percentage of their produce from the Transvaal Lowveld and the Free State

The recent floods had contributed greatly to the shortage, but according to the commodity manager of the East Cape Agricultural Union, Mr Arthur Purchase, other factors were also responsible

"Initially, there were road and rail delays from the north following the floods." When floodwaters did not subside, farmers were unable to harvest their crops

In addition, produce from the Transvaal Lowveld became available at the start of winter, while that from the middle veld was now ending

Root crops and lettuce from the Gamtoos River Valley were in short supply because of the excessive heat in the growing season

A local fruit and veg-

etable dealer said he expected the price of vegetables to continue increasing until produce became freely available again

244
He said carrots, beetroot, gem squash and lettuce were very scarce but tomatoes and cabbages, which were supplied from East London, were plentiful

The bulk of the town's potato supply came from Bloemfontein and to a lesser extent from the Gamtoos area

Mr Purchase said it was his opinion that potatoes, now selling for up to R15 a pocket, would be in short supply for a long time and that prices would rise considerably

He reasoned that areas in the north-western Free State which produced seed potatoes had been hard hit by floods. Consequently there would be a severe shortage

"The possibility also exists that some seed potato growers will sell their produce as table potatoes if prices of table potatoes exceed the price they could get for the seed variety"

• The level of the Settlers' Dam has risen by nearly five per cent to 54.53 capacity, following weekend rains

Cape still reeling from flood damage

JOHANNESBURG — Al-South African Wool Board Mr. Prof...

Row over whisky price rise

DOMINIQUE GILBERT

LAGGING profit margins, currency adjustments and an attempt to penalise imported products in favour of local products were reasons given yesterday by Stellenbosch Farmers Wineries (SFW) marketing director Dick Coleshaw for the whisky price increase.

He dismissed the possibility of the expected annual price increase in April taking place, saying it had been replaced by this week's 10% increase which was imposed without prior notice to prevent "destabilisation" in the market.

Responding to allegations this week

by retailers that price increases were the result of cartel-type control among whisky importers — involving companies in the Cape Wine Distillers (CWD) group — Coleshaw said: "That is not altogether true."

"Whether the CWD is a cartel or not, the fact is the profit margin on imported whisky is not there. If profit margins are not satisfied, distributors' prices have to

9/3/88

● To Page 2

244 B/day

Suppliers defend 10% whisky price increase

go up," he said, adding that currency adjustments were also a factor in this week's price increase.

The Guinness takeover of Distillers Corporation in the UK, "rearranged Scotch in SA" — in terms of which a first step was taken towards sole distributorship, Coleshaw said

Liquor industry expert Michael Fridjhon said until recently retailers could buy stock from a choice of wholesalers

This system had changed and most brands were now "in the hands of a sole importer who uses companies in the CWD group"

"There are therefore no consignment rebates to the retailers who effectively now have to mark up case loads which will have an inflationary impact."

● From Page 1



Round of price shocks for SA

By Melanie Gosling

The price of televisions, videos, radios and hi-fi equipment is expected to rocket by between 10 and 14 percent because of the decline in the value of the rand.

Microwaves and washing machines will increase by between five and seven percent.

The managing director of National Panasonic, Mr Terry Millar, said yesterday if the rand stabilised around 60 yen to the rand, consumer durables — televisions, hi-fi equipment, videos and radios — would increase by 14 percent.

Mr Kingsley Jones, marketing manager of the audio-visual section of Hitachi KIC, predicted the increase of consumer durables to be slightly less — around 10 percent.

The managing director of Barlows Appliances,

Mr Pat Gallagher, said if the rand stayed at the current level there would be an increase of up to seven percent on washing machines and microwave ovens. The increases could be expected within two weeks.

Mr Paul Roos of the Consumer Council said his organisation was against any increases because they fuelled inflation

"There is a general trend with the weakening of the rand that importers, who find their profits shrinking, will pass their losses on to the consumer," Mr Roos said.

Mrs Anne Moor of Safto export marketing consultants said the steady decline of the rand in international value made imported goods more expensive.

9/7/88

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Brakes come off and car prices accelerate again

244
9/3/88

The car price rise roller-coaster slowed to a cruise in 1987, but now it looks as if the brakes are coming off again.

Driven by dwindling exchange rates, makers are playing safe by implementing a round of price increases — typically four to 4.5 percent — a month earlier than they would be due under the usual quarterly pattern.

Today's new car costs up to three times as much as its predecessor of five years ago

"I don't think anyone is trying to be greedy," said VW marketing director Mr Clive Warrilow. "Earlier in the year we thought car prices would rise 12 percent this year, but the exchange rate is rapidly going against us."

Although imported content of cars is on average only 34 percent by mass, it is more than half by value

Since early December the yen/rand cross-rate has slid from around 68 to fractionally under 60 — perilously close to its all-time low of 58. The drop against the Deutschmark, has been less sudden but is still cause for concern

The unexpectedly rapid deterioration of the rand has wrong-footed the car makers. Toyota managing director Mr Colin Adcock said "We did a budget on certain assumptions in November. Those assumptions were wrong by January."

Gentle stages

Although the time lag factor on imported parts means the price of finished cars isn't directly affected immediately, manufacturers are trying to phase in the inevitable increases in gentle stages

"We're trying to avoid the terrible trap of 1986 when we kept saying it's going to get better, and when it didn't, to save ourselves we had to do a 9.5 percent increase in one go

"That stalled the market for three months."

Last year, car prices rose on average a little less than the 15 percent general rate of inflation — in the region of 10 to 12 percent on most smaller mass-market cars and typically 15 to 17 percent on more expensive models.

The worst pain in car buyers' pockets was felt in the previous two years, when cumulative rises were between 25 and 35 percent each year

Comparing this month's post-increase prices of two cars with their equivalents of March 1983, today's cars are between two-and-a-half and three times more expensive than five years ago.

The price of the Toyota Corolla 1.6GL has risen from the R8 330 of 1983's rear-wheel drive car to R20 530 for its front-wheel drive equivalent today — a rise of 246 percent

And if your company values you enough to provide you with a Mercedes 230E with air conditioning, today's W124 model will cost them R66 030 — almost exactly three times as much as the old-shape 230E's R21 898 in 1983

Not forgetting, of course, that GST has grown from five percent in 1983 to 12 percent today ...

Way to cheaper health care

MEDICINE prices could be lowered and pharmacists could be more effective in health services if tougher control on price structures and rationalisation of medical aid schemes were introduced, Mr Kosie van Zyl, president of the South African Pharmacy Council, said in Cape Town.

The council advises the State on various aspects of the pharmaceutical industry.

Addressing the annual congress of the South African Association of Retail Pharmacists (Saarp), Mr van Zyl said various investigations into the pharmacy trade had been launched in the past two weeks.

Focus

The focus of these inquiries had been the cost of medicines and the professional remuneration of pharmacists

Mr van Zyl said if medicine prices were to be probed, retail pharmacists should be investigated along with all other links in the medicine distribution chain, from the importation of raw materials to the final sale to the patient.

He said the council had recommended that

- Levies, surcharges and GST on (pharmaceutical) raw materials be abolished, and
- Medicine prices be increased only on the basis of motivated representations by the industry to central Government.

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Production inflation
(244)

PRETORIA — The production price index inflation rate for January increased to 11,8 per cent from December's 11,3 per cent, the Central Statistical Service revealed here yesterday

It was, however, lower than January 1987's 14,9 per cent.

The inflation rate for locally produced commodities was 12,7 per cent — unchanged from November and December.

The index for imported commodities showed an 8,5 per cent increase, compared to December last year's 6,7 per cent

Materials which showed large annual price increases were wool (69,3 per cent), plastic bulk forms (29,5 per cent), and stock and face bricks (about 30 per cent) — Sapa

ICL achieving hi-tech self-sufficiency

By Stan Kennedy

In the 18 months during which ICL SA has been producing personal computers, its market share has risen from nine per cent in 1986 to 20 per cent in 1987.

The manufacturing facility at Aeroton has played a major part in assisting the company to develop and grow and to be in a position to supply total solutions from PCs to departmental systems to mainframes. In 1987 PCs contributed about 30 per cent to total turnover.

Its strategy was to start at the PC end, get market share at this level, then slowly evolve up to the Unix engines and then link them where applicable, to the mainframes. This was the major criterion in taking over Pison Computers.

The strategy adopted at the Aeroton plant was to develop a capacity for self-sufficiency in electronic high technology and to build small computer systems.

In both areas it is succeeding. The workshop can cope with almost any system in the ICL range and more than a few that aren't. About 90 per cent of repairs are carried out at Aeroton and the balance sent to the ICL factory in the UK. The latest addition to the repair workshop is a clean room, where fixed sealed disc drive units are repaired.

But the more glamorous side is the research development and manufacturing aspect. The manufacturing operation is basically one of assembly. While the main source of components is the Far

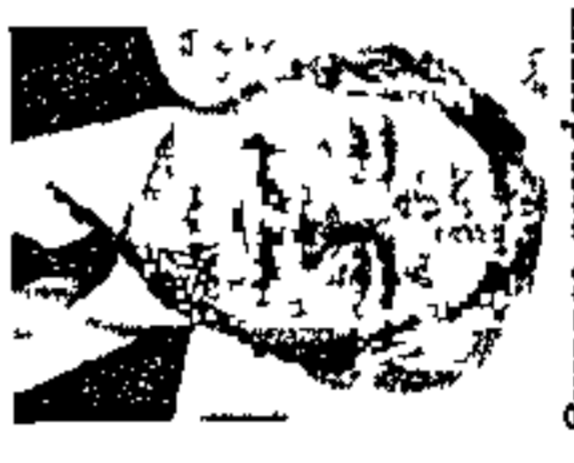
East, ICL sub-contracts work out locally for other components and has become a major supporter of the local components and packaging industries.

The factory produces seven basic models from the entry-level Elf to the high-end 386-based multi-user 4000. With sales of 18 000 units to date, it has become the country's undisputed leading supplier of PCs.

Selling into a highly volatile and competitive market, the company has to keep the wraps on future releases. All that Mr Jack Swarts, general manager, customer service, would say was that the strategy was to remain competitive as far as price and quality were concerned.

"We might think today that we have a fantastic range until another major supplier makes a statement which would make any comment by me totally invalid. That is the situation we are in and all we can do is to sit ready to react to the market as soon as possible."

"We got off to a good start with our Elf machine. It was six months before there was any reaction from our major competitors but it is not always like that." Technical skills, efficiency and quality



Jack Swarts



Mr Bruce Whiting, development engineer, designing new products in the research and development laboratory

control are being enhanced all the time. The result is that since starting manufacturing, the prices of machines have been reduced six times.

The company's next strategy will be to make sure its networks span the whole gambit of an organisation so that they link the PCs to the departmental Unix systems and then to the mainframe, not the other way around.

An operation at Aeroton which is little known about is the manufacture of time recording access control systems (Tracs). Starting with badge readers for the mining industry to record the details of men

underground, the company has developed its own highly sophisticated access control systems.

With recent changes made to the software and readers which will increase security levels to a higher degree — this was after advice from a security consultant — the company aims for 30 per cent market share this year and 40 per cent consistently in the long-term.

A pilot exercise is currently being done for a large company in the industrial field. ICL is confident of capturing orders worth R12 million to R15 million for Tracs over the next two years from this one company.

Reunert gets school contract

B&D Education Systems, a subsidiary of Reunert, has landed a R750 000 contract to supply three TOAM computer-aided instruction systems to schools in South-West Africa.

Each system comprises a minicomputer with 1 MB of memory, 80 MB of disk storage and 48 terminals. Software and courseware — arithmetic programmes are in English and Afrikaans and English second language — are included in the contract.

Mr Dave Dusseljee, B&D marketing manager, says the educational market is set to take off into an era of rapid growth and plans for local production of the TOAM system by Technology Systems Manufacturing (TSM) are at an advanced stage.

TSM is the manufacturing arm of Technology Systems International

Weak dollar will push up SA prices of computer products

The weakness of the dollar against other major currencies is likely to impact on the South African computer industry, with price increases expected on goods sourced from the Far East.

This is the view of Mr Mike McGrath, managing director of M&PD, a leading distributor of microcomputers and peripheral products.

Mr McGrath, who recently returned from visit to the Far East, believes that as is the case with many commodity prices, the dollar rules the pricing of electronic goods and components made in countries such as Japan, Korea, etc.

"The huge trade surpluses being generated by these countries has influenced the exchange rate and the Taiwanese currency, for example, has appreciated against the dollar by almost 40 per cent in the past six months," he says.

There is no doubt that the highly competitive nature of the electronics market in the Far East leaves little room for currency pressures to be absorbed by manufacturers.

"Their high volume output is geared to low margin and it seems inevitable that the South African computer industry faces price increases," says McGrath.

The M&PD managing director was impressed by the high quality of products made in the region, particularly in Korea and Taiwan where he saw a dramatic improvement in quality control.

While he praises components sourced from abroad, he says his company is involved in an in-depth study aimed at increasing the local content of M&PD's IBM-compatible personal computers. And he confirmed that the M&PD will soon be launching its own range of branded microcomputers.

Reconfiguration breakthrough

A South African development, with worldwide patent pending, eliminates the problems of reconfiguring a modem from incoming to outgoing calls and vice versa.

In Unix mode, the enhanced Cheetah dial-up modem, marketed by North East Consultants (NEC), automatically determines the call status of the modem and reconfigures it accordingly.

Mr Neil Fraser, NEC managing director, says the invention relates to a modem which is adapted to operate automatically under software control.

In the past, a modem connected to a Unix system required reconfiguration, depending on whether it had been used for incoming or outgoing calls. Difficulties could be experienced if the modem configuration did not correspond to the application at a particular time.

The Unix enhancement simplifies system design, resulting in a more resilient communications network, says Mr Fraser.

Mr Fraser says "When both incoming and outgoing calls occur randomly, it is extremely difficult, perhaps impossible, to ensure that the modem is correctly configured at all times." For example, an incoming call may arrive at the moment between reconfiguring the modem for dialling out and commanding the modem to dial. This creates problems.

McCarthy expands info link

The McCarthy group has expanded its on-line information system to link up with Information Trust Corporation (ITC), one of the largest suppliers of business and credit information in South Africa.

The move will give the group immediate access to information on more than five million consumers and 400 000 businesses and will significantly improve service and the turnaround in vetting new customers.

McCarthy's system already provides on-line access to most of the major vehicle manufacturers and the Standard Bank Driven by a Hatch 7/88, the network includes over 600 terminals throughout the group's 109 companies.

Mr Paul Edwards, ITC chairman and managing

16/3/88

16/3/88

Efficiency



new products in the research laboratory.

background, the company has developed its own highly sophisticated access control systems

With recent changes made to the software and readers which will increase security levels to a higher degree — this is after advice from a security consultant — the company aims for 30 per cent market share this year and 40 per cent consistently in the long-term

A pilot exercise is currently being done at a large company in the industrial field. ICL is confident of capturing business worth R12 million to R15 million over the next two years from one company

Reunert gets school contract

B&D Education Systems, a subsidiary of Reunert, has landed a R750 000 contract to supply three TOAM computer-aided instruction systems to schools in South-West Africa

Each system comprises a minicomputer with 1 MB of memory, 80 MB of disk storage and 48 terminals. Software and courseware — arithmetic programmes are in English and Afrikaans and English second language — are included in the contract

Mr Dave Dusseljee, B&D marketing manager, says the educational market is set to take off into an era of rapid growth and plans for local production of the TOAM system by Technology Systems Manufacturing (TSM) are at an advanced stage

TSM is the manufacturing arm of Technology Systems International.

Weak dollar will push up SA prices of computer products

244
191
SMA

The weakness of the dollar against other major currencies is likely to impact on the South African computer industry, with price increases expected on goods sourced from the Far East

This is the view of Mr Mike McGrath, managing director of M&PD, a leading distributor of microcomputers and peripheral products

Mr McGrath, who recently returned from visit to the Far East, believes that, as is the case with many commodity prices, the dollar rules the pricing of electronic goods and components made in countries such as Japan, Korea, etc.

"The huge trade surpluses being generated by these countries has influenced the exchange rate and the Taiwanese currency, for example, has appreciated against the dollar by almost 40 percent in the past six months," he says

There is no doubt that the highly com-

petitive nature of the electronics market in the Far East leaves little room for currency pressures to be absorbed by manufacturers

"Their high volume output is geared to low margin and it seems inevitable that the South African computer industry faces price increases," says Mr McGrath

The M&PD managing director was impressed by the high quality of products made in the region, particularly in Korea and Taiwan where he saw a dramatic improvement in quality control.

While he praises components sourced from abroad, he says his company is involved in an in-depth study aimed at increasing the local content of M&PD's IBM-compatible personal computers.

And he confirmed that the M&PD will soon be launching its own range of branded microcomputers.

Reconfiguration breakthrough

A South African development, with worldwide patent pending, eliminates the problems of reconfiguring a modem from incoming to outgoing calls and vice versa

In Unix mode, the enhanced Cheetah dial-up modem, marketed by North East Consultants (NEC), automatically determines the call status of the modem and reconfigures it accordingly

Mr Neil Fraser, NEC managing director, says the invention relates to a modem which is adapted to operate automatically under software control.

In the past, a modem connected to a Unix system required reconfiguration, depending on whether it had been used for incoming or outgoing calls. Difficulties could be experienced if the modem configuration did not correspond to the application at a particular time

Random calls

The Unix enhancement simplifies system design, resulting in a more resilient communications network, says Mr Fraser

Mr Fraser says "When both incoming and outgoing calls occur randomly, it is extremely difficult, perhaps impossible, to ensure that the modem is correctly configured at all times

"For example, an incoming call may arrive at the moment between reconfiguring the modem for dialling out and commanding the modem to dial. This creates problems

"The enhanced version recognises the state of calls and refigures itself appropriately. In the conventional situation, external intelligence in the form of a terminal operator or computer controls the modem configuration"

The technique of modem self-configuration is new in the field of smart dial-up modems. Mr Fraser says he is negotiating with overseas modem suppliers who have shown an interest in the concept.

McCarthy expands info link

The McCarthy group has expanded its on-line information system to link up with Information Trust Corporation (ITC), one of the largest suppliers of business and credit information in South Africa.

The move will give the group immediate access to information on more than five million consumers and 400 000 businesses and will significantly improve service and the turnaround in vetting new customers.

McCarthy's system already provides on-line access to most of the major vehicle manufacturers and the Standard Bank. Driven by a Hitachi 7/88, the network includes over 600 terminals throughout the group's 109 companies.

Mr Paul Edwards, ITC chairman and managing director, says the project is the first in a series of direct mainframe to mainframe links with major South African companies and banks

ITC recently expanded its machine-to-machine capabilities with an NCR Comten front-end processor to meet this demand. He believes that within three years, 50 percent of business information supplied by ITC will be on-line

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D10 17/388

Liquor hike double tax?

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CAPE TOWN — The extra duty on beer and spirits announced in the budget yesterday will lead to an immediate increase in the wholesale price of spirits which will be passed on to the consumer

The managing director of Gilbey Distillers and Vintners, Mr Peter Sleck, said that he was extremely disappointed at the substantial increase in excise duty on beer and spirits announced.

He regarded it as a major setback to the spirits industry in South Africa, particularly in the light of current inflationary conditions.

He said the increase of 1,8c a tot represented an increase of about 20 per cent and this price increase would be passed on to retailers with immediate effect

The chairman of Fedhasa for Port Elizabeth and Uitenhage, Mr Trevor Lombard, said the increase in duty on spirits and beer would be inflationary because it would be passed onto consumers.

"Consumers will be paying double tax on spirits and beer because they will be paying sales tax as well as for the increased excise duty," he said

Mr Lombard added that he thought it strange that wine had been excluded from an increase in duty yet again.

A spokesman for KWV said that management was obviously pleased that no increase in the excise duty on wine had been announced

The regional director of Stellenbosch Farmers Winery in the Eastern Cape, Mr Willie du Toit, said he was pleased that wine would not be taxed because it was seen as a healthy drink associated with food, while spirits had always been regarded as a more taxable commodity

The managing director of South African Breweries' beer division, Mr Graham Mackay, objected strongly to the increase in excise duty on beer but said SAB would only pass on the amount of new excise to recover costs.

He said the increase of 4,8 cents a litre represented a 12,6 per cent increase on the present excise rate and meant that 33 per cent of the price of beer was now composed of government excise duty.

The brewer's prices, he added, would go up approximately 4 cents a quart (750 ml), 2 cents a pint (375 ml) and 2 cents for 340 ml cans and dumpies

"Beer is the working man's pleasure, but it is the most heavily taxed beverage. This R70-million has to come out of the working man's pocket," he said.

"If the minister was consistent he would put some excise on wine and sorghum beer which have carried no excise burden for some years," Mr Mackay added

Cheerers for wives

Liquor prices set to rise 24%
R156 1/2 p/d 1/3/58

JOHANNESBURG

Liquor prices are set to rise after the shift in increases on the custom and excise duties payable on beer, spirits and cigarettes.

The increases take effect immediately but the Minister of Finance Mr Barend du Plessis said in his Budget speech this did not mean retailers were warranted to charge more for old stock.

The duty on beer has been increased by 4.8c a litre — about 1.9c a pint bottle — with the aim of generating an additional R70 million in revenue for the state coffers.

Duties on whisky, brandy and gin have been increased by 156.28c a litre of pure alcohol which works out to about 1.8c a tot. This is expected to reap in R50 million.

The duty hike could result in the price of a bottle of spirits rising by about 54c.

A 2c increase in the duty paid on every 10 cigarettes was imposed and a similar increase on every 50g of cigarette tobacco in order to generate an additional R60 million.

A spokesman for a tobacco company said because manufacturers could not prescribe retail selling prices he did not know when the tax increase would affect the consumer.

A Fedhasa spokesman said the increases on alcohol were substantial but did not expect them to have an impact on hardened drinkers — DDC



The Minister of Finance, Mr Barend du Plessis, puts his hand where his money is — on a piggy bank. He was just adding a symbolic touch before his Budget speech in Cape Town yesterday.

PRODUCTION PRICE INDEX

Bouncing back up

Back in the dark days of January 1986, producer prices rose at a 22,2% annual rate on a wave of high domestic inflation and a collapsing rand. Since then, the year-on-year rise in the production price index (PPI) has worked its way down — to as low as 11,3% in December.

Now, with money supply growth hotting up and the rand weakening again, the rate looks set to bounce back up. "We are on a slow upward rise," predicts Southern Life economist Mike Daly.

The index rose 1,2% from December to January, taking the year-to-January hike to 11,8%, following year-on-year increases of 13,7% (September), 12,7% (October), 11,7% (November), and 11,3% (December). January's increase brought PPI to 261,5 (base 1980=100). The index of locally produced commodities rose 1,3% in the month and 12,7% in the year-to-January. The imported component rose 0,9% in the month and 8,5% in the year. That's expected to rise firmly as prices begin to reflect last year's fall in the rand against third currencies and its recent weakness against the dollar. ■

FM 18/3/88

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Cigarettes prices up

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CAPE TOWN — Both major tobacco groups in South Africa, Rembrandt and United Tobacco Companies, increased their cigarette prices yesterday.

A packet of 20s now costs an extra 2c, while the cost of a packet of 30s went up by 3c

This means that when

the recently announced higher excise duty comes into effect smokers will be paying a total of 6c more on a packet of 20s and 9c more on a packet of 30s.

A supermarket executive said cigarette prices had increased in price by 10,5 per cent over the past year.

1913/88

SA farmers want cheaper maize

Transvaal stock farmers want yellow maize, currently exported at a loss, to be sold to them at the same price that the Maize Board pays maize producers.

Star 2/12/88
At a red meat congress held in Pretoria, farmers claimed they paid R288 a ton, while surplus maize was being exported at a loss. Maize farmers receive R263 a ton.

The congress unanimously accepted a motion to this effect last week.

The Maize Board, however, says it would be unrealistic to sell yellow maize at R263 a ton on the domestic market.

Mr Poena Fourie, assistant manager of the Maize Board said it had to be taken into account that maize farmers paid an annual levy to cover export losses and other marketing costs.

In effect, this meant the producer price was considerably higher than the R263 maize farmers pocketed. If yellow maize was sold to stock farmers at the lower price, they would also have to pay storage costs, he said. If these amounts were added up, the price would be almost the same as the current domestic price of yellow maize.

The congress referred the issue to the management committee of the Transvaal Agricultural Union, which is to approach the Maize Board.

Meat, fish prices likely to drop

Food price index is now at lowest level for several years

24/3/88
Star (244)

By Caroline Mehliiss

The slowing down of the inflation rate for food has been attributed to improved agricultural prospects and pressure on food suppliers to cut their profits

The food price index increase, as measured by Central Statistical Services, was 17,1 percent last month. The percentage increase has dropped steadily every month from a high of 25,8 percent in May last year, and now stands at its lowest level for several years

Ms Aloma Jonker, a financial analyst at a Johannesburg firm of stockbrokers who recently completed a study of the food industry, predicts that the inflation rate for food compared with other sectors will continue to drop until it is below the general inflation rate.

"This is because input costs for food in the form of raw materials will remain low, and money does not have to be spent on infrastructure such as mills in the wheat and maize industry, as these are already in place

Improved outlook

This contrasts with, say, the electronics industry where much money has to be spent on importing equipment, resulting in an increased inflation rate in that sector

"Food manufacturers are using the existing infrastructure to produce, so food inflation should decrease in relation to other sectors

"The agricultural outlook is also improving — good crops are expected this year — and this will keep food prices down"

Ms Jonker says although meat and fish prices have increased by 24,5 percent and 22,4 percent respectively since last year, these should come down by the end of the year

"For the past few years meat farmers have been building up their stocks, so there has been a shortage of meat, which became very expensive

"As a result people switched to fish and chicken, so prices went up in line with the increased demand. But by the end of the year more meat will be reaching the market and supplies and prices should stabilise"

Fickle commodities

Ms Jonker says fruit and vegetables, prices of which are down by 4,4 percent and 2 percent respectively compared with January levels, are fickle commodities as their prices are determined largely by the weather

"Research has found that a 10 percent decrease in supply can result in a 20 to 23 percent increase in price and vice versa," she says

Mr Raymond Ackerman, chairman of Pick 'n Pay, says one of the main reasons for the drop in the food inflation rate is that retailers have had "enormous fights" with a number of food suppliers to make them curb food price increases

"We discovered several suppliers had recorded increased pre-tax profits of between 72 percent and 93 percent, which we felt was grossly unfair to consumers and the country. We fought tooth and nail to get them to modify their price increases and it seems to have paid dividends

"With the economy picking up, there are also more suppliers to do business with, so the competition has kept the big boys on their toes"

Mr Paul Roos, media liaison officer for the Consumer Council, says it is heartening that the food price index is coming down

But inflation is still a monster that threatens South Africa's economic existence and there is no room for complacency until it is in line with the country's major trading partners, says Mr Roos

24/3/88
244

Rice, cereals up 18 pc — with more rises later

By Caroline Mehliiss

Rice and breakfast cereal prices have gone up by between 15 and 18 percent, and manufacturers say there may be further increases later this year.

The reason for the price increase is the dramatic escalation in the price of rice overseas. Drought and floods in the rice-producing areas of the world were responsible for a drop in world

production last year of 20 million tons — the greatest year-to-year drop in history.

Countries which were normally net exporters of rice became net importers. As a result the price of United States rice has almost doubled in six months. The situation in South Africa has been made worse by the weakness of the rand in relation to the dollar

**Manufacturers
say**

Mr Andre Naude, marketing director of the manufacturers of Tastic Rice, says the price is immediately going up by between 16 and 18 percent depending on whether it is Asian or American rice.

"Although world rice prices have rocketed since September, we have delayed the price increase as long as possible by buying up large stocks at the old price

"These stocks have now run out and we have to buy new supplies at the higher price, so obviously this has to be passed on to the consumer

"We are concerned about the increase as it will obviously affect the consumption of rice. Last year there was a swing towards rice when prices were down. Now there could be a swing to substitutes."

He said if the world rice price continued to rise it would be necessary to increase the price of the local product again later this year

Mr John Johnson, managing director of Kellogg's Company, SA, says prices of breakfast cereals have been increased by 15 percent. The new prices will be seen at shelf level in the next four-to-eight weeks

"The overseas rice price escalation is disappointing for us as we would have liked to have held our price increases in 1988 to below 10 percent"

All Kellogg's cereals are being increased by 15 percent despite the fact that only 30-to-40 percent of the products are rice-based

A spokesman for Kellogg's says all cereals are going up because of a general increase in costs

"We have absorbed as many as we can but this increase is unavoidable"

**Consumers
say**

Mrs Jean Tatham, a vice-president of the Housewives League, says the league sympathises with many South Africans who have a rice-based diet

"If prices are to rise so drastically, we ask importers to have adequate supplies of the lower grades — which we find to be very adequate — and so give some relief to housewives

"Regarding cereals, consumers should look for alternatives, especially wheat-based cereals, and other brands"

A spokesman for the Consumer Council says consumers are being told not to expect salary increases. They could therefore, not afford price increases for food, especially for a basic product such as rice

He predicted a move towards substitutes

April milk price hike for Queenstown consumers

Daily Dispatch Reporter

QUEENSTOWN — The price of fresh milk will increase by between 7c and 8c here from April 1, the manager of the local branch of United Dairies Co-operative, Mr Mike Kingwill, said yesterday

Mr Kingwill said the Milk Producers' Union had asked the United Dairies board for a milk price increase of 8c for producers

The board decided that 8c for producers alone was not justified at this stage, but agreed to a 4c increase for producers with an increase of between 3c and 4c for the distributor as well, he said

"The reason for the distributor's share is annual cost increases, such as packaging, minimum wage adjustments and many more, which it has to meet"

Mr Kingwill said the board's policy for the past two years had been to have two small price adjustments annually rather than one big price hike

Consumers could therefore expect another milk price increase later this year

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From April 1 the following increases would apply

500 ml plastic bottle — 4c, one litre plastic bottle — 8c, two litre plastic jug — 14c; one litre sachet — 7c, home deliveries — 8c

Mr Kingwill said milk delivered to the doorstep was a major saving as it was 14c a litre cheaper than the suggested retail price

The colour of milk tokens will also change and residents would be advised of details shortly

It was announced earlier this month that the price of milk in East London would increase by 10c a litre for home deliveries from April 1

The manager of the East London branch of United Dairies Co-operative, Mr Tommie Barkhuizen, said yesterday that the price of milk sold in shops would increase by 8c a litre

CPI

Inflation anomaly

Inflation of only 13,7% in February is good news. And, with wage and salary increases to public servants held back this year, no administered price rises in the pipeline and plenty of moral suasion from various authorities aimed at keeping down both wages and prices, the outlook for the rest of the year is encouraging. Some even hope for a return to single-digit inflation.

Certainly, there is far less inflationary impetus than in December 1984, the last time the rate, as reflected in the consumer price index (CPI), was lower — 13,4%. The following month, the price of petrol increased by 40%, electricity increased by 10% and a whole range of prices leapfrogged over each other.

Not surprisingly, in January 1985, CPI rose to 13,9% and in February to 15,99%.

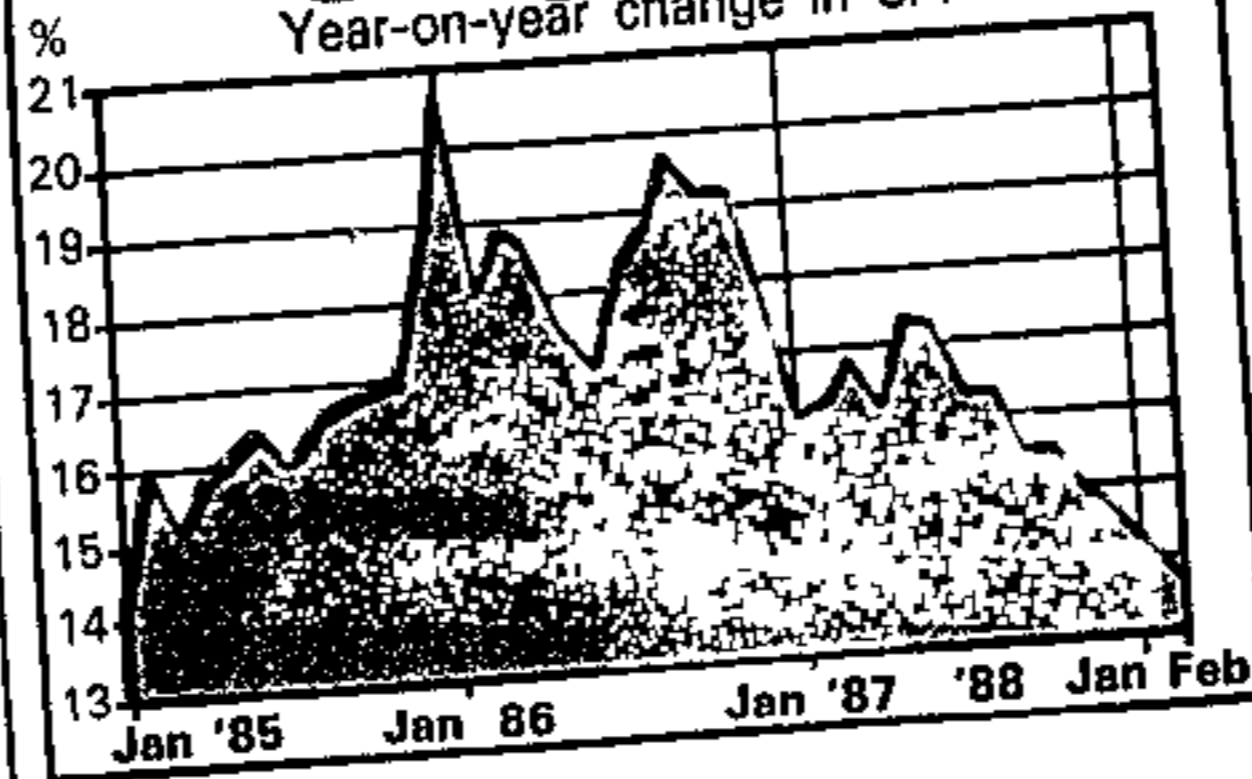
We have since become accustomed to double-digit inflation — in January 1986, CPI was over 20% — and can hardly believe our luck when we see the tempo slackening

fm 25/3/88

(244) 25/3/88

Going down

Year-on-year change in CPI



One reason for the positive turn is that policymakers have learnt a lot about the danger of sudden sharp increases of any sort. By carefully managing money supply, they have attempted to give the economy just enough slack to encourage growth without allowing it to leap out of control. And by attempting to hold down government spending, they have convinced the public at least of their good intentions.

So there is a certain constraint and many are prepared to believe in some good news.

Difficult to assess, however, is just how strong the deceleration really is. In November, the weighting on which CPI is calculated was altered. Until then, Central Statistical Service (CSS) based it on the pattern of consumer spending in 1975. It is now based on recent research and the difference can be seen by comparing before and after figures.

The new breakdown: food 22,72% (against 24,98% before November); housing 21,21% (17,6%); transport 17,23% (14,94%); clothing and footwear 5,98% (8,77%); and furniture and equipment 4,72% (5,98%).

The trend of inflation since October is satisfactory. It sank from 15,5% to 15%, 14,7%, 14,2% and 13,7%.

The catch, however, is that the figure for October was based on the old weighting. A CSS calculation based on the new weighting put inflation at 13,8% — a difference of 1,7 percentage points.

The calculation was not made again, so there is no way of knowing the existing discrepancy. It will be some time, says CSS head Treurnicht du Toit, before the effects are phased out. "Since October we have been using a conversion factor to link the new index value with the old — this means we have been using a mix of the old and new systems. By November, we will be using only index values based on the new system."

This is of more than academic interest, because many question the reliability of CPI. They believe reality is not properly reflected. For instance, some items have shown an absolute decrease — fruit and vegetables — yet this may not be borne out by shop prices.

As to the future, there are several inflationary inputs.

Interest rates are going up. Already mortgage rates are up and others will follow, including long-term contractual borrowing. The rand is down from US52c to 46c. And, while the cost of telephone calls has not increased, the introduction of variable metering could increase telephone costs enormously.

So many are not optimistic about long-

term inflationary prospects.

Not so Rand Merchant Bank's Rudolf Gouws, who believes inflation is in a fundamental (if slow) downtrend. "Policy makers are serious about rectifying past mistakes."

The monthly rate of increase, after eliminating seasonal variations, is 0,6%, between December and February, the annualised rate was only 8,8%.

So, though there may be an interruption in the slide of inflation later in the year, Gouws believes the long-term trend is slowly downwards — "provided the authorities stick to their monetary and fiscal approach." ■



FOOD PRICES

Oat to be in Durban

If you want your oats, go to Durban. That is, according to the latest official statistics on food prices.

The Durban-Pinetown region offers the cheapest breakfast oats in SA at R1,72/kg. East London oat lovers get some bad news from the same survey — they pay R2,31/kg, the highest in SA. Oudtshoorn doesn't even feature.

Certain stereotypes remain unchallenged — Bloemfontein continues to wear its label as the mealie capital of the country, with mealie meal at R1,68/kg. Cross to Kimberley and you're paying over R2.

True to form, Capetonians make the rest of SA pay a premium for their fruit products. Grapes are cheapest there, around R1,86/kg. The goldminers of the OFS pay more than twice that, R3,90/kg; while in Johannesburg, the price is R3,33. The story for pears is much the same — Capetonians pay R1,82 but the price in Bloemfontein, at R2,86, is enough to send them back to mealie meal.

The banana boys don't seem to share the avarice of their friends to the south-west. Bananas are cheaper in the PWV (R1,06-R1,10) than in either Durban or Maritzburg (R1,17 and R1,15).

Cheesed off

Nothing can beat the meat in Kimberley for price. It's got the cheapest rump and sirloin steak in the country. The Cape Peninsula pays 50% more for steak, but it is compensated by having the cheapest cabbage in town. Peninsula shoppers will be happy to know R15 can buy 60 kg of the stuff, even if it can't buy a kilogram of steak.

Depressed Port Elizabeth has a solution to its woes — perpetual halloween. Pumpkins there are only 47c/kg, less than half what they cost in Durban (R1,07). Meanwhile, towns in the western Transvaal are being milked for all they're worth by dairy producers — fresh milk is R1,29/l, compared to 80c in East London. And Durban-Pinetown has every reason to feel cheesed off about the price of cheddar — R9,65/kg compared to the country's cheapest, R8,03 in East Lon-

don.

The picture for the housewife isn't very promising. From December 1987 to January 1988, the price of cake flour went up 5,8% and the price of tea 9,5%. Red meat prices are showing no relief — lamb shoulder increased by 7,3% and sirloin by 5,8%. The only compensation is that dressed chic went down 2,3% and frozen hake 3,3%. Butter was also 2,1% down.

But only people who can buy their tea in Welkom, their butter in Klerksdorp and their potatoes in Bellville will benefit from countrywide comparative shopping. ■

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Wool price keeps up the spiral

PORT ELIZABETH — to 4 per cent and locks by 2 per cent

There was no stop to the increase in wool prices and at this week's sale — the last before the Easter recess — the market indicator passed the 2 000 mark to close on 2 048 This is 5,8 per cent up on last week and 94,3 per cent higher than last year

The sharp rise in prices can be ascribed to the weakening of the rand against the Australian dollar and the increase in Australian wool prices The fact that both the South African and Australian markets are closing over the Easter recess exerted further upward pressure on wool prices

The biggest price rise was experienced in fleece wool of 23 to 25 micron which increased by between 7,5 and 10 per cent compared to last week Prices for fleece wool of 22 micron and bellies were up to 5,5 per cent higher, lambs increased by up

Competition was excellent and 99 per cent of the 18 910 bales of merino and other wool offered was sold. A total of 883 bales of karakul wool was also offered of which 62 per cent was sold. The highest greasy wool price of R27,80 a kg was paid for eight bales of AH wool of 18,2 micron and a clean yield of 65 per cent The wool belonged to Mr G B Jacobz of Yweefontein, Estancia, in the Ermelo district.

The following average greasy wool prices were fetched for the most representative types: Class Micron Clean Yield (pct) Price (c/kg) af 19,5 66 2504 am 21,5 66 1556 as 22,5 66 1364 as 23,5 66 1176 bks 22,5 58 1183 cbp 22,0 60 1253 ci 20,0 62 1555

The next auction will be held on April 20 when approx 15 000 bales will be offered. — Sapa

By Don Robertson

THE price of diesel fuel is expected to fall in the next few days — but it will merely redress the disguised increase which came into effect in June last year.

The reduction is expected to be about 5c a litre and will affect almost all categories of use.

Before last June, the agricultural and marine industries and some others could buy diesel fuel without paying GST. Since then, however, they have been forced to pay the GST and reclaim the equivalent amount from Government.

But in terms of the June price restructure, the price of diesel rose from about 47c a litre, depending on volume discounts, to about 55c after repayment of GST.

At the time, the Government made no mention of the increase.

The expected 5c price reduction will, therefore, merely reduce this increase.

Deficit

There is still the possibility of a petrol price rise.

In February, motorists on the Reef underpaid by 1,696c a litre, resulting in the equalisation fund or slate running into a deficit of R28-million.

This is partly because February was the second successive month in which the international list price showed an increase.

The slate deficit was R9-million in January, but there was a surplus of between R10-million and R15-million in December.

The slate is used by the

Diesel to
drop, but
dicey for
petrol

Government to meet price under-recoveries. It is topped up when the retail price is higher than purchase and production costs.

In the past, the slate has run into a deficit of as much as R450-million, but the Department of Mineral and Energy Affairs has indicated that it will not be allowed to rise so high again.

Since June last year, Reef motorists have underpaid each month by up to 4,7c a litre, resulting in the slate's falling from its R195-million surplus at the beginning 1987.

Although crude oil prices have been stable, the rand has dropped in recent months, making crude oil more expensive.

The Government is considering an application by Sasol for protection against rising production costs and lower crude oil refining margins. The Government's decision is expected soon. If granted, it would put more pressure on the petrol price.

The price will rise by an estimated 2c a litre next year when the lead content is reduced.

244 6/28/88

WOF

LONDON — An unexpected post-crash of '87 stainless steel buying spree is sending base metals prices soaring, and is likely to keep them high through 1988, market analysts and metals traders say

Steel companies say order books for stainless steel and other alloys are full

To make stainless steel, steel groups need nickel. Prices have reached record levels at \$22,500 a ton on the London Metal Exchange. "The nickel larder is

Base metal prices spiral up

bare," one analyst said.

Prices of other metals used in steel alloys are also up.

Chinese chrome metal has climbed 14% this year to about \$3,200 a pound. Molybdenum oxide prices, at \$4,400 a pound, are at their highest in three years. Wolfram ore, used to harden steel, is 50% above 1986 lows.

Manufacturers are looking at

substitutes, including aluminium and galvanised steel.

But aluminium prices are also near record highs, trading at about \$2,350 a ton. And European producers of zinc, which is used to galvanise steel, raised prices by \$50 to \$970 a ton on Wednesday — highest European producer price since July 1984.

It could eventually mean more

inflation, said a Metals and Minerals Research Services analyst.

Chris Ford, director of metals trader Amari World Stainless Ltd, said the prices manufacturers are now quoting for stainless steels are probably at record highs. And that is before taking account of the latest rises in nickel, chrome and molybdenum prices.

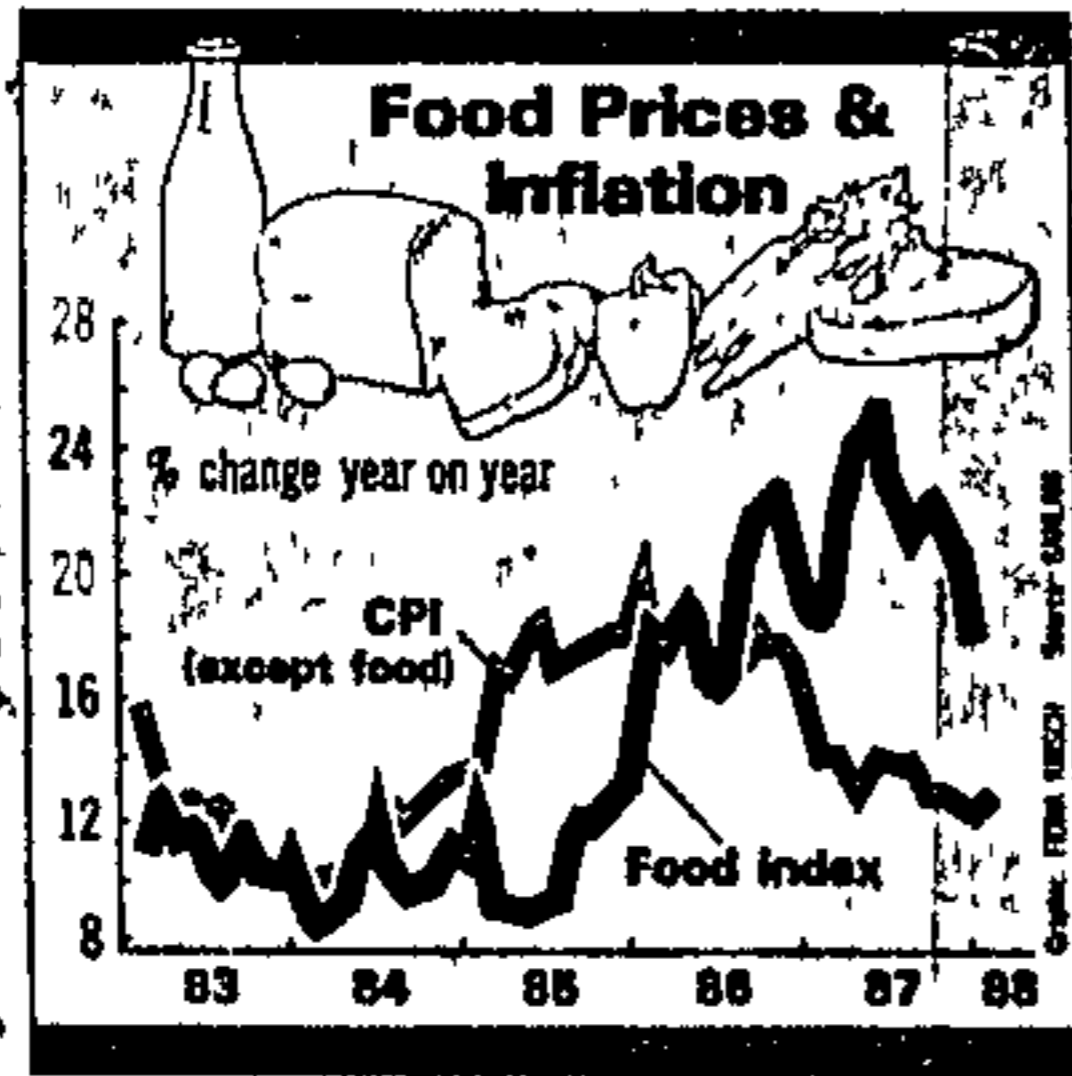
— Sapa-Reuter

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30/3/88

Food costs slow inflation



SLOWER increases in food prices have contributed significantly to lower inflation, as measured by the consumer price index (CPI).

For the past five months, the year-on-year increase in the food price index continued to decline — from 22,5% in October 1987 to 17,1% in February.

Food prices have been a major cause of past inflation, as they make up about 23% of the CPI. Central

GRETA STEYN

Statistical Services describes food costs as "the main impetus for the high inflation rate during 1987".

Sanlam economists believe food price increases will continue to slow during the year, strengthening the expected falling trend in inflation.

They predict SA's average inflation rate for the year will be about 14% to 14,5%.

D/P 30/3/88
**Diesel
retail
price
cut**

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JOHANNESBURG
The retail price of diesel is to drop by between 5 and 6c a litre from Friday and will result in accumulated benefits to agriculture of R22 million a year and further savings for other industrial sectors.

Industry sources said yesterday the move had not been unexpected in the light of the announcement by the Minister of Finance, Mr Barend du Plessis, during his Budget speech.

Mr Du Plessis said then the equalisation fund levy would be increased by 1c a litre without a selling price adjustment to relieve the pressure on the fund by exchange rate and crude oil price fluctuations.

The Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said the diesel price cut would come about following a 5.5c/l cut in the wholesale price of pump diesel from Friday.

He said previous two-tiered rebates to agriculture had been consolidated and would now become an 18.9c/l rebate on the new wholesale price.

This net price would be the same as the previous production diesel prices, but would be an additional reduction of 8.9c/l on agricultural transport diesel, resulting in benefits to agriculture in the region of R22m a year.

The 18.9c/l reduction would apply equally to agriculture, forestry and the fishing industry, but the last would also benefit to a small degree on transport costs.

Mining and construction industries would now get a rebate of 9.5c/l, which would effectively increase their price of diesel by 0.4c/l.

Users of stationary machinery would receive no refund. The prices of petrol, diesel and illuminating paraffin would be kept constant in the near future by the use of the equalisation fund.

See also page 15

DID 30/3/88

Modified diesel price structure welcomed by agricultural union

PRETORIA — The president of the South African Agricultural Union, Mr Kobus Jooste, yesterday welcomed the modified diesel price structure announced by the minister of Economic Affairs and Technology, Mr Danie Steyn

The discount system had been simplified and farmers would now receive the same discounts from agricultural production and agricultural transport

He added the intimation that it would no longer be necessary to adjust nett prices upwards was welcome news to the agricultural industry

The following comparative pump prices of diesel were issued by the Department of Economic Affairs and Technology yesterday, following the announcement of the diesel price drop from April 1 (including tax and duties and excluding tax and duties)

RSA (Reef)	244	76,0	35,2
United Kingdom		103,8	40,3
France		98,5	37,5
Germany		88,4	32,2
Netherlands		75,7	36,8

Exchange rate ratio US \$1 = R2,0492

The pump price of diesel would be calculated as follows:

Landed cost as reflected in price		35,2
PLUS Customs and Excise duty		4,0
Equalisation Fund Levy		6,7
Fuel levy		18,0
PRICE		
Transport differential		0,1
Wholesale price		64,0
PLUS Dealer margin		6,0
PUMP PRICE		70,0
		76,0

DID 31/3/88

CPI: EL inflation rate ²⁴⁴ one of lowest in SA ~~73~~

PORT ELIZABETH — The inflation rate of the Port Elizabeth-Uitenhage area, as measured by the consumer price index (CPI), last month moved above the weighted average of the 12 major urban areas monitored by Central Statistical Service

The CPI annual increase for the Port Elizabeth-Uitenhage area last month was 14,7 per cent after a monthly increase of 0,9 per cent from January to February. The weighted average increase was 13,7 per cent after a monthly rise of 0,7 per cent.

While the weighted average annual increase was down on the previous month's 14,2 per cent, the annual increase of the Port Elizabeth-Uitenhage area was up on January's 14,4 per cent

The area's inflation rate would have been higher had it not been for the inhibiting effect of slower rising housing costs. The index for all items except housing, rose at an annual 16,5

per cent, boosted by a 20,3 per cent increase in food prices, the second highest after the 26,3 per cent of the Klerksdorp goldfields

Bloemfontein recorded the lowest inflation rate — 10,9 per cent, followed by the Cape Peninsula and Pietermaritzburg each with 13,1 per cent after a monthly rise of 0,6pc.

The third lowest increase was the 13,2 per cent in the Vaal Triangle, followed by 13,6 per cent in East London, and 13,8 per cent on the Witwatersrand

The highest inflation rate of 15,3 per cent was on the Free State Goldfields, followed by 14,8 per cent in the greater Pretoria area, 14,7 per cent each in Port Elizabeth and Kimberley and 14,1 per cent on the Klerksdorp goldfields

The CPI cannot be used to compare living costs between various areas — it only shows price increases in each area which operate independently of other areas. — DDC

RED MEAT

Beefing up prices

The worst is over for red meat prices. They will continue to rise steadily for the next few years but farmers believe the huge increases of the past won't be repeated.

Red meat will never be cheap, though. Average beef prices are expected to rise a further 18% this year — better than last year when prices shot up 39% on the previous year. Last April, they were a dizzy 54% higher than April 1986.

A major reason for increases was the drought-related drop in slaughterings at controlled urban markets. Beef slaughterings fell from 1,224m units in 1985 to 1,013m in 1987. Mutton dropped from 6m units to 5,3m over the same period.

But with the drought broken, consumers can begin to look forward to improved availability of red meat — and maybe falling prices from 1990 onwards.

If not, there could be a continuation of the consumer swing from red meat to chicken. Warning lights are already flashing. Red meat producers must fight for market share or face the same problems as SA's maize farmers who lost 1 Mt of their local market to alternative staples (*Business* March 18).

At a recent congress of the Transvaal Agricultural Union, Meat Board (MB) deputy GM Frans Pieterse warned producers their greatest challenge was maintaining steady supplies.

"Markets generally demand year-round supplies of a product. A break in supply or quality can cost an industry a great deal. Will the red meat industry allow the market share of red meat to show a continuous decline?" he asked.

There is a need for the poser. MB figures show the availability of red meat has fallen from 723 000 t in 1985 to a projected 631 000 t in 1988. Over the same period, chicken consumption jumped from 484 000 t to a projected 543 000 t.

White meat's share of the total meat market grew from 40% in 1985 to an expected 46% this year. Red meat's share is expected to fall from 60% to 54%. While beef sales of 494 000 t in 1985 exceeded chicken's 484 000 t, the picture has now changed. Beef sales are likely to total 413 000 t this year, compared with 543 000 t for chicken.

There's an added bonus for chicken producers. By pitching prices just below beef, not only are they likely to out-sell beef, but prices are almost certain to follow the upward spiral of red meat.

The MB's new marketing thrust is encouraging. But the temptation to maximise the short-term benefit of soaring prices could mean the eventual undoing of many a beef and mutton producer.

The message is getting through that price is the major determinant in a market which is increasingly urbanised — and black.

Red meat's declining market share is part of an international trend, says Raymond

Naude, director of the Department of Agriculture's Meat Science Centre

□ Worldwide, white meat production more than doubled between 1970 and 1985, while red meats grew 14%-15%;

□ In SA, poultry grew from 12% of total meat production in 1970 to 37% in 1986 — an increase of 308%, against 22% for beef;

□ Relative to red meats, the proportion of white meat produced in SA is the highest of any country in the world;

□ *Per capita (pc)* consumption of white meat grew from 2 kg (or 4,7% of the total) in 1955 to 13,2 kg (34,2%) in 1987, while beef fell from 28,4 kg in 1955 to 17,1 kg in 1987,

□ In 1983, total pc consumption of all meats in the US was 109,9 kg, compared with 97,2 kg in Australia, 86,7 kg in France, 71,6 kg in the UK, and 42,5 kg in SA ■

That wee dram is going to cost a mite more

LIQUOR prices are expected to rise at least once more before year-end, with whisky leading the way because of an increase in fob prices. The whisky price hike is expected to be passed on by brand owners from this month and follows closely on February increases brought about by a weaker exchange rate. Liquor Store Monthly (LSM) says in-creases in whisky fob prices — expected

to be 3%-10% — together with low producer/wholesaler profits — will force prices up by 5% to 10%. Cape Wine & Spirits Institute (CWSI) director Riaan Kruger saying: "In the case of whisky, the February increases were just the result of a poorer exchange rate. And as for other price adjustments they were a

result of the KWV's minimum wine price increases and what we felt the market could bear. "Admittedly, we have not passed on all of the price increases last year." Kruger said it was "not impossible" that, with the exception of one or two wine categories, prices could go up again.

KEY MARKET MOVEMENTS — APRIL 5 to APRIL 6

Gold		Kruger rand		Previous		Future		Latest		Johannesburg Stock Exchange	
LON close \$/oz	LON PM \$/oz	LON PM R/oz	JSE rand	\$/R Comm	\$/R Fin	Furt close DM/\$	LON close S/R	3 months B A	All Gold BD Index	BD Indust Index	JSE Ov'II Index

Factor price the rev sage. 2

PPI shows a 12,2% increase

244

Blow
12/4/88

Prices on the move up again

HELOISE HENNING

RISES in producer prices are accelerating according to the latest producer price index (PPI) and will eventually filter through to consumer prices.

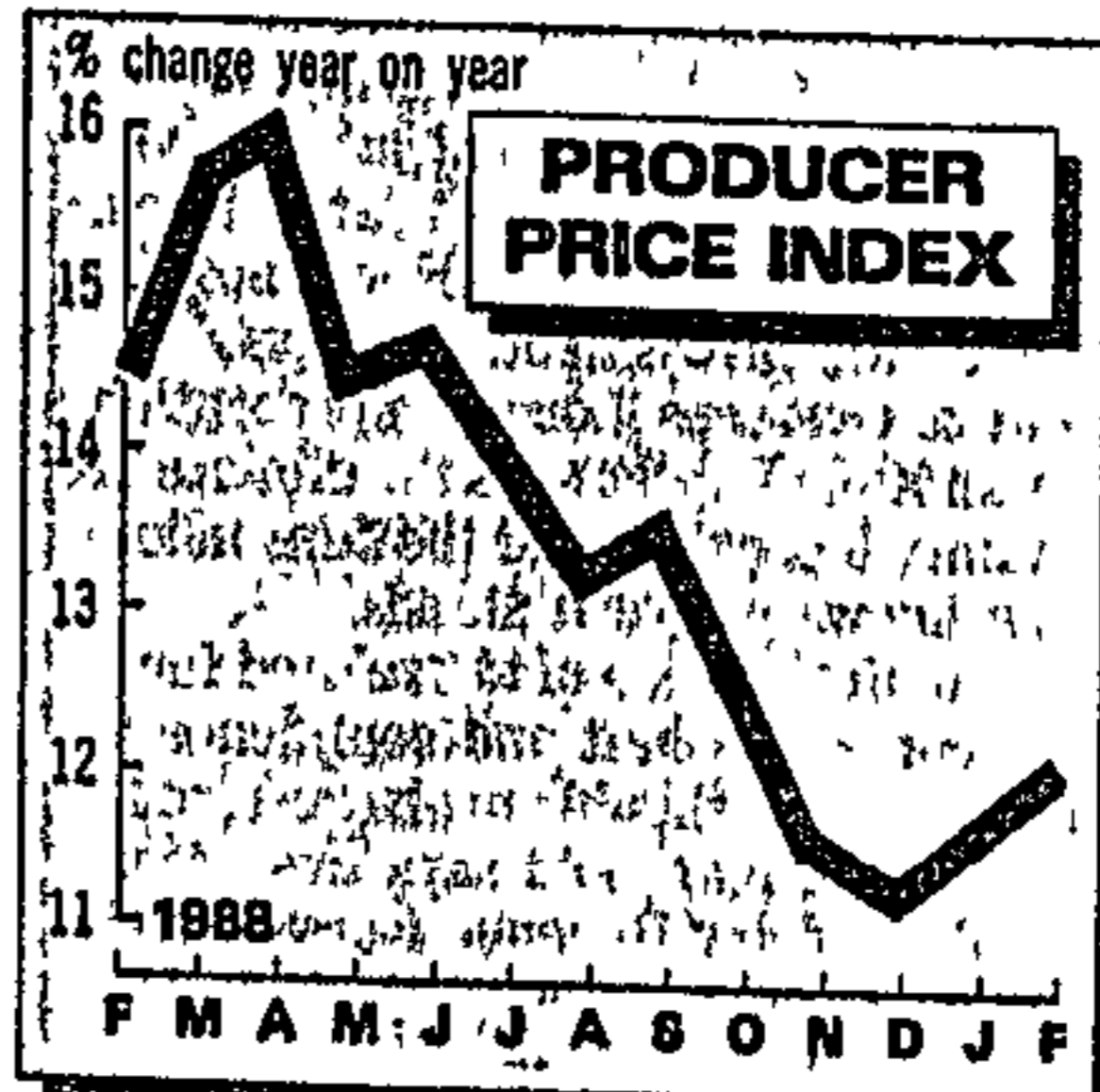
The PPI increased by 12,2% in the year to February according to figures released yesterday compared with 11,8% in January

And monthly increases point towards an upward trend, with an increase of 1,6% in February from January coming after a rise of 1,2% in January from December's 0,5%, when a bottom was reached

The high monthly increase for February stems from a 1,8% rise in SA-produced goods (1,3% in January) and a 1% upward movement in prices of imported goods (1% in January).

Economists say the rise in producer prices is causing concern, especially given that the rand-exchange rate has weakened in March, which points to even sharper future increases.

It was in March that the rand-exchange rate depreciated sharply against third currencies, especially the British pound.



Imported goods do not include only products which go straight on to the market but also raw materials and intermediate products used by SA manufacturers.

Although a large volume of SA's trade is dollar priced, other imported goods are priced in currencies such as the German mark, the Japanese yen, British sterling and the Italian lire, all of which have appreciated sharply against the rand.

● To Page 2 →

Prices are set to move up once again

The changes in producers prices usually lead consumer prices by two months. This could result in higher costs to consumers in the first half of the year whereas economists believed consumer prices would only increase nearer the end of the year.

The increases in the prices of locally produced goods are heavily influenced

244 ← ● From Page 1

by the imported content in local manufactures.

These do not include only the motor industry and electronic components but also raw materials such as rubber, chemicals and textiles

- (1) How many persons were being detained under section 31 (1) of the Internal Security Act, No 74 of 1982, as at the latest specified date for which information is available.
- (2) whether any such persons had been detained for longer than three months, if so, (a) how many and (b) for what period in each case?

The MINISTER OF JUSTICE

(1) 49 on 29 February 1988

(2) Yes

(a) 11

(b) Number of persons

Period	Number of persons
3 months and 5 days	1
5 months and 10 days	1
6 months and 12 days	3
6 months and 18 days	1
9 months and 10 days	2
10 months and 16 days	1
15 months and 5 days	1
15 months and 6 days	1

Internal Security Act: detainees

472 Mrs H SUZMAN asked the Minister of Justice.

(a) How many persons were detained in 1987 under section 31 (1) of the Internal Security Act, No 74 of 1982, (b) for how long was each such person detained and (c) how many such persons were still being detained as at the latest specified date for which information is available?

The MINISTER OF JUSTICE

(a) 84

(b) Number of persons

Period

Period	Number of persons
2 days as on 31.12.87	6
5 days	1
11 days	1
16 days	1
14 days as on 31.12.87	1
27 days as on 31.12.87	2
1 month and 5 days as on 31.12.87	1
1 month and 10 days	1
1 month and 11 days	1
1 month and 12 days	1
1 month and 14 days	1

(c) 20 on 29 February 1988

Mankweng hospital, Lebowa: provision for identified posts

492 Dr W J SNTYMAN asked the Minister of National Health and Population Development:—
Whether his Department has been approached to make provision for identified posts at the Mankweng hospital in Lebowa; if so, (a) how

many posts in each category were advertised by his Department, (b) how many applications were received for these posts and (c) what is the commencing date of the periods of service?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

Yes

(a) one post for Senior Medical Superintendent

one post of Medical Superintendent
two posts of Medical Officer
one post of Dentist

(b) Only one application was received for a post of Medical Officer

(c) No one has as yet assumed duty

Note. At the request of the Lebowa Government Service the posts of Senior Specialist and Specialist have not yet been advertised as the hospital is at present not ready to accommodate such personnel

Petrol: decrease in price

523 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology

(1) What was the date of the most recent decrease in the price of petrol,

(2) whether all coastal towns had their petrol price decreased to the same extent, if so, by what percentage; if not,

(3) whether an exception was made in the case of Walvis Bay, if so, (a) why, (b) what are the particulars of the exception made and (c) (i) what is the price of petrol in Walvis Bay and (ii) in respect of what date is this information furnished?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) 1 July 1987

(2) No

(3) Yes

(a) The price adjustments of Walvis Bay differ from those of the Republic because its prices are being handled with the price of South West Africa because of its geographical position. Consequently it experienced the same adjustments as elsewhere in South West Africa, excluding transport costs.

(b) Walvis Bay's price of 93 Octane petrol increased by 6,6 per cent on 1 July 1987

(c) (i) 80c/l for 93 Octane petrol

(ii) 1 March 1988

Overseas visits

571 Mr P G SOAL asked the Minister of Agriculture:

(1) Whether he or the Deputy Minister of Agriculture undertook any overseas visits in 1987, if so, (a) which countries were visited and (b) what was the purpose of each visit,

(2) whether he or this Deputy Minister was accompanied by any representatives of the media on these visits, if so, (a) what were the names of the journalists involved, (b) which newspapers or radio or television networks did they represent, (c) to which countries did each of these persons accompany him or this Deputy Minister and (d) why,

(3) whether any costs were incurred by his Department as a result, if so, what total amount in that year?

The MINISTER OF AGRICULTURE

(1) No

(2) and (3) Fall away

Christmas cards sent out

604. Mr P G SOAL asked the Minister of Agriculture

(1) Whether (a) he and/or (b) his Department sent out Christmas cards in 1987, if so, (i) what total number of cards was printed, (ii) to whom were they sent, (iii) what was the total cost of producing and distributing these cards, and (iv) who was responsible for printing them, in each case,

(2) whether postage stamps were used to send out these Christmas cards, if not, how were they distributed?

The MINISTER OF AGRICULTURE

(1) (a) Yes

(b) No

(1) 500

Answered

429

MONDAY, 14 MARCH 1988

430

HOUSE OF ASSEMBLY

†Indicates translated version

For written reply

General Affairs

Strikes involving Blacks

18. Mr P G SOAL asked the Minister of Manpower.

(a) How many strikes involving Black workers occurred in 1987, (b) in how many cases did the strikes arise out of wage demands and (c) what were the main causes of the remainder of the strikes?

The MINISTER OF MANPOWER

- (a) 1 128
- (b) 461
- (c) Working conditions 174
Disciplinary measures 147
Various other reasons 346

Note: The figures furnished under (a), (b) and (c) are for strikes and workstoppages for all population groups, as separate figures are not kept. In 20 instances out of a total of 1 148 strikes and workstoppages Blacks were not involved.

Trade unions: applications for registrations

28. Mr P G SOAL asked the Minister of Manpower:

How many trade unions applied between 1 January and 31 December 1987 for registration in respect of (a) Black employees only, (b) White employees only, (c) Coloured employees only and (d) employees of more than one population group?

The MINISTER OF MANPOWER

- (a) 2
- (b) 0
- (c) 1
- (d) 8

Subsidies: amount paid out

45. Mr R J LORIMER asked the Minister of Agriculture

What amount was paid out in subsidies in respect of (a) bread, (b) maize and (c) butter for consumer use in the 1986-87 financial year?

The MINISTER OF AGRICULTURE.

- (a) R147 million
- (b) R120 million
- (c) Nil

The said payments were made under Vote 18 Programme 6 Agriculture Economics and Marketing

Milk/industrial milk: producer's price/price increases

73. Mr R J LORIMER asked the Minister of Agriculture

(a) What was the producer's price of (i) milk and (ii) industrial milk as at 1 June 1987 and (b) what price increases have come into effect in respect of each category since that date?

The MINISTER OF AGRICULTURE

(a) (i) On 1 June 1987 minimum producer's prices only were in force in the Dairy Board's controlled areas and the minimum prices which distributors had to pay for fresh milk were as follows:
Bloemfontein area 47,43 c/litre
Cape Peninsula area 50,85 c/litre
Transvaal area 48,72 c/litre
Natal area 48,54 c/litre

(ii) In respect of industrial milk minimum prices only were in force on 1 June 1987 and the minimum prices for the various classes of industrial milk were as follows:
Class A+ — 450c X% butterfat + 674c X% protein per kg
Class A — 450c X% butterfat + 387c X% protein per kg
Class B — 450c X% butterfat + 358c X% protein per kg
Class C — 450c X% butterfat + 324c X% protein per kg
(b) None

Nasella trichotoma: approximate area in RSA infested

74. Mr R J LORIMER asked the Minister of Agriculture.

Soft drink prices ^(10/10) to rise by 14pc ⁽²⁴⁴⁾

D/P 15/4/88
PORT ELIZABETH —
The price of soft drinks
will increase by 14 per
cent from Monday.

The sales manager of
South African Bottling
here, Mr Chris Boshoff,
said the hike would ap-
ply to all loads of soft
drinks leaving the ware-
houses on Monday.

He said his company
increased the price of
soft drinks annually to
meet inflation.

This year's increase

had also been affected
by the recent sugar
price rise.

The industrial price
of sugar was increased
by 15 per cent from
January 2 this year.

The chairman of the
Consumer Association
in Port Elizabeth, Mrs
Jean Brittain, said al-
though soft drinks were
not an essential item,
the high price increase
would contribute to in-
flation.

D 1 D 1514188

244

Lower diesel price must be passed on — minister

CAPE TOWN — Stern action will be taken against petrol stations and other fuel retailers who fail to pass on the reductions in the wholesale price of diesel announced last month.

The warning, issued by the government yesterday, said that action would be taken to safeguard consumers from being exploited.

One of the steps envisaged could be the introduction of price control for diesel.

The warning to retailers was issued by the deputy Minister of

Economic Affairs and Technology, Mr George Bartlett.

He said it had been brought to his notice that many re-sellers of diesel have not passed on the price reductions.

With the wholesale price reduced by 5,5c/l, pump prices of diesel should have been lowered throughout the country by either 5c/l or 6c/l.

"This unjustified increase of profits by certain re-sellers is seen by government in a serious light."

The new revised

price tables were sent to all re-sellers by the Motor Industries' Federation (MIF) on March 30, and the oil companies have been requested to assist re-sellers where there were uncertainties concerning the reductions.

Repeating an earlier request to the private sector to pass on the benefits of the price cut to their customers, Mr Bartlett said this also applied to bus passenger transport, as diesel represented a large proportion of the cost in fare calculation.—

DDC

1948 PM

PPI GOING BACK UP (244)

Producer price inflation in February was driven by local commodities rather than the impact of the falling rand on imported goods. The producer price index (PPI) rose for the second consecutive month, from 11,3% in December and 11,8% in January to 12,2% in February. The monthly rise was 1,6%, bringing the index to 265,7 (base 1980=100).

While the index of locally produced commodities was up by 1,8% in the month

Much of the local increase stemmed from the price indices of material used in certain industries. These included building, which registered a monthly increase of 3,6% and an annual increase of 19,9% and civil engineering, at 3,6% and 18,1% respectively.

In contrast, prices of materials used in mechanical engineering went up by only 1% monthly and 10,3% annually and in electrical engineering by 1,9% and 13,8%.

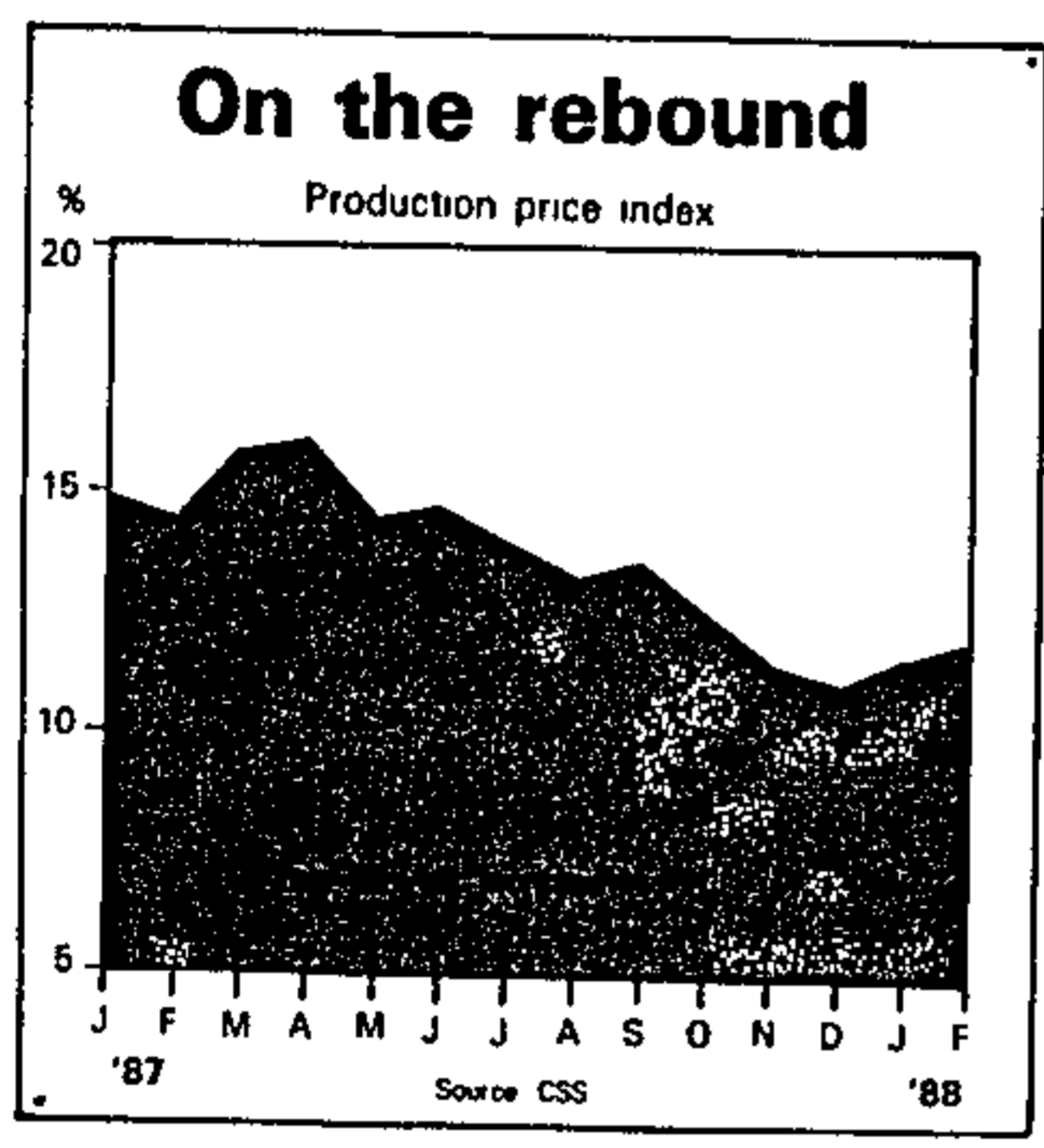
Economists believe the PPI is likely to accelerate further in the wake of increased capital investment, rapid money supply increases and a weakening rand — especially against third currencies

Underscoring the upturn in PPI are figures from the Stellenbosch Bureau for Economic Research (BER) which, in a nationwide survey of wholesalers and retailers, has found nearly unanimous agreement that prices will rise between April and June.

"The prices of building materials and hardware, in particular, are expected to rise fairly sharply," says BER director Ockie Stuart.

"Also, the demand for investment goods is picking up, so capital equipment prices will tend to rise."

On the retail side, increases in furniture, household appliances, machinery and equipment were expected to outpace other price rises.



and 13,2% in the year to February, the imported component — which makes up one-quarter of the index — rose by only 1% in the month and 8,7% in the year.

Cape Times 15/4/88

Warning on diesel prices

Political Staff 244

PETROL stations and other fuel retailers who fail to pass on the reductions in the wholesale price of diesel announced last month were warned yesterday that stern action will be taken against them to safeguard consumers.

The introduction of price control for diesel was one possible step.

The warning was issued by Deputy Minister of Economic Affairs and Technology Mr George Bartlett, who said in Cape Town that it had been brought to his notice that many diesel retailers had not passed on the April 1 price reductions.

With the wholesale price re-

duced by 5.5c/l, pump prices of diesel should have been lowered throughout the country by between 5c/l and 6c/l, depending on the price zones.

Mr Bartlett said that failure to pass on these reductions to consumers negated the government's intentions in this regard.

He said the new revised price tables were sent to all resellers by the Motor Industries Federation (MIF) on March 30 and the oil companies had been requested to assist resellers where there were uncertainties.



Repeating an earlier request to the private sector to pass on the benefits of the price cut, Mr Bartlett said this also applied to bus

passenger transport where fuel prices represent a major cost component in the calculation of passenger tariffs.

The private transport sector had a definite and responsible role to fulfill in helping to combat inflation and the government hoped it could rely on this sector to co-operate, Mr Bartlett said.

Asked last night whether City Tramways had passed on the reductions in the wholesale price of diesel to consumers, Mr Bob Krause, a Tramways spokesman, said he was unable to comment on the minister's statement at short notice.

Mr Krause said he would issue a statement today.

Capl. Tris 18/4/88


244

Pick 'n Pay cheapest — Survey

Staff Reporter

A COUNTRYWIDE survey of 58 supermarkets and hypermarkets has shown that on March 18 this year a trolley of 98 products was cheaper on average at Pick 'n Pay than six other chain stores.

However, two of the chain store groups involved expressed reservations about the validity of such surveys, saying there were many variables which could affect the results.

Mr Wander Hoon, regional head of the South African Co-ordinating Consumer Council, said yesterday that seven store groups, both hyperstores

and supermarkets, were surveyed. The stores had co-operated but had not known what day the survey would be conducted or what products would be priced.

The survey included groceries, toiletries and cleaning goods but excluded meat and fresh fruit and vegetables.

The trolley's national average cost was (from cheapest) R240,66 — Pick 'n Pay hypermarkets; R240,73 — Checkers Warehouses; R246,17 — OK Bazaars Hyperama; R247,59 — Pick 'n Pay supermarkets; R253,68 — Checkers supermarkets; R255,62 — OK Ba-

zaars supermarkets and R271,81 — Spar supermarkets.

In Cape Town, Checkers Warehouse was the cheapest of the hyperstores with the trolley costing R237,17. Pick 'n Pay Hypermarket cost R239,75 and OK Bazaars Hyperama cost R247,70. Supermarkets ranged from R243,85 at Pick 'n Pay and R250,50 at Checkers to R252,95 at OK Bazaars.

Mr Allan Fabig, an OK Bazaars director, said such surveys were misleading "nine times out of 10". The fact that no product names were disclosed meant people did not know if the most popular brands had been priced and a survey of packaged gro-

ceries did not reflect a market swing to fresh foods.

Mr Ram Harrisunker, Cape divisional director of Checkers, said a monthly survey could be misleading because of monthly specials offered by chains "It would need to be looked at over the long term," he said.

Mr Allan Baxter, senior buyer for Pick 'n Pay in the Western Cape, said he was not averse to such surveys as long as they were carried out by looking at a large number of items.

"This increases the chances that the average reflects what most people will buy."

ARGAS 18/4/88 (69) 2004

Trolley for trolley Cape Town prices are 'rock bottom'

By SUE LUPTON
Staff Reporter

IF you want to shop cheaply come to Cape Town. That is the message from Peninsula supermarket chiefs following an announcement by the South African Consumer Council that Cape Town has the second cheapest supermarkets in the country.

The reason for Cape Town's rock-bottom price tags was that competition between supermarkets was stronger here than in other major cities, a supermarket executive said.

Mr Alan Baxter, Pick 'n Pay's senior buyer in the Western Cape, was commenting on the findings of a Consumer Council survey.

Ninety-eight products representing a wide variety of household requirements were priced in 58 stores in Cape Town, Pretoria, Johannesburg, Durban and Bloemfontein.

The Consumer Council divided the stores — belonging to seven chains — into two broad categories: hyper stores and supermarkets.

The findings were that the lowest supermarket prices were in Bloemfontein, followed by Cape Town.

According to national averages, Pick 'n Pay hypermarkets had the lowest prices in the hyper category, while Pick 'n Pay supermarkets also had the lowest prices.

Warehouse

In Cape Town lowest hyper prices were at the Checkers Warehouse. The lowest Cape Town supermarket prices were at Pick 'n Pay stores.

Mr Baxter said. "Cape Town is the most competitive area in the whole country, because there are so many chain stores here."

"In addition to the 'big three' — Checkers, OK Bazaars and Pick 'n Pay — we have Grand Supermarkets, Shoprite and smaller operations like Elite and Hyperette.

"So we have to ensure that we're on the ball and our prices are right"

Mr Baxter attributed Pick 'n

Pay's success to its decentralised system, with supermarkets run on a regional basis and authority delegated to regional managers responsible for profit in the region.

And the chain's hypermarket managers run each hypermarket as an independent unit, so the regional and hypermarket managers were "able to make decisions quickly, based on factors relevant in the area," said Mr Baxter.

In centralised companies all decisions had to go through a head office, which caused a delay. Often senior staff in Johannesburg did not pay attention to the local marketplace, he said

Checkers and OK Bazaars management spokesmen could not be reached for comment.

The results of the survey in Cape Town based on a trolley of 98 products are.

Hyper stores Checkers Warehouse R237,17, Pick 'n Pay Hypermarket, R239,75, OK Bazaars Hyperama, R247,70.

Supermarkets: Pick 'n Pay R243,85, Checkers R250,50, OK Bazaars R252,95.

The national averages were as follows Hyper stores: Pick 'n Pay hypermarkets R240,66, Checkers warehouses R240,73, OK Bazaars hyperamas R246,17.

Supermarkets Pick 'n Pay R247,59, Checkers R253,68, OK Bazaars R255,62 and Spar R271,81.

Bid to revive greening of city

Environment Reporter

AN INTERIM steering committee to relaunch the City Council's stricken Greening of the City programme has been formed by the Fairest Cape Association, the Wildlife Society

Let's hear your False Bay news

PASS on your news from False Bay towns and suburbs — from Simon's Town to Gordon's Bay, including Fish Hoek, Ocean View, Muizenberg, Strandfontein, Macassar and Strand — to The Ar-

'Govt incensed over lack of restraint'

CAF Times 19/4/88
Own Correspondent

JOHANNESBURG. — Government is becoming increasingly incensed that the private sector is not responding to the appeal made by President P W Botha to use restraint in establishing wage and price increases — in line with the “freezes” imposed on the public sector.

This much was indicated by Finance Minister Barend du Plessis in replying to the debate on his Budget in the House of Assembly yesterday.

Du Plessis observed critically that there were almost daily notices in the media of wage and price increases now being set in the private sector since President Botha announced his economic package.

Singling out retailers, Du Plessis warned that government would be provided with more muscle.

Business community accused of failing to fight inflation

Political Correspondent

CAPE TOWN — The State President, Mr P W Botha, has expressed his displeasure with the business community for failing to respond to his appeals for wage, salary and price restraint in an effort to combat inflation

Mr Botha stressed that the government had no alternative but to consider imposing other mechanisms via legislation to compel the business community to tow the line.

He indicated that one such legislative instrument was the draft Control of Harmful Business Practices Bill, now being circulated for comment

Mr Botha said during his budget vote in the House of Assembly that this legislation would

make it possible to take fast and effective action against persons who make themselves guilty of harmful business practices, thus protecting the consumer against exploitation

Mr Botha said the reaction from the private sector, since he made his appeal in February, was disappointing

Although he had received a few letters of support for his economic initiative, it seemed from media reports that the private sector would be granting general increases of 15 to 16 per cent

In what was seen as a clear reference to Pick 'n Pay's chairman, Mr Raymond Ackerman, Mr Botha added, "I also find it strange to receive a letter from a leading businessman in which

he declares his wholehearted support for combating inflation and (then) to read in the financial press afterwards that he granted salary increases of up to 28 per cent"

Mr Botha said that in letters he received from the general public, serious doubt was expressed about the willingness of the private sector to co-operate

"An evident and concrete quid pro quo is demanded from the private sector in exchange for the sacrifice by, among others, public servants," the State President said

He concluded that it had become evident that this would not come about by means of persuasion or voluntary teamwork

DID 244/58

244

Price of
whisky
to rise
— again

Daily Dispatch
Reporter

EAST LONDON —
Whisky prices are set
to rise for the fourth
time since Christmas
— this time by as much
as R25 a case.

Several East London ho-
teliers and publicans
confirmed yesterday
they had been in-
formed that an in-
crease of R12 a case to
R25 a case, depending
on the brand, would
come into effect on
Monday

However, Mr Christo-
pher Sedgwick, chair-
man of the Cape Wine
and Spirits Institute in
Cape Town — whose
members' products
represent 95 per cent
of the country's liquor
business — said he
had not heard of a new
increase in the whisky
price "although it's
bound to go up sooner
or later because of the
exchange rate".

The director of the insti-
tute, Mr Riaan Kruger,
could not be contacted
for comment yesterday
as he was overseas.

Mr Kruger was quoted
in the April edition of
a liquor trade maga-
zine, *Liquor Store
Monthly*, as saying that
whisky price increases
were likely this
month.

"Increased FOB prices,
together with the fact
that producer/whole-
saler's profit margins
are too low at the mo-
ment, will more than
likely force up whisky
prices by anything be-
tween five and 10 per
cent," Mr Kruger said

Early in March Mr
Kruger rejected news
reports that there
would be a price in-
crease in April

PW hits out at business community

C.M. Tenks 22/4/88 (circled) (circled) (circled)

Staff Reporter

PRESIDENT P W Botha yesterday expressed strong displeasure with the business community for failing to respond to his appeals for wage, salary and price restraint in an effort to combat inflation.

In view of the apparent absence of voluntary co-operation from the private sector on this score, Botha stressed government had no alternative but to consider imposing "other mechanisms" via legislation to compel the business community to toe the line if it would not do so through persuasion.

He indicated that one of these legislative instruments was the draft Control of Harmful Business Practices (HBP) Bill now being circulated for comment.

Speaking during his Budget vote in the House of Assembly, Botha said this legislation would make it possible to take fast and effective action against persons guilty of harmful business practices, thus protecting the consumer against exploitation.

Botha said that the reaction from the private sector since he made his appeal in February had been disap-

pointing. Although he had received a few letters of support for his economic initiative, it seemed from media reports that the private sector would be granting general pay increases of 15% to 16%.

Botha added: "I also find it strange to receive a letter from a leading businessman in which he declares his whole-hearted support for combating inflation and (then) to read in the financial press afterwards that he granted salary increases of up to 28%."

"In spite of the positive letters received from businessmen, the question arises unvoluntarily whether this is all just lip-service?"

Botha said that in letters he had also received from the general public serious doubt was expressed about the willingness of the private sector to truly co-operate.

"An evident and concrete quid pro quo is demanded from the private sector in exchange for the sacrifice by, among others, public servants," Botha said.

"To my disappointment it is becoming increasingly evident that this quid pro quo will not come about by means of persuasion or voluntary teamwork," he concluded.

hare — they closed on a...

Whisky price increases condemned says magazine

DID 26/4/88
Daily Dispatch Reporter

EAST LONDON — Retailers and liquor industry spokesmen have condemned recent whisky price increases, according to a liquor trade magazine.

The May edition of Liquor Store Monthly quoted retailers as saying consumers would be badly affected and the whisky trade would suffer

They apparently blamed suppliers in the United Kingdom and South Africa for the sharp increases, noting that whisky had risen by about R30 a case since

the end of last year

A marketing director of Stellenbosch Farmers' Winery, Mr Dick Coleshaw, attributed the price increase to lagging profit margins, currency adjustments and an attempt to penalise imported products in favour of local products

Mr Coleshaw denied allegations that the increase was a result of cartel-type control among whisky importers

The chairman of E. W. Sedgwick and Co. and spokesman for the Cape Wine and Spirits Insti-

tute, Mr Christopher Sedgwick, said the whisky price went up at wholesale rate yesterday and the increase was related to the exchange rate and customs duty

He said he did not think the public were interested as they knew the prices of all imported goods were increasing and said he did not want to get involved in price speculation

The director of the Cape Wine and Spirits Institute, Mr Riaan Kruger, was overseas and could not be contacted for comment

Sanlam predicts drop in the price of food

D/D 27.11.88

244
49

CAPE TOWN — Food price increases should slow down in the next few months and this will contribute to a further deceleration in the inflation rate, Sanlam says in its April Economic Survey.

The survey, compiled by Sanlam's Economic Research Department, says the South African economy expanded exceptionally strongly in the last quarter of 1987 — at an annual rate of about five per cent.

This was a total reversal of the relatively poor growth performance of the two previous quarters.

Provisional figures show that real retail figures for the first quarter of 1988 were about two per cent up on those for the same quarter of 1987.

In the first three months of this year, car sales were more than 26 per cent higher than in the same period in 1987. Real imports are showing a sustained

rising trend and confirm the reasonably strong growth being experienced in domestic activity.

Sanlam warns, however, that it should be borne in mind that the more sluggish growth trend in the economies of some of the country's major trading partners and sustained sanctions will hamper exports.

In conjunction with higher imports, this will in due course place increasing pressure on the balance of payments, which will in turn have a negative effect

on the economic growth rate

Sanlam says the year-on-year increase in total consumer price index slowed down further in February 1988 to 13,7 per cent — the lowest rate of increase in more than three years.

The inflation rate continued the falling trend that began as early as June last year and was interrupted only in August and October 1987 when the inflation rate stayed unchanged at the same level as that of the previous month. — Sapa

D 10.29/188

Hike in butter price

PRETORIA — The butter, a 10 per cent butterfat increase by primary producers, and a 6,9 per cent butterfat increase by milk powder factories and distributors.

(244) The board has also suspended its control over milk, cheese and the retail price of butter while wholesale butter will be next, the release said — Sapa

It said the 9,3 per cent "minimal increase" coincided with the government's appeal to contain inflation and ascribed it to a lower subsidy on

CPI

29/4/88 (240) FM

Sting in the tale

Since June, the rate of inflation has decelerated steadily. Figures released this week by the Central Statistical Service (CSS) show that the trend continues. In March, the consumer price index (CPI) rose by only 13,4% year-on-year, the lowest increase for about three years, down from 13,7% in February and 14,2% in January.

However, the monthly increase was 1,3%, compared with 0,7% in February and 0,9% in January. CSS head Dr Treurnicht du Toit is concerned at the contribution of food prices to this.

"The 1,3% overall, seasonally adjusted to 1,1%, is not disturbing. Annualised it is 14%, not really out of line with recent figures. What disturbs me is the 1,9% monthly increase in food prices which, seasonally adjusted, amounts to 2,6%. If this continues, it will have a serious effect on inflation."

Food contributed more than a third to the monthly rise in the index. Vegetables were

up by 9,4%, sugar — 4,4%, fish and other sea foods — 2,8%, milk, cheese and eggs — 2,8% and grain products — 1,9%. Fruit and nuts showed an absolute price decline of 4,3%.

Alcohol, not a major CPI component, climbed by 6,7%, clothing by 1,8%. Education costs, measured only once a year, rose by 15,8%.

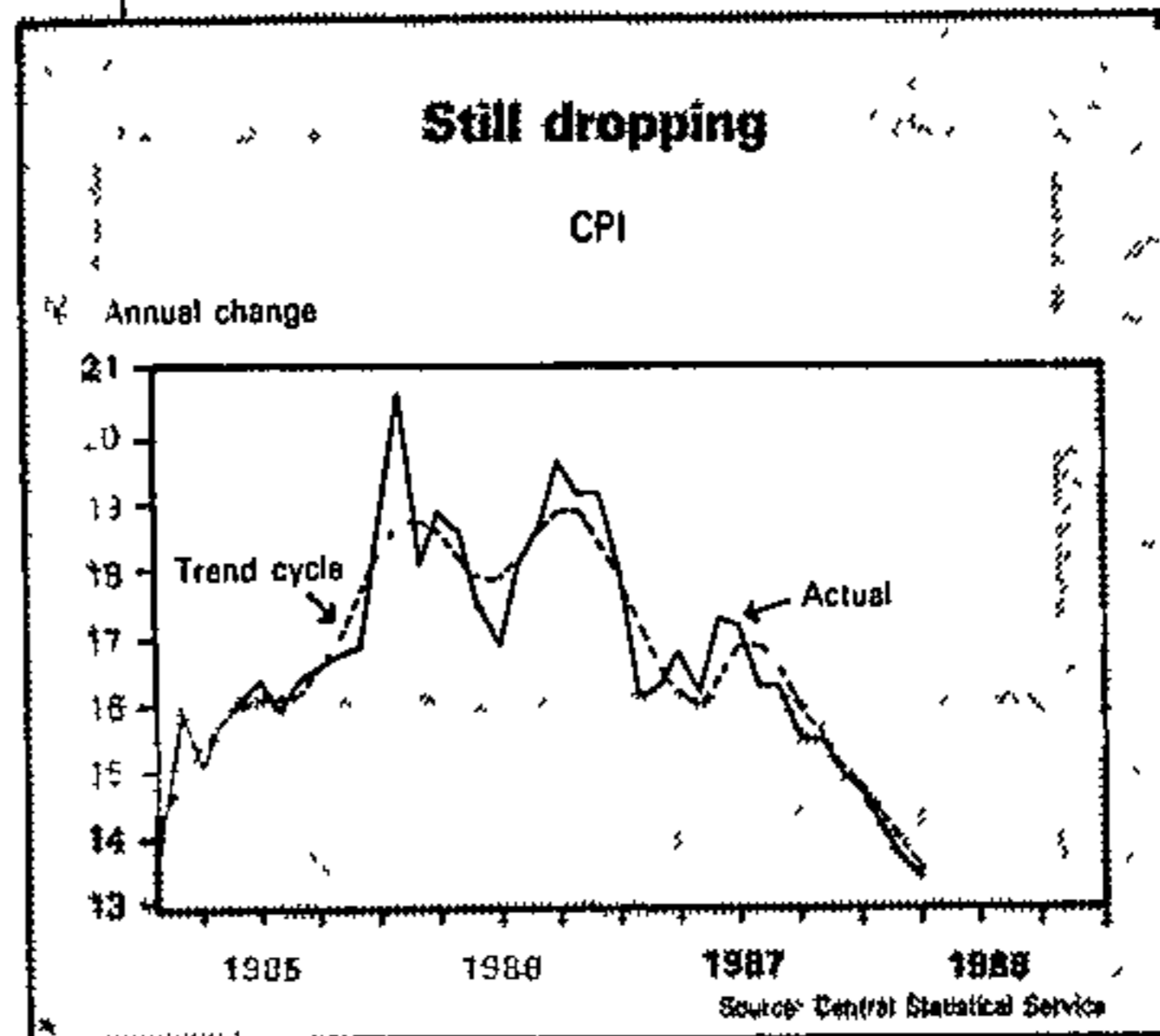
How long will the down-trend persist?

Southern Life chief economist Mike Daly predicts inflation will bottom in the first half of 1988; then CPI will rise faster again.

In Southern's latest quarterly *Economic Comment* he writes. "Year-on-year increase in the cost of a representative basket of currencies, the inverse of the effective exchange rate, has begun rising quite sharply, which must impact on the cost of imported goods and ultimately CPI."

He believes the low point of producer price inflation was reached in December "unless, as is unlikely, the rand stages a strong comeback against major currencies."

A second factor is the upward phase of the



business cycle which, in the past, has always driven the inflation rate. "Only a strong commitment from the private sector regarding moderation in wage setting would break the traditional link."

Rand Merchant Bank economist Rudolf Gouws makes a similar prediction. However, he believes the inflation rate remains in a long-term down trend.

"We are into a brand new ball game, with money supply targeting and government serious about returning its finances to health. Even though it's a long slow process, I believe it will succeed in gradually reducing the rate of inflation." ■

Some food prices up — but others drop

Star 30/9/88
Family food budgets will suffer from the rise in the price of butter and white maize from tomorrow, but a drop in egg and yellow maize prices will be welcomed

The Dairy Board said from Pretoria yesterday the wholesale price of butter would go up by 40c/kg — 9,3 percent — on Sunday

The board has also decided to gradually phase out subsidies on butter and butterfat.

"The current butterfat subsidy places an excessive strain on the Board's stabilisation fund," the board said

It said the 9,3 percent "minimal increase" coincided with the Government's appeal to contain inflation and ascribed it to a lower subsidy on butter, a 10 percent butterfat increase by primary producers and a 6,9 percent butterfat increase by milk

powder factories and distributors

The board will also suspend the one-channel marketing scheme from October 1

The board has suspended control over milk, cheese and the retail price of butter, and would soon stop its control over the price of wholesale butter, a news release said.

A Transvaal egg producer yesterday announced an 8c/doz decrease in the price of eggs in the province.


The move followed the "recently announced reduction in the price of yellow maize and is in line with the Government's appeal to the private sector to contain inflation," Golden Lay Farms said in a statement.

This year's selling price of yellow maize has been lowered by at least 6 percent while the white maize price is 3,9 percent up on last year.

1986 with a progressive programme to lower the lead content of fuel after lead poisoning received extensive coverage in the media.
However, Dr T A Kilroe-Smith of the National Centre for Occupational Health's, writing in Total in SA, said the dangers of lead in petrol to the health of South Africa's population was not significant.

than 20 microgram a 100ml in primary school children and less than 10 microgram a 100ml in high school pupils.
"These concentrations are no cause for concern, and even if the petrol were lead-free, it is calculated that the burden of the metal in the blood of children would drop by only about 4 microgram a 100ml."

Producers blamed for drug prices

CH-1015 2/5/88 

By JIM FREEMAN and RENEE MOODIE

IF DRUG manufacturers sell to wholesalers at the same prices they charge parastatal organizations and medical aid schemes, medicine prices would plummet.

The only solution to the problem of the high prices paid by private patients was to have a common supply price for all organizations, according to Mr Sid Hurwitz, the general manager of one of the country's largest pharmaceutical wholesalers, SA Druggists.

"It is at times, ridiculous that manufacturers sell their products at the lowest price to dispensing doctors.

"This is less than the price that the clinic or the chemist can buy, although the private clinic has the advantage over the pharmacist in that it is treated as a wholesaler," he said.

Mr Hurwitz also quoted a recent report by the Representative Association of Medical Schemes (RAMS) which cited a

national medicine bill last year of R1,25 billion, more than half of which was paid to private hospitals.

Several manufacturers have responded by saying that, while they are not obliged to disclose their manufacture costs, they are not the ones responsible for the high prices paid for prescription medicines.

Ripping off public

They say it is the "middlemen" who are ripping off the public

The bitter recriminations follow statements by the director general of the Department of National Health and Population Development, Dr Coen Slabber, that South Africa's medicine marketing structure did not benefit the consumer.

He added that a study of the increase in the medicine price index throughout the world, over the past few years, revealed that the highest rise had been in South Africa.

Mr Hurwitz said the retailer was "the whipping boy" and that it was the manufacturer who dictated the end price to the consumer

"If the manufacturer's mark-up is high, then the end price is out of the hands of the wholesaler and it is out of the hands of the retailer."

The chairman of the Pharmaceutical Society of South Africa, Mr Boet Botes, said pharmacists were bound by statute in the prices they charged for prescription items.

He said it was normal practice in the private sector to add 33% to the cost price of an article, then add R1,30 per item as a professional fee.

Mr Botes said there were a number of avenues open to consumers who felt they had been overcharged for medicines

One was to clarify the issue with the pharmacist or, if no satisfaction could be gained, to report the matter to the Pharmacy Council of South Africa.

"However, the problem is that the patient does not know what he should be paying for medicines and whether he is being exploited"

He advised patients who felt they had been cheated to complain to the Consumer Council

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Soaring food prices putting constraint on economic growth

244

star 3/5/86

By Tom Hood

CAPE TOWN — Soaring food prices are taking too large a slice of the consumer's income, says a leading industrialist, Mr Mike Getz.

As a result, sales of clothing are 40 to 50 percent less than they should be and there are 200 000 fewer people employed than there could be, he claims.

The basis of the consumer price index was changed last year to reduce the weighting of food and as a result the latest figures claim that food prices have risen only 16,5 percent in the 12 months to March 31.

Inflation for the country as a whole was 13,4 percent in March, as measured by the official price index.

Mr Getz, president of the Cape Chamber of Industries, blamed high food prices for preventing the "emerging consumer," mainly black, from buying other goods and providing real growth in the economy.

Significant

Typically, he says, this consumer, whose earnings fall into the lower third segment of incomes generally, would be expected to devote some 15 percent of disposable income to clothing.

That the consumer could afford to spend only some 8 percent had vital significance for growth in the country.

"As a developing country and probably by any other criterion, the cost of food is the single most important constraint on a balanced pattern of consumption,"

he said in a paper delivered to the Business School of Stellenbosch University.

"This expenditure in the typical household denudes and denies it access to a broader spectrum of goods.

"Economic and other reform, which does not come to grips with this appalling state of affairs, is not addressing a fundamental problem."

Mr Getz said he stressed the issue of domestic consumption in rather specific terms by relating potential output to existing needs for manufactured goods.

Distorted

Apparel and textiles were merely an example of the crippling distortions industry in this country had to contend with.

"With sales of clothing 40 to 50 percent less than they should be, we live in a situation where there are 200 000 fewer people employed than there could be. Not to mention replacing our rather expensive maize production with the growth of cotton," he added

"The price of food here takes too large a share of the consumer's income. In too many sectors, including clothing, the consumer index is whoppingly higher than prices at the production level.

"There is no evidence to indicate that these factors benefit the economy — in fact quite the contrary. This could be a real example of the poor productivity characterising much of South Africa's capital-intensive activity"

Coal price up ²⁴⁴

THE price of coal has gone up and Soweto coal users will have to pay 50c more for a bag.

Star 3/5/86
The chairman of the Orlando Coal Traders Association, which supplies the whole of Soweto, Mr Peter Vatsha, said that a bag of coal will no longer cost R5,50 but R6.

Mr Vatsha said the price increase was prompted by the increase in distribution costs of the Transvaal Coal Owners Association which supplies them.

"Everything is going up today and it is like we have reached a stage where the fit will survive," a housewife Mrs Maggie Dladla said.

AKGAS 3/5/88 (246)

Soaring food prices 'cost 200 000 jobs'

By TOM HOOD
Business Editor

SOARING food prices are taking too large a slice of the consumer's income, says a leading industrialist, Mr Mike Getz

As a result, sales of clothing are 40 to 50 percent less than they should be and there are 200 000 fewer people employed than there could be, he claims

Food prices in the Cape Peninsula in March were 4,3 percent higher than in February, according to the Government's price index for urban areas

INFLATION

This is far above the country's average food inflation rate of 2,8 percent, which was more than double February's 1,9 percent.

Hefty monthly increases were reported for vegetables (9,4 percent), fish and other seafoods (2,8 percent), milk cheese and eggs (2,9), and sugar 4,4 percent.

But prices of fruit and nuts dropped by 4,3 percent in March, according to the Central Statistical Service

If this rate of food inflation continues, prices in the Peninsula will rise by 53 percent within 12 months.

The basis of the consumer price index was changed last year to reduce the weighting of food and as a result the latest figures claim that food prices have risen only 16,5 percent in the 12 months to March 31

The Peninsula also had the distinction of recording the biggest jump in inflation — 2,1 percent — as measured by the Government index

If this rate continues, prices will rocket by more than 25 percent in 12 months.

Inflation for the country as a whole was 13,4 percent in March, as measured by the official price index

BLAMED

Mr Getz, president of the Cape Chamber of Industries, blamed high food prices for preventing the "emerging consumer," mainly black, from buying other goods and providing real growth in the economy

Typically, he says, this consumer, whose earnings fall into the lower third segment of incomes generally, would be expected to devote some 15 percent of disposable income to clothing

That consumer in South Africa can only afford to spend about 8 percent, which had vital significance for growth in the country

"As a developing country and probably by any other criterion, the cost of food is the single most important constraint on a balanced pattern of consumption," he said in a paper delivered to the Business School of Stellenbosch University

"This expenditure in the typical household denudes and de-

nies it access to a broader spectrum of goods.

"Economic and other reform, which does not come to grips with this appalling state of affairs, is not addressing a fundamental problem"

Mr Getz said he stressed the issue of domestic consumption, in rather specific terms by relating potential output to existing needs for manufactured goods

Apparel and textiles were merely an example of the crippling distortions industry in this country had to contend with

"With sales of clothing 40 to 50 percent less than they should be, we live in a situation where there are 200 000 fewer people employed than there could be.

Not to mention replacing our rather expensive maize production with the growth of cotton," he added.

"The price of food here takes too large a share of the consumer's income. In too many sectors, including clothing, the consumer index is'whoppingly higher than prices at the production level"

"There is no evidence to indicate that these factors benefit the economy — in fact quite the contrary.

This could be a real example of the poor productivity characterising much of South Africa's capital-intensive activity"

Wool Board steps in to prop up prices

D.P. 6/5/88

244
Prof
& Nelson

Wool prices stabilised at this week's sale in Port Elizabeth where the Wool Board stepped in to prop up prices. The market indicator dropped marginally to 2 208 points from last week's 2 211.

Mr Jan Allen, director of marketing of the Wool Board, confirmed that the board had intervened and said this had been done to a small extent only to steady prices.

Altogether 10 777

bales were offered at this week's sale and 80% were sold. The offering was described as a good mixed selection.

Speculation is that buyers have been building up resistance to the exceptionally high prices of the past few months, but there is little evidence of a collapse of the wool market.

The South African Wool and Mohair Buyers' Association chairman, Mr Antoine Houze,

said in a statement it was expected that even if wool prices were to fall over three successive auctions, the average price would still be higher than the average for the season so far, and higher than the average for the previous season.

He said that prices at current levels were unrealistic and should not be taken for granted.

"In the long term, such excessive prices can only be extremely

harmful down the production line, particularly in Europe where there are already signs that manufacturers may be inclined to substitute wool with other fibres," he said.

Mr Houze, referring to a warning issued when prices dropped last week, said "Our warnings were certainly not to discourage wool farmers from producing more wool — the low South African production is still our number one concern."

D.10 615788

Wool prices down by 0,5%

(244)

PORT ELIZABETH
Compared to the previous week's wool sale, the average price at this week's auction here decreased by 0,5 per cent to 2 200 according to the wool board's market indicator.

This was despite a relatively firm Australian market during the past week and a 4% decrease in the value of the rand against the Australian dollar.

Fine wool still fetched premium prices and

buyers paid up to 3% per cent dearer for 21 micron fleeces compared to the previous auction. Prices for 22 micron fleece wool increased by 2% per cent, while 23 and 24 micron fleeces remained firm unchanged.

Prices for fleece wool in the 25 micron category decreased by 2,5%, while bellies and lambs dropped by 3,5% and 5% respectively.

In Australia the mar-

ket indicator increased by 0,2%

Competition on the local market was less intense than during the last couple of weeks. In total, 80% of the offering of almost 10 800 bales of merino and other wools was traded. In addition, 84 per cent of the offering of 748 bales of karakul wool was sold.

Approx 9 800 bales of wool will be offered next week — DDC

Alarm as food prices soar

Staff Reporter

THE cost of food is rising at an alarming rate, says the South African Co-ordinating Council, which has released its April survey of 98 household products sold by major South African supermarket groups.

While Cape Town remains the cheapest place to shop in the country, the council has expressed its concern that the average price for a trolley of goods increased by 1,7 percent from R250,89 in March to R255,90 in April.

This includes a marked average increase of 2,3 percent in the price of cleaning agents.

CHEAPEST

And the prices of foodstuffs continued to rise at an "alarming" 1,8 percent.

The list of 98 products does not include meat, fresh fruit, vegetables or "no name" brands.

The survey shows that, after Cape Town, the cheapest places to shop are Bloemfontein, followed by Durban and Johannesburg. Pretoria is the most expensive.

Of the "hyper" stores in

244
12665
6/5/88

Cape Town, Pick'n Pay were the cheapest at R241,32 a trolley, followed by Checkers (Warehouse) R243,90 and OK Bazaars (Hyperama) R248,28.

Of the supermarkets Pick'n Pay was also the cheapest, at R247,44 a trolley, followed by Checkers (R255,15) and OK Bazaars (R259,61).

The national averages, for the groups (which includes Spar — not in Cape Town) are, from cheapest to the most expensive a trolley: Pick'n Pay R244,76, Checkers (Warehouses) R247,61 and OK Bazaars R248,10, whereas at supermarkets Pick'n Pay was also the cheapest at R252,38, OK Bazaars second at R259,32 and Checkers at R259,95, with Spar the most expensive at R274,83.

The comparative increase in prices from March to April is: Hyper Stores — Pick'n Pay (Hypermarket) 1,7 percent, Checkers (Warehouse) 2,9 percent, and OK Bazaars (Hyperama) 0,8 percent.

At supermarkets, Pick'n Pay increased their prices by 1,9 percent, OK Bazaars 2,2 percent, Checkers 1,7 percent, and Spar 1,1 percent.

Food price is whites big worry

By Caroline Mehliiss

The ever-increasing cost of food is what causes white South Africans the most financial stress, according to a study conducted at the University of the Orange Free State.

The results of the study, done by Professor C.P.R. Erasmus of the department of industrial psychology, are published in the magazine SA Consumer.

The study, "Financial stress among whites in the Free State, northern Cape and PWV area", shows other high-stress factors are transport costs, unexpected expenses, the weak rand-dollar exchange rate, the political situation, urban terror, inflation, foreign debt and increasing unemployment.

FURNITURE

Factors causing least stress are contributions to service organisations including the Church, medical consultations, house rentals, the improvement of educational qualifications and buying furniture.

Professor Erasmus believes that medical consultations have a low-stress impact because medical aid schemes reduce the cost.

Factors that fall in-between high and low financial stress include recreation costs, loans for swimming pools, clothes, insurance premiums and municipal services.

The report also notes that women worry more about finances than men, English-speakers have more financial stress than Afrikaans-speakers, and those living in the PWV area have more money worries than those living in the Free State and northern Cape.

Mercedes, Honda car prices are up

Prices of Mercedes-Benz and Honda cars are up this week by an average of 3.8 and 3.3 percent respectively.

The only models unaffected are Mercedes' diesel sedans and the R205 000 560SEC coupe.

However, this is not the first salvo in a new round of vehicle price increases, but rather the last shots from the previous round.

Mercedes' last general increase was on January 25 and it opted out of the

routine industry increases at the beginning of March. ~~3.5~~ 2.44

According to the usual quarterly pattern, the next round of industry-wide increases would be due at the beginning of June, but industry sources indicate that VW will lead off in the last week of this month, with an increase of around 4 percent. ~~3.5~~ 11/5/88

Most other makers will probably follow suit in the first week of June.

PPI jumps one percent ^{Stev} 12/17/88

The production price index (PPI) for March increased by one percent (1,6 percent in February) The annualised rate of increase for March was 12 percent (12,2 percent in February).

Figures released by Central Statistical Services yesterday show the index for commodities produced for export rose more slowly than that for consumption within South Africa

Relatively large increases occurred in March in the prices of fishery products (8,4 percent), textiles and made-up goods (4,7 percent), clothing (6 percent) and electricity, gas and water, which rose by 3,7 percent.

Wool rose by 9,7 percent and transformer oil by over 28 percent.

— Sapa

COFFEE

Full of beans

South Africans have always shown a preference for coffee/chicory blends over pure coffees. Even when SA could buy coffee at a 60% discount on world prices, pure coffees, including instant, accounted for less than 5% of the market.

But now there is evidence that the pure coffee market is picking up. While volume sales of blends have remained static, Nestlé says the market for ground coffee has grown by 5%-6% since prices peaked in 1986 and for instant coffee by 3%-4%. But they still have a long way to go to reach pre-1985 levels. In that year, ground coffee consumption fell by 26% and instant coffee by 23%.

Just as soaring prices then contributed to the fall in consumption, so falling prices are now helping bring back drinkers. A 250 g jar of Nescafé has fallen by 36% from R13,99 in December 1986 to R8,99 today. The fall in the price of a 750 g tin of Ricoffy has been less dramatic. In stores where it cost R7,29 at the end of 1986, it now costs R5,69 — 22% less.

Price reductions would have been greater if they mirrored the fall in the commodity price. The London price has fallen to just over £1 000/t from a peak of £2 400/t two years ago.

But as a commodity broker points out, "To a large extent, this reflects the strength of sterling against the dollar." Checkers buyer Brian Sacks adds: "Prices are unpredictable, so coffee packers claim they need forward cover."

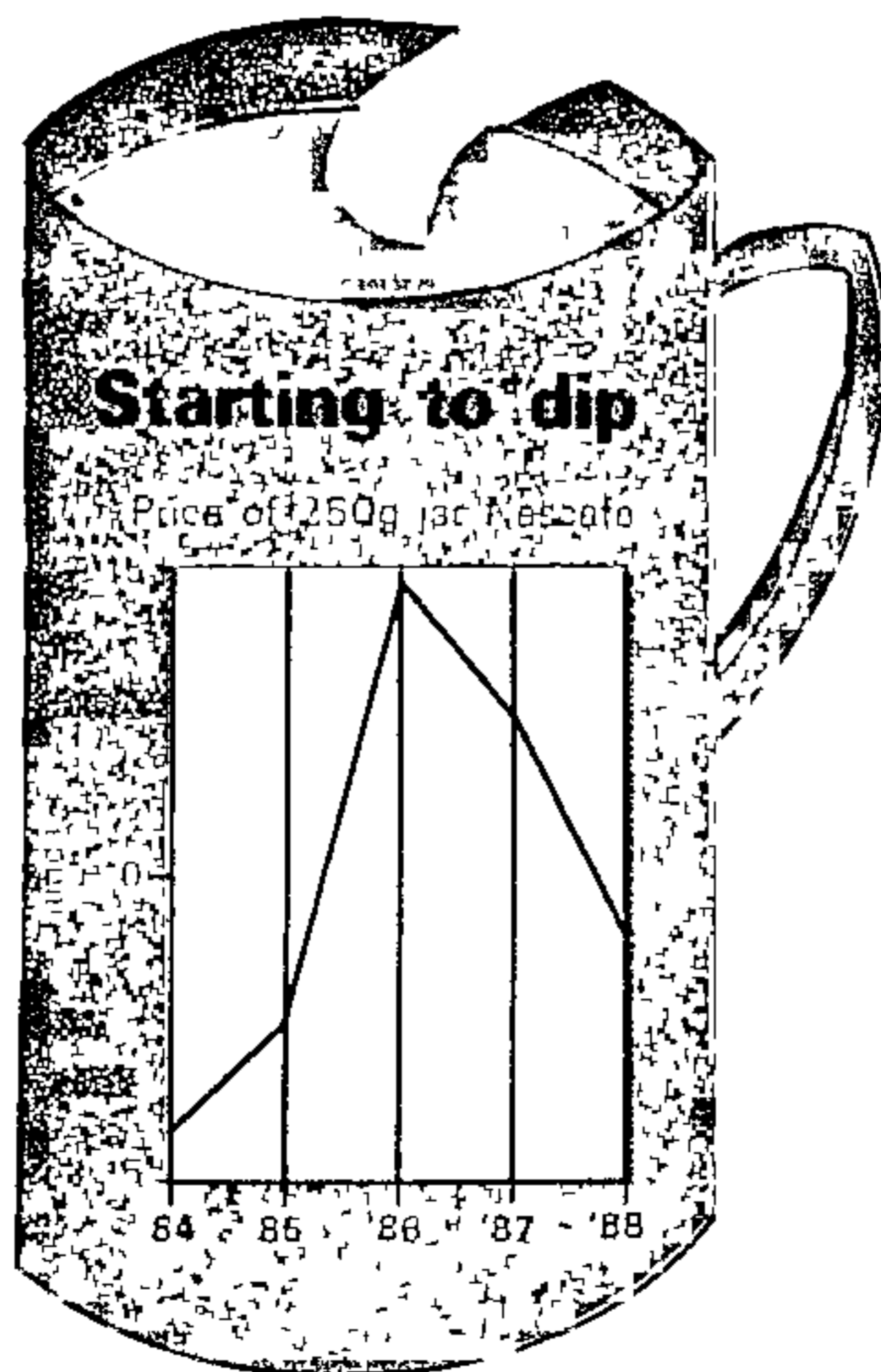
In theory, the existence of a fledgling South African coffee industry, based around Tzaneen, should help protect the country from the fluctuations of the world market. But so far, it produces 1 500 t out of total consumption of more than 18 000 t. Only

arabica beans, which account for 3 000 t of local consumption, are grown commercially and, although 50% of those needs are met by South African growers, coffee packers have an agreement to buy at world prices.

The days are long gone when SA, as a non-signatory to the International Coffee Organisation (ICO), which controlled the world price, could buy coffee at a discount of up to 60% on official prices. This was before the failure of the Brazilian crop in the mid-Eighties, when the ICO quota system collapsed.

So that morning cup of coffee may cost less than it did last year, but the days of bargain basement prices are a thing of the past. Even our own emergent coffee industry won't take us back there. ■

~~scribble~~
244
13/5/88 Fm



Expecting a rise

The two-year fall in the inflation rate continued last month but, with producer prices apparently bottoming out and money supply still over target, it could soon head back up

"A gradual upward movement in CPI is likely in the second half of the year," says the latest *Standard Bank Review*, echoing a general sentiment.

In the year to April, CPI rose 13,3%, down from 13,4% in March and 13,7% in February. A 1,1% monthly increase took the index to 151,9 (base 1985=100) and followed a 1,3% increase in March.

Food prices were up by 2,9% in the month and 17,1% in the year.

Meat was up by 3,2% in the month, fish and seafood by 2,5%, vegetables 10,2% and sugar 10,2%. Other large increases liquor 4,7%, tobacco 2,3% and reading matter 3,6%.

In predicting an upturn in inflation later this year, many economists cite the sharp fall in the rand and higher import prices — what they call "imported inflation"

But some, including Dan Leach of Wits' Department of Business Economics, have a different explanation

Leach also expects price inflation to pick up later this year. But he thinks many economists muddle the issue when they talk about a weak currency, rising wage demands, and rising production costs

He says the recent surge in money supply growth will cause an upturn in price inflation.

The narrow monetary aggregate M0,

which rose by just 7,5% in 1986, increased 18,1% in 1987 and 23,7% in the 12 months to April. Increases in CPI traditionally follow, with a lag, hikes in the monetary base

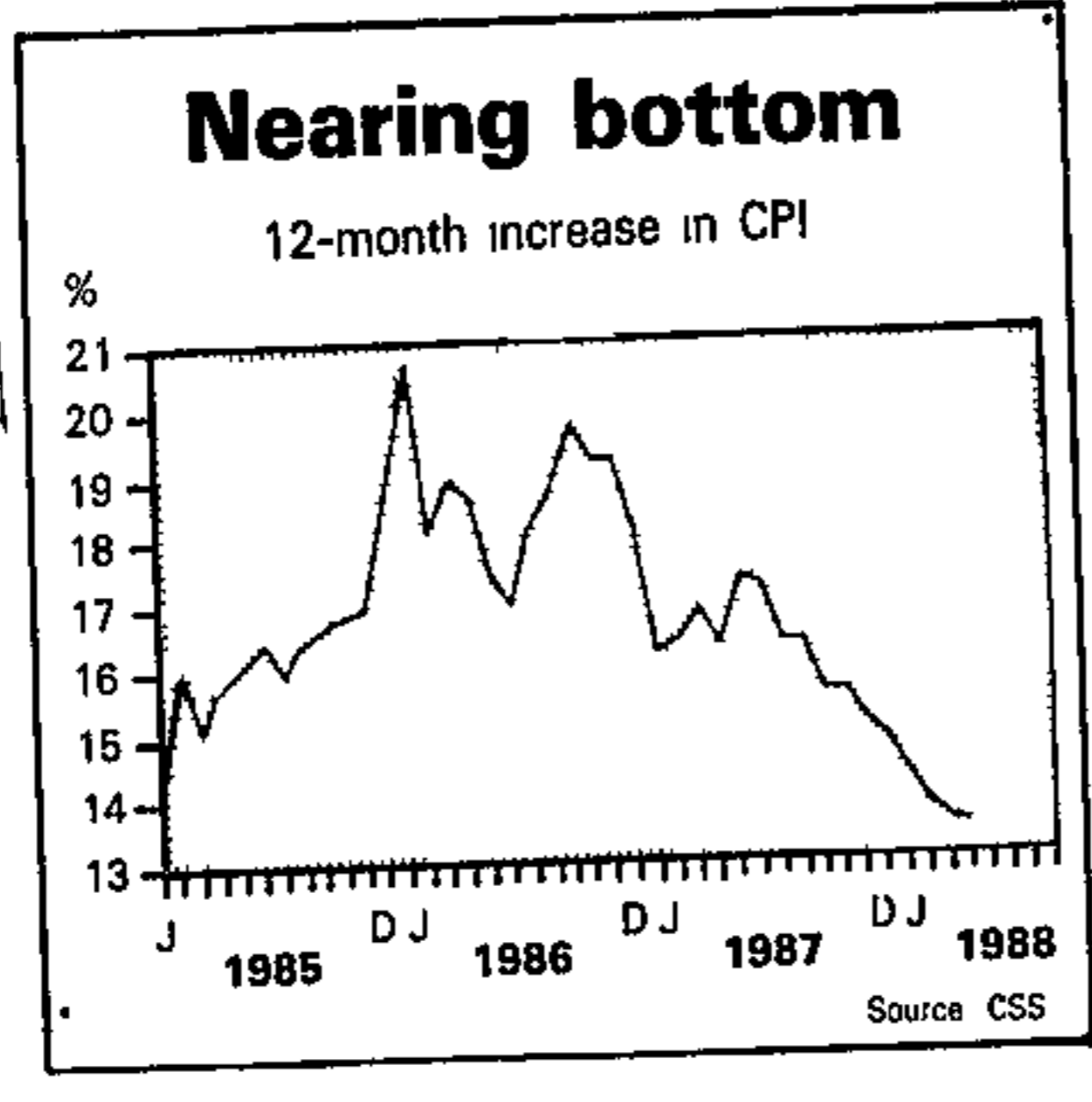
"If the Bank fails to control M0," he argues, "we can look forward to continuing inflation, a continuing fall in the rand and an economy that continues to stagnate."

He contends that you can't import inflation.

Rising import prices are like, say, rising food prices: changes in relative prices. If the money supply is fixed and some prices rise (such as food and imports), others have to fall, he argues.

There are sustained price rises, across the board, only when the central bank increases the money supply


"The point people miss is that monetary inflation is the fundamental problem — too many rands chasing too few dollars as well as too few goods"



Brick price rises lag others ²⁴⁴

STW 17/5/28
Price increases of brick products in the Transvaal over the past five years have been well below the combined average increase of all other building materials, says LHA Management Consultants.

The research organisation's comparative pricing analysis, undertaken on behalf of Corobrik, shows that from 1983 to 1988 the actual cost of bricks as a proportion of the total cost of a standard 120 sq m face-brick house declined from 13,5 percent to 11,8 percent. For an economic house (60 sq m), it declined from

18,3 percent to 16 percent. 

In the same period, the cost of paint, exterior and interior, increased from 6,9 percent to 8,4 percent of the total cost of a 60 sq m house — an overall increase of 126 percent since 1983, against an average 70 percent increase for face bricks.

The main objective of the analysis was to highlight the cost trend of brick products in relation to other building materials. Key suppliers and users of timber, glass, sand, cement, bricks and other materials were also questioned.

Debt summonses increase 8 pc

Summonses for debt in the first quarter of 1988 increased by 8 percent compared with the previous three months, according to Central Statistical Services in Pretoria.

This was also a 1,5 percent increase over the corresponding three months in 1987.

Civil judgments for debt for the three months to March 1988 showed a seasonally adjusted decrease of 2,3 percent compared with the previous quarter.

Actual summonses for debt in the first quarter were 216 944, compared with 213 674 during the same period last year. Civil judgments for debt for the equivalent periods were 99 570 and 103 204 respectively. — Sapa

Pharmacists want hard look at medicine costs

Star 18/5/88
Medical Reporter (244)

The problem of rising medicine costs cannot be solved by the retail pharmacist alone and must involve the State, manufacturers and wholesalers, says Mr J D van Zyl, president of the South African Pharmacy Council.

At the South African Pharmaceutical Society's national congress in Port Elizabeth on Monday, Mr van Zyl said the retail pharmacist was supplied with a product so cost-inflated that the abolition of profit at retail level would have only a minor effect, if any, on the national medicines bill.

He said he was not suggesting that the retail pharmacist had no role to play in curbing medicine costs.

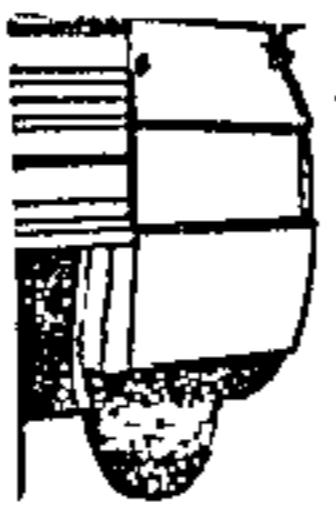
"His is an important role but the actions of the retailer are dependent on the practices of the other professionals in the medicine field."

Mr van Zyl said it was the pharmacy council's opinion that the entire medicine-distribution chain should be examined to identify and reduce inflationary factors.

Last year the council submitted a report to Parliament on factors which could reduce the cost of medicines, he said.

Economic is the lowest

ration of 33 percent



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PAG 118

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Motor trade profit figure shows rise

The net profit of the motor trade in 1987 showed an improvement of 126 percent over that of the previous year, says Central Statistical Services. *Stw 18/5/88*

It said in Pretoria yesterday income tax paid in 1987 increased by 88,2 percent, compared with 1986.

The total capital expenditure on new assets was slightly less (-13,5 percent) in 1987 than in 1986 due to a decrease in the amount spent on new non-residential buildings, while that spent on equipment and vehicles in 1987 was respectively 23,5 percent and 6,9 percent higher, compared with 1986.

The National Association of Automobile Manufacturers of SA (Naamsa) said the motor trade figures should be seen in perspective because 1986 had been the weakest the industry had known for a number of years

Executive director Nico Vermuelen said the increase had been from an extremely low base and that although 1987 was a definite improvement for the industry as a whole, it still was only at those levels seen in 1981 in money terms. And in volume terms, it was probably lower, he said

He expected some improvement in the current year, although not as great as 1987 because the base was larger and consumer expenditure was expected to decline later this year — Sapa

Price wars harm shoppers' interests

Finance Staff (244)
Step 201 5188

DURBAN — Clive Weil says organised resistance by consumers to price rises will grow and be a force to be reckoned with by the end of the century.

And he believes bread-and-butter issues will be raised increasingly in Parliament, with executives of retail chains and food-producing companies put on the defensive over price issues - rather than the current position where they are regarded as the champions and spokes-

men of the out-of-pocket man in the street.

"When they are seeking explanation of an unjustified price rise, the media invariably come to people like me and we are portrayed as crusaders for the cause of consumerism," the burly chief of the Checkers supermarket chain said in Durban yesterday.

"To me, this is almost akin to the wolf looking after the sheep"

In a wide-ranging talk to the congress of the Southern Afri-

can Institute of Chartered Secretaries and Administrators, he said price wars harmed the interests of shoppers. Frequently, they were so severe they resulted in manufacturers putting themselves out of business or being obliged to merge with bigger concerns.

The loss of competition then led to unchecked higher prices. And disinvestment merely exacerbated the concentration of power among fewer producers.

Asked to justify the record financial results being notched up

by retail and manufacturing companies nowadays, Mr Weil said they had to be seen in proportion. Checkers hoped to double after-tax profit this year to R12 million, but this would be achieved on turnover of more than R2 billion.

"The country's most efficient retailer, Pick 'n Pay, has profits before tax equal to three percent of turnover, 10 percent on assets employed and 30 percent on shareholders' funds; by world standards those are very efficient figures"

→ FM (244) 20/5/88

PRODUCTION PRICE INDEX (244)

Is it 12% or 16,6%?

How robust is producer price inflation? That depends on whether you're looking at where it's been or where it may be going

Everyone has been saying that it's at a low ebb, following a two-year decline. In the year to March, the production price index (PPI) grew 12%, following increases of 12,2% to February and 11,8% to January

But these relatively flat figures — even a slight dip in March — mask a sharp upturn since the beginning of the year

PPI grew at a brisk annualised 16,6% in the first three months of the year — sharply up from annualised rates of 9,7%, 12,8% and 9,1% in the three previous quarters

How can producer price inflation in March be both 12% and 16,6%? It's a matter of perspective.

The first figure shows performance over the past 12 months, the second shows where PPI is heading if it keeps up its recent pace

FM 20/5/88 47

From March 1987 to March 1988, the index rose 12% — from 239,6 to 268,4 (base 1980=100). That means a basket of commodities that cost R100 during 1980 cost R268,40 in March. Helping to keep the annual rate down to 12% were relatively small monthly rises (0,5%-0,8%) last May, June, July, November and December

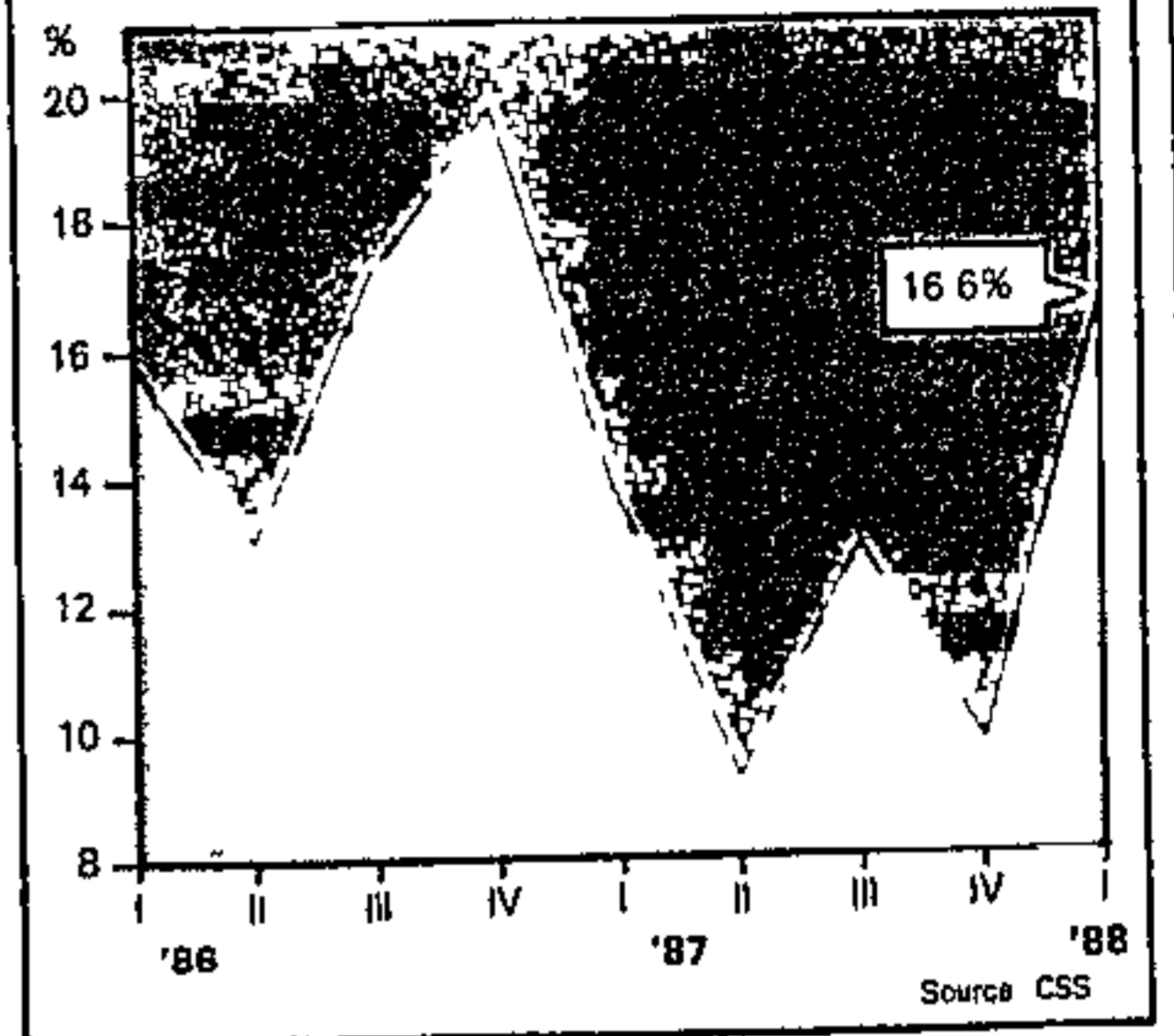
But this January, February and March, PPI put on 1,2%, 1,6% and 1% respectively — boosting the index 3,91% from December. If prices rise at this rate the rest of the year, PPI will stand 16,6% higher at the end of 1988 than a year earlier. Some economists expect just such a strong upturn in price inflation given the surge in money supply, which shows little sign of abating

April's PPI will exhibit the same split personality as March's, with the 12-month increase likely to show little movement but the annualised figure for the first four months of 1988 being much higher

Given that the index stood at 242,5 in April 1987 and at 268,4 this March, consider two possible scenarios

Sharp upturn

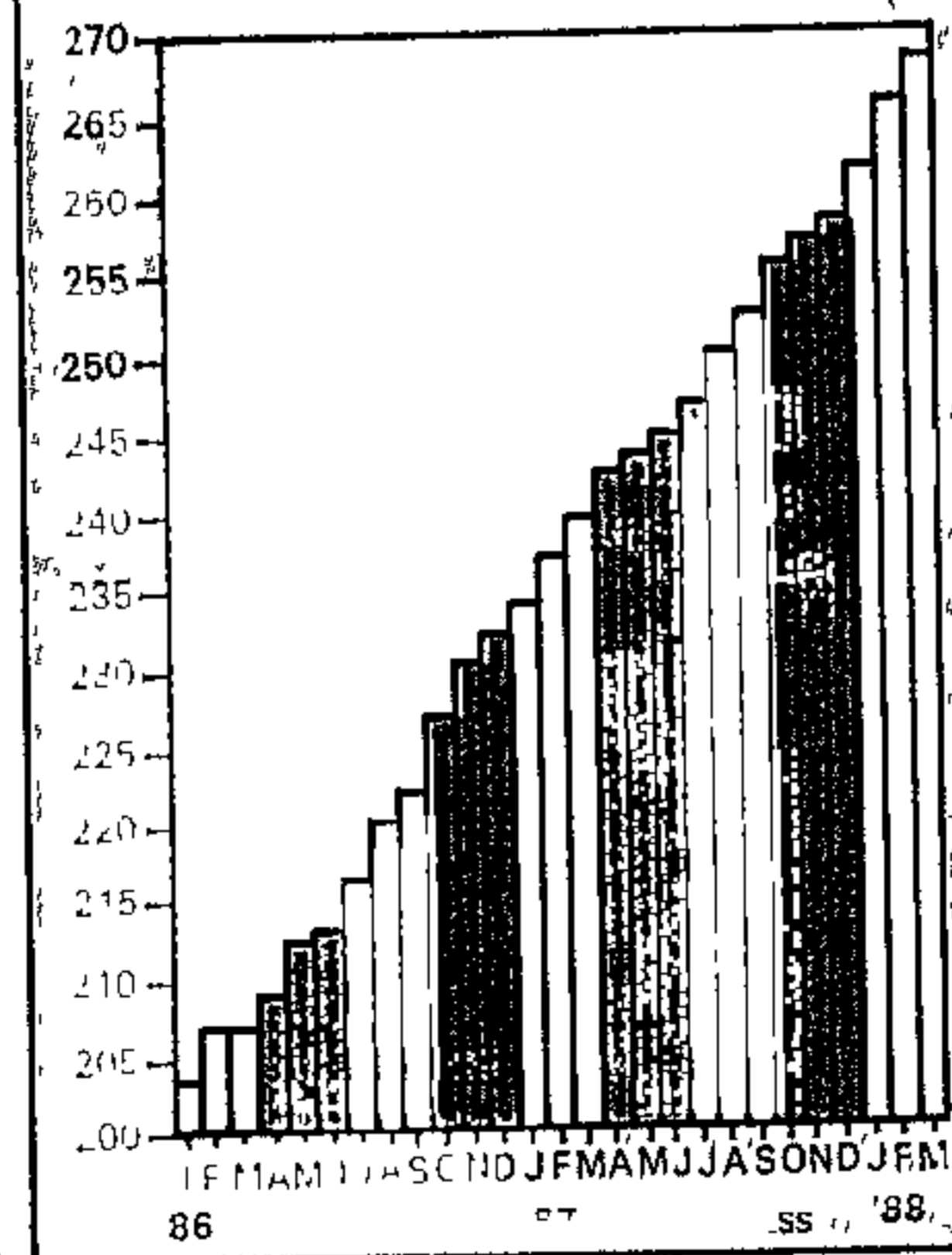
Annualised growth in PPI, by quarter



- If producer prices rise 1% in April (taking the index to 271,1), the 12-month increase would be 11,8% and annualised growth in the first four months of 1988 15,6%; but
- If prices jump 2% (bringing the index to 273,8), the 12-month figure would still be only 12,9% but the annualised growth rate for January-April a much higher 19,1%. ■

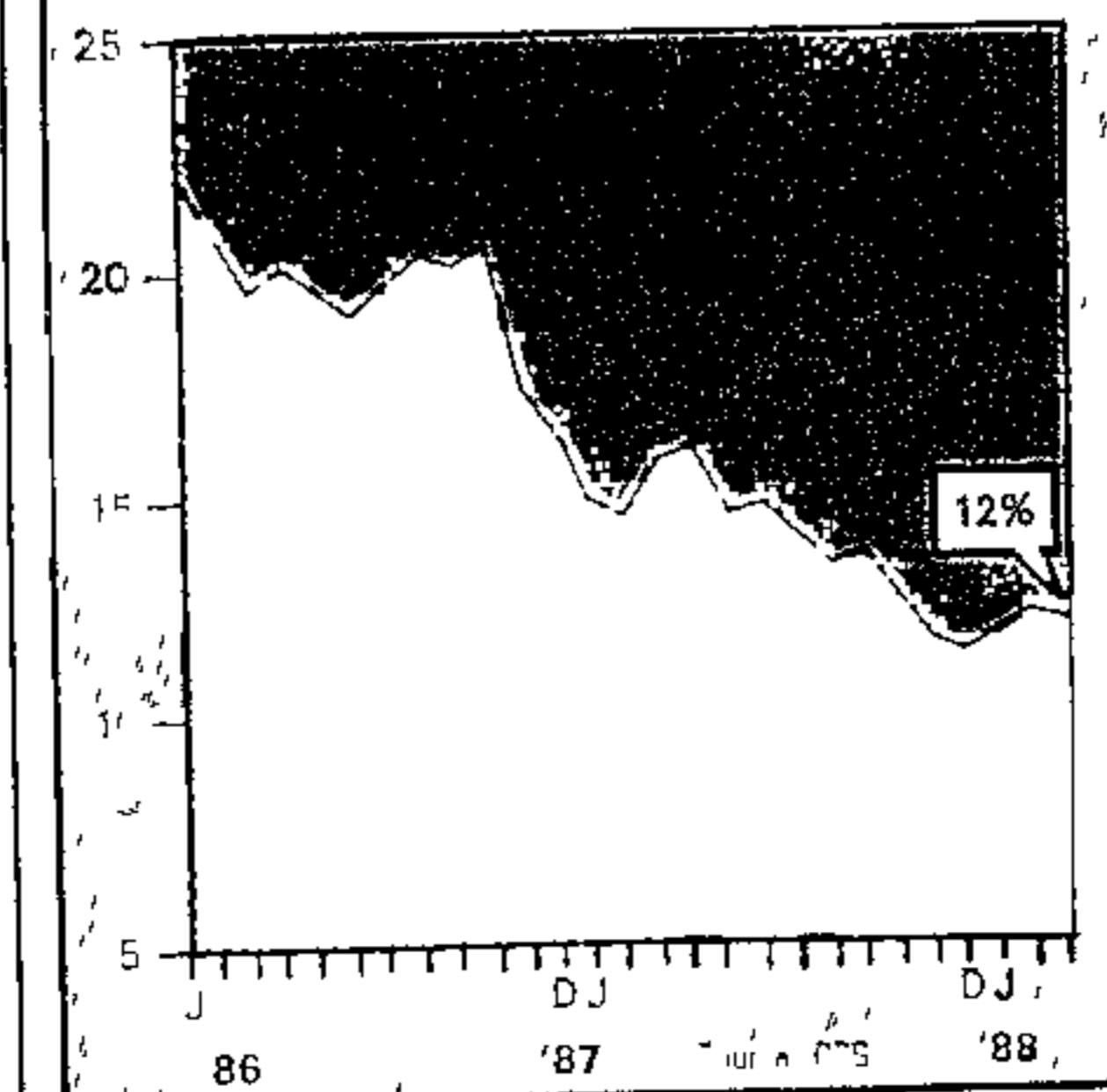
Marching on

Production price index
1980 = 100



At bottom ?

12-month increase in PPI



Another round of car price increases ahead

By Don Robertson

MOTORISTS can expect an average 4% increase in the price of new cars in June.

Prices will then have risen by about 9% since the beginning of the year.

Depending on the rand's exchange rate, price increases for the year are expected to be 17%.

Last year, the price of small cars rose by 10,8%, and medium to large models by 14,7%. The decline in the rand against the yen was 14,7% and inflation was 16,1% last year.

Tumbling

Between the beginning of 1985 to the end of 1986, the price of cars rose by about 68% as the rand tumbled against the dollar, mark and yen.

Elizabeth Bradley, managing director of Wesco Investments and a director of Toyota, predicted this week that the average family car would cost R75 000 within 10 years if political and trade conditions worsened.

She told the Durban congress of the Southern African Institute of Chartered Secretaries and Administrators that if that happened — she did not think it would — the number of vehicles on SA roads would be halved to about 2,2-million.

She said that although SA could produce a car from local parts, it would be uneconomical and cost about three times the price of today's model.

Toyota, which normally sets the pace for price moves, expects the June increase to be between 3,5% and 4%. This follows an average 4% increase in February.

Volkswagen has not decid-

ed on the date of its mid-year price rise, but forecasts an increase of about 4%.

This rise, together with the Volkswagen's earlier increase, will lift prices by 9% for the year to date. The company expects the total increase for the year to be about to be about 17%.

Facelift

BMW has not yet decided on the extent of the increase, but will raise prices in June. Depending on the rand, prices will move up by between 3% and 4%. Prices were raised in March by an average 2,7%, although the increase was higher on the 3 Series which has had a facelift.

In the past five months, Delta has increased prices three times. Prices went up

by 2% in December and 2% in January to bring it in line with other manufacturers which increased prices by 4% in December. Levels were again lifted by 4% in March and are expected to rise by between 4% and 5% in June. This takes the increase to about 11% for the year.

Mercedes-Benz increased prices last Monday — by 3,8% for the Mercedes 124 and S Classes and by 3,3% for the Honda. This brings the rise for the year to 6,8% on Mercedes and 7,4% on the Honda. The company expects rises for the year of between 16% and 17%.

Nissan is carefully watching the rand, and expects to lift prices by 4% in June. This will mean a price increase for the year of about 8%. Price increases of 16% are expected for the year.

Samcor has not decided on its new prices, but they will probably rise by about 4% in June.

Inflation ^{DID 24/5/88} eases ⁽²⁴⁴⁾ slightly ⁽¹⁹⁹⁾

JOHANNESBURG
The rate of inflation fell marginally in April with the consumer price index (CPI) showing an increase for the year of 13,3 per cent.

Rises in consumer prices have slowed from 16,2 per cent for the year to the end of April 1987, and 18,6 per cent to the year ending April 1986.

But, say economists, we could be seeing the end of the recent downward trend in price rises. The rate of increase in April of 1,1 per cent was the same as March.

Nedbank's chief economist, Mr. Edward Osborn said, "We were

perturbed by the monthly increase in March. I do not think we are out of the wood yet"

The official figures released by the Central Statistical Services show that the largest price increases were from food, with the food index rising 17,1 per cent for the year to the end of April and 2,9 per cent in April alone.

Meat showed a monthly increase of 3,2 per cent, fish and sea products 2,5 per cent, vegetables 10,2 per cent and sugar 10,2 per cent.

There were also large monthly increases in alcoholic beverages (4,7

per cent) and cigarettes and tobacco (2,3 per cent).

Consumer prices, excluding food, rose 12 per cent for the year, and 0,6 per cent for the month of April.

"It was a decline in rises in food prices which brought the index down. I am surprised the increase in non-food products is as low as 12 per cent," Mr Osborne added.

But the producer price index has for some time been signalling a rise in non food items, and a trend of rising manufacturing costs is emerging — DDC

Food prices soar but the CPI shows inflation lower

Star 24/7/88
By Sven Lünsche

The average housewife may well be shaking her head in disbelief at the news that the 13,3 percent inflation rate for April was actually 0,1 percent lower than in March.

And rightly so. Food price increases once again outstripped other commodity price rises, confirming economists' fears that year-on-year increases in the consumer price index (CPI) could well touch 15 percent again by the end of 1988.

On an annual basis food prices have been rising by 17,1 percent over the last three months, but it is the monthly rates of increases that are giving cause for concern.

From December food prices increased by a mere 0,2 percent by January but since then seasonally adjusted rises of 1,2 percent, 2,6 percent and 2,9 percent have been recorded in February, March and April respectively.

If prices continue to rise at this rate for the rest of the year, food prices will stand 20,7 percent higher than a year ago.

The Central Statistical Service, which released the CPI figures in Pretoria yesterday, put it differently.

"If the rate of increase in April was looked at for all items excluding food, the figure would

be 12 percent on an annualised basis and the monthly rate of increase would be only 0,6 percent, instead of its actual 1,1 percent."

This says quite a bit for a sector whose weighting comprises only about 21 percent of the overall CPI.

The main culprits were meat with a monthly increase of 3,2 percent, fish and seafood with 2,5 percent, vegetables and sugar with 10,2 percent each.

Economists now fear that last year's pattern will repeat itself, when average food price rises were six percentage points higher than overall price increases.

All the evidence seems to support this assessment. Apart from soaring food prices, the declining rand exchange rate will boost the costs of imported goods.

A strong upturn in price inflation is also expected, just from the surge in money supply, which shows no sign of abating, while the recent increases in bond rates will also boost inflation.

Although the inflation rate has been declining, economists have said that the figure is close to its bottom, and hopes of an average inflation rate for the year of around 13 percent now seem premature.

Food prices up 4,4% in March

CME Times 26/5/88 246

Staff Reporter

THE price of the average person's food basket went up 4,4% in March, despite claims by supermarket chains to the contrary, a Central Statistical Services (CSS) spokesman has said

The spokesman, who may not be named, said potatoes, onions and tomatoes were "the big three" in the shopping baskets of most people, and price rises in these were reflected in the CSS overall figure

"Potatoes went up between 30% and 40%," he said this week. "Carrots are not one of the big three, but they increased in price by over 50% "

Statistics on vegetable prices released by his department were gathered by the Department of Agriculture and Marketing Tendencies, said the spokesman. This department surveyed market stalls weekly before arriving at an average figure for the month

Meat, sugar, eggs and milk prices were obtained from a variety of supermarkets, butcheries and "small shops on the corner", to get an even spread.

The spokesman said the unusually high rise for a single month "may well

be just a hiccup on the graph"

Only if monthly rises of that level were sustained over several months would there be a real problem.

Last year, food prices had risen 25% overall, while this year, so far, the overall figure looked as if it would be 17,1%, he said

In the average household, 21% of expenditure went on food, he said

The managing director of Pick 'n Pay, Mr Raymond Ackerman, said that according to his organization's own statistics, the March increase was 1,5%

"Price rises on potatoes, onions and tomatoes don't influence our overall statistics as much as they do theirs," he said "We work out our statistics over 10 000 to 12 000 items, and we take the ups and the downs into account "

March had been Pick 'n Pay's birthday month, and many discounts had been offered, he said.

"The true figure for inflation is probably 17% to 18%, maybe a little higher for food. It is certainly not in the order of 48% a year, which is the misleading and dangerous picture their 4,4%-in-a-month figure gives "

Don't blame us for high prices — Meat Board

244
~~244~~

By Adele Baleta

The Meat Board, under attack from consumer organisations, said last week it could not be blamed for high meat prices

Deputy general manager Mr Frans Pieterse, said the board was not a controlling body and did not set prices — it merely provided a scheme within which meat was

bought and sold

He told a meeting of the Housewives League and the Catering, Tea-room and Restaurants Association (Catra), that the principles of the free market economy dictated the price

Consumers were the only ones able to influence the price of meat to their advantage.

It was up to them to decide whether or not to

buy meat at the given price

But Catra and the league have advocated a more radical approach than "shopping around"

They have called on consumers, caterers and restaurateurs to observe a "meatless" day once a week in an effort to bring prices down

Mr Costa Paizes, Catra vice-chairman, said there had already been three

meat price increases this year and, on current trends, it was expected that the price of fillet steak to the trade would reach R25/kg by the end of the year

This would put it out of the reach of consumers and drive many restaurateurs out of business.

SUBSTITUTE

Mrs Joy Hurwitz, a league vice-chairman, has said that even "cheaper" cuts were being forced off the average householder's budget, with the supermarket price of chuck reaching R7,89/kg last week

She said figures indicated that white meat was providing a realistic substitute

Mr Pieterse said there had been no decrease in the demand for red meat in all consumer sectors, including hotels, restaurants and clubs

He said there was concern over the supply of meat and that demand still outstripped supply

Pleas to scrap auction system

By Adele Baleta

The Meat Board has been asked to abolish the Dutch auction system used at abattoirs because it is claimed to be open to "manipulation" — resulting in unrealistically high meat prices.

The request was made by the Housewives League and the Catering, Tea-room and Restaurant Association (Catra) at a meeting last week with Meat Board deputy general manager Mr Frans Pieterse.

Both organisations have been concerned about the rocketing price of meat, and Catra, supported by the league, recently asked its members to observe a "meatless" day once a week as part of an effort to bring meat prices down.

The Dutch auction system, which the league has campaigned against since 1981, works contrary to a normal public sale in which items are sold to the highest bidder

In a Dutch auction the price asked is reduced gradually until a buyer is found

Responding to complaints about the system, Mr Pieterse said it guaranteed the farmer a fair price

But he admitted that the system was open to abuse, because agents — who earn income on prices received at abattoir auctions — might not lower the set price to realistic levels. He said he did not understand this attitude, and considered it "irresponsible" behaviour

No hike for milk, cheese

Sowetan
11/6/85

(244)

SOWETAN Reporter

MILK and cheese are unlikely to increase in price before the end of the year, in spite of the country being on the brink of a milk shortage.

Dairy Board general manager Edu Roux said yesterday the Western Cape's "cheese mountain" of accumulated stocks will probably allow producers to meet demand until early next year.

While the price of cheese was not controlled, that of milk was determined by the board.

"Because farmers are paid considerably more than the determined floor price of milk, there is no increase in the milk price in the pipeline," said Mr Roux.

One of the general managers of Cape Dairy Co-operative, Mr Louis du Plessis, said cheese imports had led to a surplus at the end of February.

This, coupled with a seasonal increase in production at the beginning of the year, meant producers could meet the demand for the next year.

Motor vehicle prices ride up again this week

Most motor vehicle prices are going up this week

After VW's increases of 4,5 to 5,5 per cent on Monday last week, Toyota, Samcor (Mazda, Ford and Mitsubishi) BMW and Delta (Opel and Isuzu) have announced similar quarterly increases with effect from today

Nissan has not decided on the size or timing of its increase, but is likely to follow suit next week Mercedes-Benz put up its prices as recently as May 9 and is unlikely to move again immediately

The latest salvo of increases, fuelled by a renewed slide in the value of the

rand, brings cumulative price rises in the past six months to around 13 to 14 percent, and makes it increasingly likely that the sales boom of recent months will prove short-lived

Among other things, the increases mean that South Africa's lowest-priced hatchbacks — the VW CitiGolf and the Opel Kadett Cub — now cost more than R17 000, while Toyota's most expensive locally manufactured model, the Cressida 2,8i Twincam, has broken through the R50 000 barrier.

See the New Car Price Guide in tomorrow's *Star Motoring* for all the new prices

Star
1/6/88

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244

'Unrealistic' petrol price may increase

By Claire Robertson,
Pretoria Bureau

Government appears to be losing its battle to keep the petrol price stable following a steadily weakening rand/dollar exchange rate.

Earlier this year a spokesman for Mineral and Energy Affairs stated Government's intention to prevent a petrol price rise this year, but this week the Minister, Mr Dama Steyn, told Parliament that Government was investigating the effect of "an unrealistically low fuel price" on the broad economy.

A spokesman for the department explained that the "slate" — a Government-monitored fund of the oil companies which reflects the profits and losses caused by the fluctuating currency exchange rate — has been constantly in the red since last September.

In March this year the fund was R66 million in the red, he said, with the motorist underpaying by 3,082 cents per litre for 93 Octane fuel.

Since the last general increase in 1986 Government has kept the fuel price down because of favourable circumstances.

Productivity hard to quantify 247

THE success of Employee Assistance Programmes (EPA) — designed to help workers troubled by problems ranging from alcoholism to financial debt — should not be gauged in terms of productivity, Labour and Economics Research Centre consultant Judy Maller said in an article in the latest IPM Journal.

She said there was no direct correlation between increased productivity and EPA programmes. Productivity was usually impossible to quantify given factors like employer subjectivity, favouritism and corruption.

Eight companies including Anglo,

B/ADAM

BRONWYN ADAMS 4/6/88

First National, BMW and JCI had instituted EPAs. They had done so to try and improve productivity and provide workers with positive incentives to improve their loyalty to the organisation.

But Maller said these motives might not offset the appalling working and social conditions faced by workers.

In order for EPAs to become more effective they would need to be negotiated with trade unions and not used as a controlling device.

... delegates
could not go along with
this.

Petrol: still no decision

Political Staff 24

CAPE TOWN — A decision on the price of petrol against increasing landed costs has again been delayed.

A spokesman for the Ministry of Economic Affairs and Technology, Mr. Frikkie Odendaal, today rescinded an earlier statement in which he had said clarity would be given by the end of the week on whether fuel prices would be maintained or increased in the short term.

The delay would be for about a month as investigations would take longer than expected.

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Mooitgedacht 300 JS, Transvaal, 1349,4447 ha in extent
 Schongezicht 308 JS, Transvaal, 924 8219 ha in extent
 Driefontein 297 JS, Transvaal, 180,1616 ha in extent

Consumer price index: revision of components
 1106 Mr H H SCHWARZ asked the Minister of Home Affairs

- (1) (a) When were the components of the consumer price index last revised and (b) (i) what are the present components of this index and (ii) what is the percentage allocation in respect of each such component,
- (2) whether the composition of these components is being reviewed, if not, why not, if so, what are the relevant details?

THE MINISTER OF HOME AFFAIRS

- (1) (a) The components were revised with the calculation of the Consumer price index for November 1987
- (b) (i) and (ii) Full particulars in respect of the relevant components and the percentage allocations were furnished in the December 1987 news release of the Central Statistical Service. The hon member will be provided with a copy

- (2) The composition of the components is reviewed every 5 years. The revised components, which were introduced with the calculation of the November 1987 index, were based on the 1985 Survey of household expenditure. The components will again be revised on the basis of the Survey of household expenditure that is planned for October/November 1990

Consumer price index figures: income groups

1107 Mr H H SCHWARTZ asked the Minister of Home Affairs

- (1) (a) What are the income groups in respect of which consumer price index figures are

THE MINISTER OF HOME AFFAIRS

- (1) (a) Food prices, excluding the price of fruit and vegetables, are collected monthly from a representative sample of retail dealers by means of a postal survey. The sample includes businesses of all sizes, from the café on the corner to the largest chain stores, in the different urban areas for which the index is calculated. The various sizes of businesses are represented in the sample on the basis of their turnover to ensure that the average price of a commodity is accurately reflected. In this manner more larger retailers than smaller ones are included in the sample. The prices of fruit and vegetables are obtained from the Directorate of Agricultural Economic Trends of the Department of Agricultural Economics and Marketing, which collects this information on a weekly basis from municipal market stalls as well as from other vegetable dealers

- (b) The individual items in the food component were based on the 1985 survey on household expenditure and introduced with the calculation of the November 1987 index

- (2) (a) The food components, together with the other components, are reviewed every 5 years. However, the method of calculation and that of collection allow for the revision of packaging sizes, brand names and other changes (e.g. from locally produced commodities to imported goods) on an ongoing basis as retailers are requested to reflect the prices of those goods that are sold the most

- (b) The method of price determination is not being reviewed as adequate results are obtained with the current postal survey. The sample is, however, kept up to date on a constant basis to ensure reliable pricing

Cape Provincial Administration loans for roads

1121 Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning

Which local authorities received loans for roads from the Cape Provincial Administration during the latest specified five-year period for which information is available?

THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

This matter vests in the Administrator of the Cape Province and he furnished the following information

Loans for road and/or bridge works on proclaimed main and divisional roads have been granted during the relevant period to the following divisional councils *as well as* the two existing regional services councils of the Western Cape and Algoa

- Bredasdorp-Swellendam
- Caledon
- Calvinia
- Cederberg
- Dias
- Drakensberg
- Grootrivier
- Hay
- Humansdorp
- Kaap
- Kafrana
- Kamdeboo
- Klein Karoo-Langkloof
- Koup
- Kuruman
- Langeberg
- Matroosberg
- Namakwaland
- Nuwe Roggeveld
- Outeniqua
- Paarl
- Prieska
- Smaldeel
- Stellenbosch
- Stormberg
- Swartland
- Vaalharts
- Vaalrivier
- Winterhoek
- Witzenberg

Engineering students at each university

1123 Mr C J DERBY-LEWIS asked the Minister of Education and Development Aid

Electrical goods prices to rise

SW 131615 8
Finance Staff (244)
Price rises of 30 to 35 percent can be expected this year for imported electrical goods such as sound equipment, microwave ovens and small appliances

This is forecast by Eugene Theron, chairman of Bellville-based Tafelberg Stores chain

Writing in the group's first annual report, he says "We expect an average price increase across our household spectrum, which includes a wide range of household furniture and electrical goods, of 20 to 25 percent this year. In the case of complete imports, this will be even higher."

The sharp price is due mainly

to the rand's weakening against major currencies and to local manufacturers raising profit margins.

Despite rises, Mr Theron does not foresee a fall-off in the strong consumer demand.

However, Ivan Hammerschlag, CE of Cape-based Furniture Fair, doubts electrical prices will rise as much.

They went up when the rand slipped to \$0,39 and did not drop when the rand recovered.

A 30 percent hike would add more than R500 to the price of a 51cm TV and if that happened "we would not be able to sell", he says

Low oil price seen as bad news for gold

The prospect of low oil prices is diminishing inflation fears, which is seen as bearish for gold

Trust Bank says in its new issue of *Currency Report* that worldwide inflation is expected to remain under control in the foreseeable future, which will limit any upward potential in gold in the short and medium term.

It says, however, the situation could change if the world economy grows more strongly than forecast and brings inflationary fears back into the picture by the end of the year

.. "This could support the gold market in the long term, while stronger growth could lead to a stonger industrial demand for gold.

"In this period, gold could rise because of political and economic problems and the underlying uncertainties in financial markets, especially share markets."

Recent developments in the Far East could also stimulate the demand for gold.

These developments include: "The Taiwanese government's decision to remove a 5 percent sales tax on gold trading from July 1 and the South Korean authorities' plans to abolish import restrictions on gold and slash taxes by more than half by the end of the year.

"Japan's new tax on savings accounts could revive interest in gold for investment purposes."
— Sapa.

More big price increases loom

A fresh round of price increases is expected this year, involving food, cars and electrical equipment.

TV, radio, video and hi-fi prices are expected to soar by as much as 10 percent as the value of the rand plummets.

Importers also expect increased prices for refrigerators, stoves, washing machines and microwaves.

Tek Electronics man-

aging director Mr Brian Cape said: "We are trying to absorb what we can but will have to pass a percentage of the increase to the consumer."

He said there was a percentage of imported parts in most of Tek's goods. Others, such as videos, were imported as finished products.

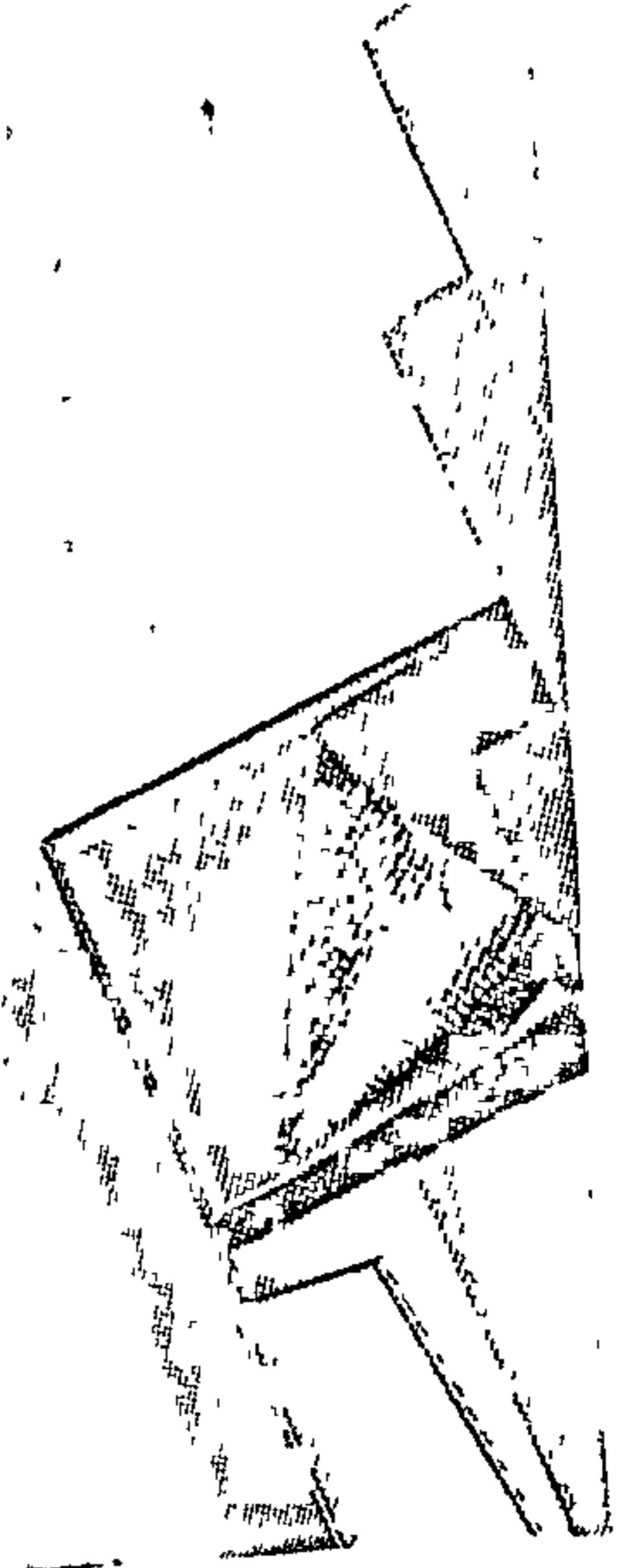
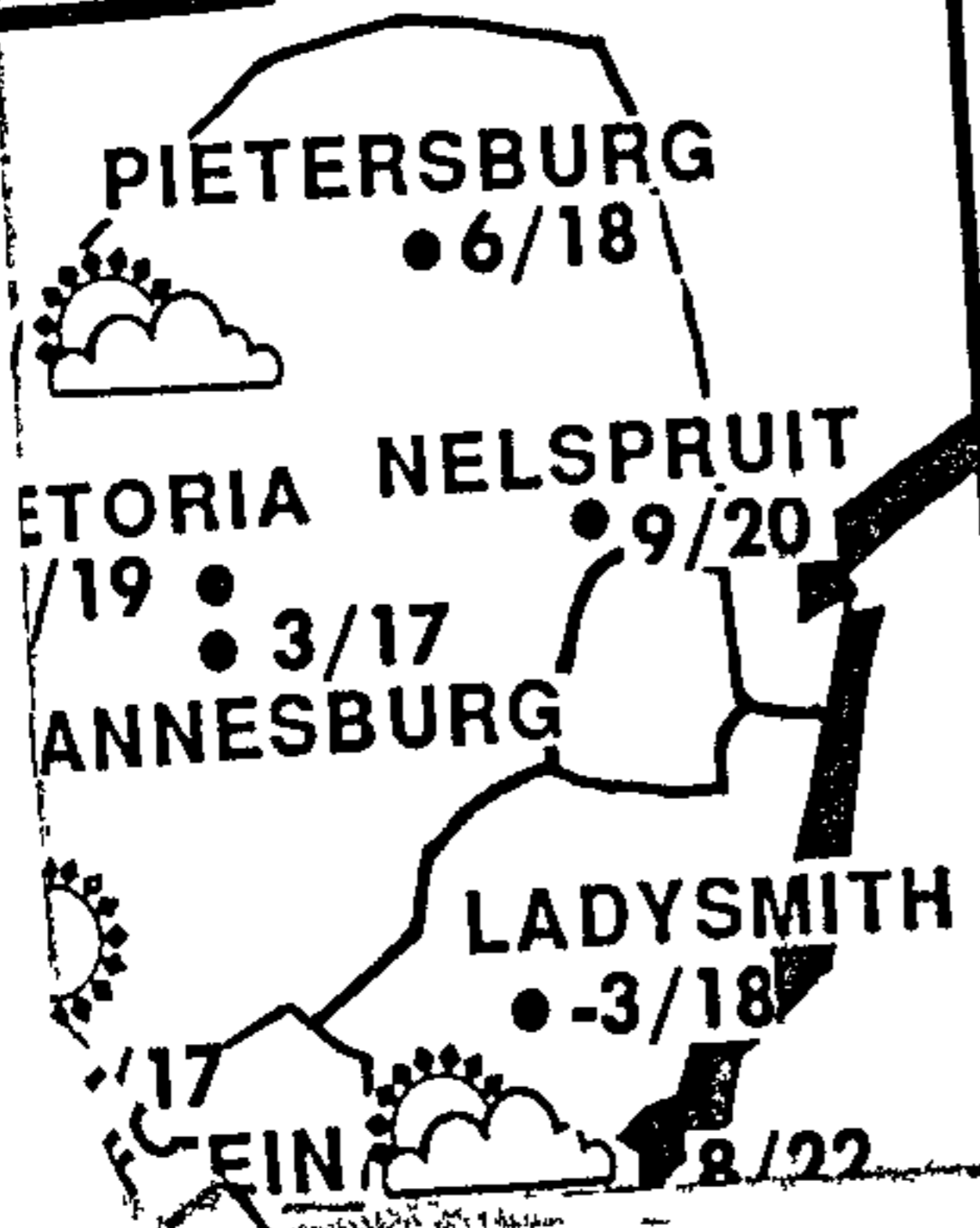
Car manufacturers said yesterday the poor exchange rate meant it was unlikely that price increases would be kept below the inflation rate this year.

Dr Koos du Toit, chief economist of the SA Agricultural Union, said in Durban yesterday that food price rises were imminent.

He told the union's congress that this year had seen a disturbing wave of increases in farming costs, some of them unfair and unjustified. — Staff Reporter and Sapa.

244

ER



Wave of price rises is on way

Star 18/6/88

244

MONEY MATTERS

by Magnus Heystek



PREPARE for a surge in the price of imported goods similar to the massive price increases that hit us in 1985 and 1986. The reason? The persistent downward slide of the rand against major international currencies.

Since earlier this year, monetary authorities have quoted the rand against the US dollar in rand terms. This has led to misunderstanding and confusion among the public. Few people realise the current rate of the rand against the dollar of 2,28 is equivalent to 43,80 US cents.

I don't pick up the previous feeling of alarm about our currency among businessmen and the public. The change in the quotation system seems to have blinded them to the impending impact of a cheaper rand.

TV's way of showing the movement of the rand might also have something to do with this. When the rand drops against the US dollar (the only currency SABC-TV seems to consider important) the graph displays a rate that moves up. This, I think, creates the mistaken impression the rand is rising when the opposite is the case.

Look at the performance of the rand since the beginning of the year. It is 10,3 percent down against the average rate of the US dollar, 20,5 percent down against the Japanese yen, 13 percent down against the West German mark and 23 percent down against sterling.

Motor manufacturers, especially with Japanese sources, have given up hope of keeping the rise in new vehicle prices below the inflation rate. New car prices may go up between 20 and 30 percent on an annualised basis.

With few cars costing less than R20 000, this means a rise of at least R6 000 over 12 months.

Products wholly-sourced from overseas countries are under enormous price-pressure. Vulnerable goods include TVs, cameras, video recorders, micro-wave ovens and appliances. Informed spokesmen predict price rises of between 30 and 40 percent for most of these.

So, what can the consumer do to protect himself against a sharply depreciating currency?

One way is to invest in so-called rand-hedged shares on the Johannesburg Stock Exchange (the subject of a later article).

Stocking up on certain goods is an alternative. This is particularly true of cars, especially luxury models which have more than kept pace with inflation in recent years. This week a motor industry source told me, perhaps in jest, that buying a new Mercedes Benz and locking it in your garage is going to be one of the best investments in the next couple of years.

The same might be true of videos recorders, video cameras and micro-wave ovens.

With prices set to rise by about 30 percent, it might even make sense to borrow the money, at say, 17 percent and pay it off.

Inflation rate drops below 13% for first time in 4 years

By TOM HOOD, Business Editor

FOOD price increases were curbed last month, helping the inflation rate to drop below 13 percent for the first time since October 1984.

But the improvement could be short-lived. Manufacturers' prices are rising and the low rand exchange rate, now at a 21-month low against the dollar, will boost the prices of imported goods.

Fruit and sugar prices actually dropped, according to figures from the Central Statistical Service (CCS), which show that the annual increase in the consumer price index fell to 12,9 percent in May compared with 13,3 percent in April.

This is a sharp drop on the inflation rate of 17,3 percent at the same time last year.

Figures for the Cape Peninsula show an inflation rate of 12,1 percent,

with food prices 14,6 percent higher than a year ago

The CCS commented: "It is encouraging that the annual rate of increase in the price index for food, which remained constant at 17,1 percent for the previous three months, dropped to 16,8 percent for May, the first time since December 1985 that the rate has dropped below 17 percent."

PRESSURE

In spite of the latest decline, economists say the inflation rate will level within a month or so as demand, inflation and a lower rand exchange rate take their toll.

In a recent economic survey Sanlam's chief economist, Mr Johan Louw, said he expected an average rise in the consumer price index of 13,8 percent for 1988 as opposed to 16,1 percent in 1987 and 18,6 percent in 1986.

He listed two major factors which had been putting pressure on prices

● The continued deterioration in the foreign exchange value of the rand, which will be reflected particularly in more expensive cars and household appliances. Since January the value of the currency has declined by more than 10 percent more against leading currencies.

● Higher interest rates which bring higher costs to businesses and raise bond rates.

Higher unit costs for producers have also been forecast and the first evidence of this was provided by the increase in producer prices earlier this year.

Because of the lower rate of increase in food prices in May, the inflation rate for lower income groups was less than that for the middle and higher income groups for the first time in months.

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244

Double blow for builders

By Sven Forssman

Rising building costs and credit restraints have joined forces to deal a low blow to the homebuilding industry, Mr Willy Heroldt, technical general manager of Gough Cooper Homes, said yesterday. Sales of new houses had dropped by as much as 20 percent over the past couple of months.

"The cost of materials has increased by 30 percent over the past 12 months and we're expected them to go up another 15 percent before the end of the year. A slightly higher bond rate hasn't helped either.

"Building societies have also become more fussy about lending out their money. A year ago it was easy to get a bond, but the situation has changed," he said.

Mr Heroldt said the new ruling on government subsidies, effective from August 1, would also have a dampening effect on the market.

"By saying that the total package — the land and the house — can't exceed R65 000, the government has placed tremendous pressure on our industry. It's becoming virtually impossible to buy a piece of land and build for that price in many areas.

"All that remains for us is take the capital out of the land to help the people. We're a big company and can absorb the costs, but smaller companies will feel the pinch"

Mr Henry Staub, managing director of Schachat Cullum, added: Rising building costs are horrific. They have gone up about one and a half percent every month this year."

'No change in milk price'

PRICE controls on fresh milk — dropped five years ago — will not be re-introduced "at this stage" Agriculture Minister, Greyling Wentzel, said yesterday. ~~Sapa~~

He said in a statement made available to Sapa yesterday morning the National Marketing Council, in collaboration with the Dairy Board, had completed its investigation into the

possible reinstatement of control over the consumer prices of fresh milk.

Findings of the investigation were that fresh milk price increases "as a whole were smaller than in the preceding five years." *Soweto 24/6/88*

"Healthy competition" had also developed in the fresh milk distribution trade, and the Dairy Board's decision to abolish control over the

selling prices of milk and to allow distributors unrestricted access "has consequently yielded good results."

~~(S) 244~~
The investigation also revealed the consumer price of fresh milk had not risen out of proportion "to that of most other food items since the abolition of price control in 1983." Sapa.

Price of ~~(24)~~
(244)
movie tickets
Slav 24/1/83
goes up today

If you're going to the movies today be sure to take a little extra money with you.

Both Ster-Kinekor and Metro theatres have announced price increases of 80c for cinema tickets. Instead of R5,50 — a ticket will now cost R6,30

Mr Theo Fonternel, Kinekor director of operations, said during the past seven years the organisation had endeavoured to keep increases below the inflation rate.

However, the unfavourable exchange rate on the purchasing of films from the US and Britain had adversely affected prices

Both cinema chains said their concession price for students would increase by 50c from R4 to R4,50.

PRODUCTION PRICE INDEX

Swinging up

In recent months the production price index (PPI) has moved out of a two-year decline into an upswing

The latest figures from the Central Statistical Service show a 1,6% monthly increase in April, after a 1% rise in March. Over a 12-month period, PPI increased 12,5% in April compared with 12% the previous month

These figures, however, mask the extent of real growth in production prices.

PPI, which increased 11,3% last year, grew at an annualised rate of 17,7% in the first four months of this year

And we have not yet felt the depreciating rand.

The 1,6% increase in April is due mainly to rises of 1,7% in the price of local commodities imported goods rose only 0,9%.

Performed poorly

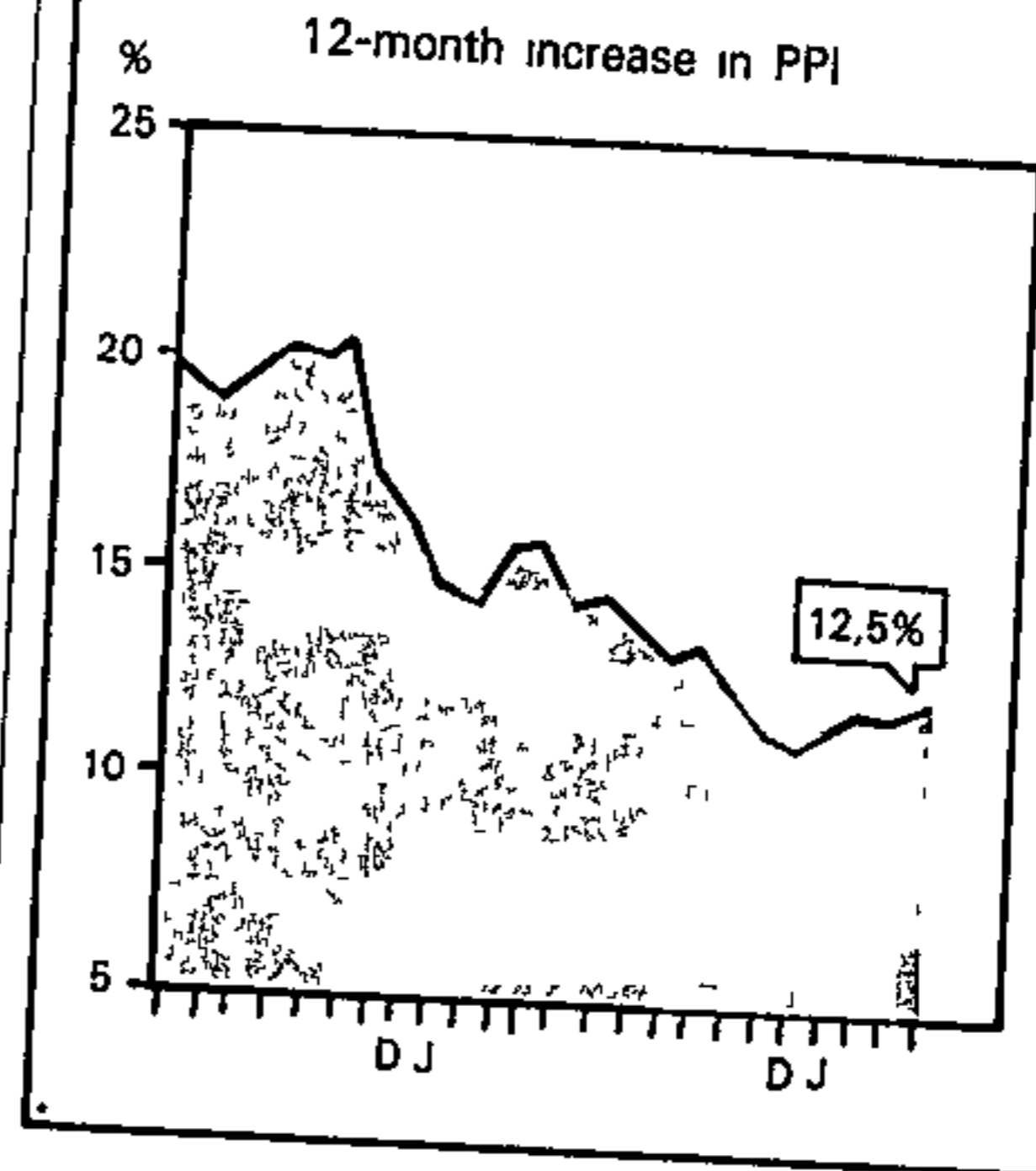
This year, the rand has performed poorly against all major currencies but suffered most from dollar pressure; it fell by 13,7% against the dollar from December-May, but only 10,4% against the basket of currencies

"Once the exchange decline starts influencing figures of imported goods," says Anglo American economist Jim Buys, "PPI will start accelerating upwards."

Senbank chief economist Johann du Pisanie points out the PPI upswing is an early warning that consumer prices will go up in two to three months

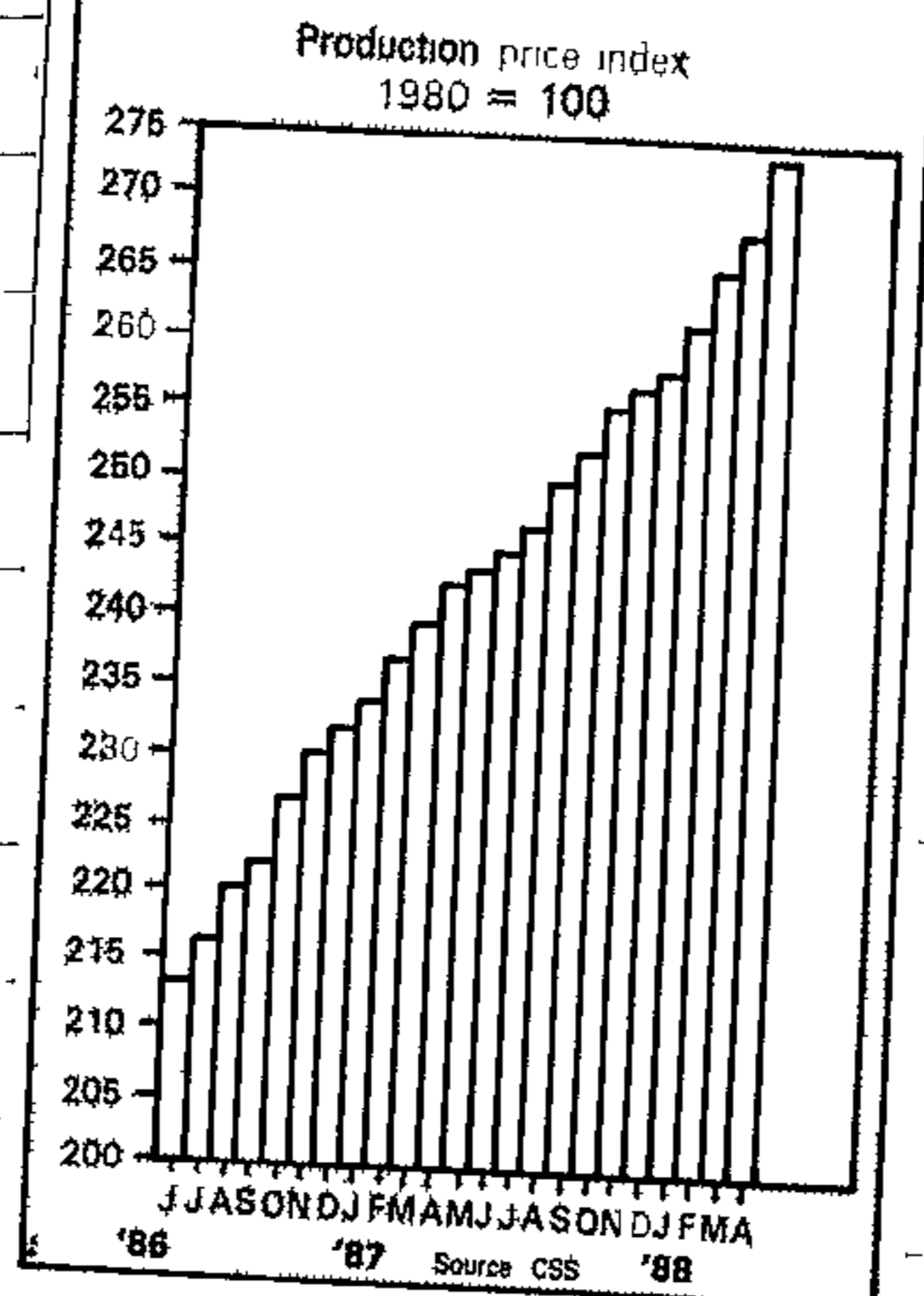
The April increase brings PPI to 272,7 (base 1980=100)

Sharp increase



This means a basket of commodities that cost R100 during 1980 cost R272,70 in April.

Upswing constant



fm 24/6/88

May shortfall in petrol price ^(24cp)

CAPE TOWN — Motorists in the PWV area underpaid 6,401 cents a litre for 93 octane petrol in May, the Department of Economic Affairs and Technology said in a statement at the weekend. *Star 27/6/88*

The shortfall, together with the shortfall on the prices of other octane ratings of petrol and other fuels, was debited against the under/over-recovery account.

The balance was settled from a payment out of the Equalisation Fund at the end of May.

The international price list in South African cents a litre was 34,943 for May

According to the statement, this was 2,817 cents a litre more than in April which gave a gross underpayment of 6,501 cents a litre from which the rounding off factor at the pump of 0,1 cents a litre was deducted to obtain the nett shortfall

It was the fifth successive month that the international list price increased, mainly due to less favourable exchange rate ratios. — Sapa

Stav/ 28/6/88

Imports to rise sharply in price shortly

244

By Caroline Mehls

Suppliers predict strong consumer resistance to imported goods which are set to rise sharply in price in the next few weeks

Mr Roy Fitzsimmons, sales director of a wholesale group, said until now consumers had been cushioned from the full effects of the falling rand as suppliers had bought large amounts of imports while the exchange rate was more favorable.

"These stocks are now coming to an end and new supplies are being bought at the current exchange rate, which sees the rand at a 21-month low against the dollar. Within the next few weeks, consumers will notice a marked increase in the price of imports."

With high interest rates and inflation making inroads into people's pockets, consumers have less disposable income, and the first item to come off the shopping list "will be pricy imported goods", Mr Fitzsimmons predicts

"There will be a swing to local substitutes for imported goods wherever possible."

SUBSTITUTES

"We are supplementing our imported ranges with local products wherever possible. There are, of course, some areas where we have no choice but to import, such as for capers, black cherries, sardines, peppercorns and other products not available in South Africa, but if there is a local substitute, we support and promote it

"In this way, the entire South African economy is benefitting

"We are also buying imported goods from neighbouring states which have recently been granted licences from overseas countries. One range of soup, for example, which we used to buy from England, is now available from Zimbabwe and is 50 percent cheaper," he says.

Mr Richard Cohen, director of a major supermarket chain, says the price increases for imported goods are to be expected as "everything rockets when the rand falls".

"What is surprising is that no one dropped prices when the rand recovered from 33 cents to 52 cents last year. This is symptomatic of the constant rip-off of the consumer," he says

PRICES - GENERAL

JULY - DEC 1988

Brewery increases deposit

5 Jan 1971
South African Breweries has increased the deposit on returnable beer bottles and cases from today. (244)

A spokesman for the breweries said the deposit on 750 ml bottles would be increased from 10c to 15c, 340 and 375 ml returnable bottles from 5c to 10c, 750 ml cartons from 50c to R1 and 375 ml plastic crates from R1,50 to R3.

The price of beer would remain the same, the spokesman said. — Sapa.

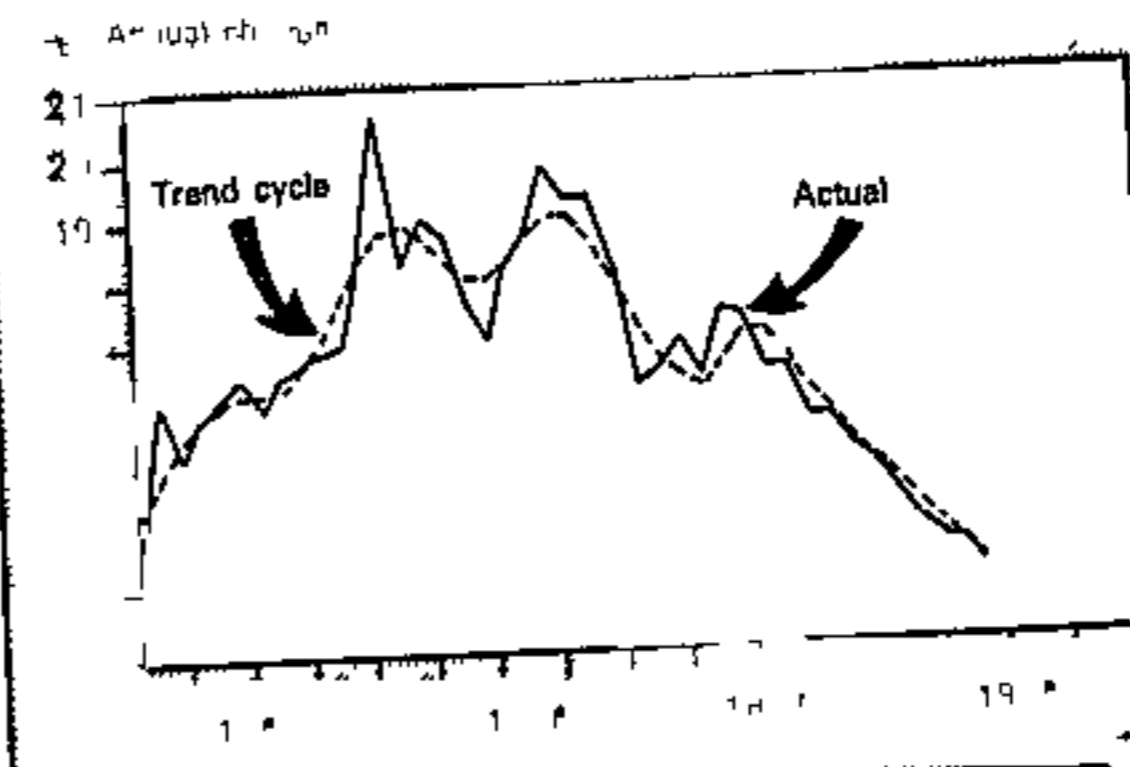
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selection of items bought by consumers.

Food prices rose 3,9 percentage points faster than the average but less quickly than in the past. The food component rose at an annual 16,8% for May, down from 17,1% in April — the first time since December 1985 that it was below 17%. This played a significant role in slowing the overall index.

The overall inflation rate was 12,9% for

Still dropping



the year ending May 1988 — the first time since October 1984 that the year on year rate of increase in CPI has been lower than 13%. The monthly rate of increase in seasonally adjusted CPI from April to May was about 1,2% while the annualised increase in the first five months of 1988 was 11,48%.

From April to May, grain products were up 1,3%, meat 1,5%, non-alcoholic drinks 15,5%, cigarettes 3,5%, footwear 2,1%, vehicles 2,7%, and recreation and entertainment 3,9%. Against the trend, fruit was down 2,7% and sugar 1,1%.

By region, the largest annual increase (14,9%) occurred in the Klerksdorp-Stilfontein-Orkney area. The largest monthly increase (1,4%) was in the Durban area.

Rand Merchant Bank group economist Rudolf Gouws predicts that inflation will soon bottom out and rise above 13%, perhaps as early as next year. Over the next year he expects inflation to continue rising, "but not to much above 14% at its peak in early 1989." The rate should then fall again due to an expected economic slowdown and lower money supply growth rates, he says.

Gouws points out that monetary factors are the major long-term determinant of inflation, but it has a strong short-run relationship with economic growth rates.

CONSUMER PRICE INDEX 244

Rating inflation

In both April and May, the inflation rate for the low-income group was lower than for the middle- and high-income groups, according to figures released last week by the Central Statistical Service (see table).

This is because food prices, which increased more slowly than in the past, make up a larger proportion of the "basket" of the low-income group. The basket — used in calculating the index — is a representative

INCOME GROUP INDICES AND % CHANGE

Base 1985 — 100

	May 1988	Apr 1988	May 1987	Change from		May 1987
				April 1988	April 1988	
				†	‡	†
Lower income group	154,9	153,9	137,5	+0,6%	+1,3%	+12,7%
Middle income group	154,0	152,8	136,5	+0,8%	+1,3%	+12,8%
Higher income group	152,2	150,9	134,6	+0,9%	+1,1%	+13,1%
All income groups	153,1	151,9	135,6	+0,8%	+1,2%	+12,9%
Food only	170,6	169,6	146,1	+0,6%	+1,5%	+16,8%

† Actual, ‡ Seasonally adjusted

TIMES ARE TOUGH

Here it is: the survey that proves South Africans do have a beef when they moan about how hard they work

How was it done?

IN order to make a fair comparison of the cost of living in terms of basic essentials in South Africa and the four other countries, an identical "basket" of locally produced or manufactured supermarket products was selected and priced simultaneously in each country.

At the same time, a random group of employees was chosen. A bank manager, bank teller, supermarket cashier, newly-qualified nurse, high school teacher with a minimum 10 years' service and a factory worker (white, in South Africa's case).

By simple arithmetic, it was calculated how long each employee had to work to make enough money to "earn" the individual products or services.

This system effectively eliminated the necessity to apply currency exchange rates or take into account the relatively low value of the Rand. As tourists, South Africans know that it costs a hefty R3,50 to buy a packet of cigarettes in London. The object of this survey was to find out how much in actual terms a citizen of that country paid for the same packet of cigarettes.

Why whites only?

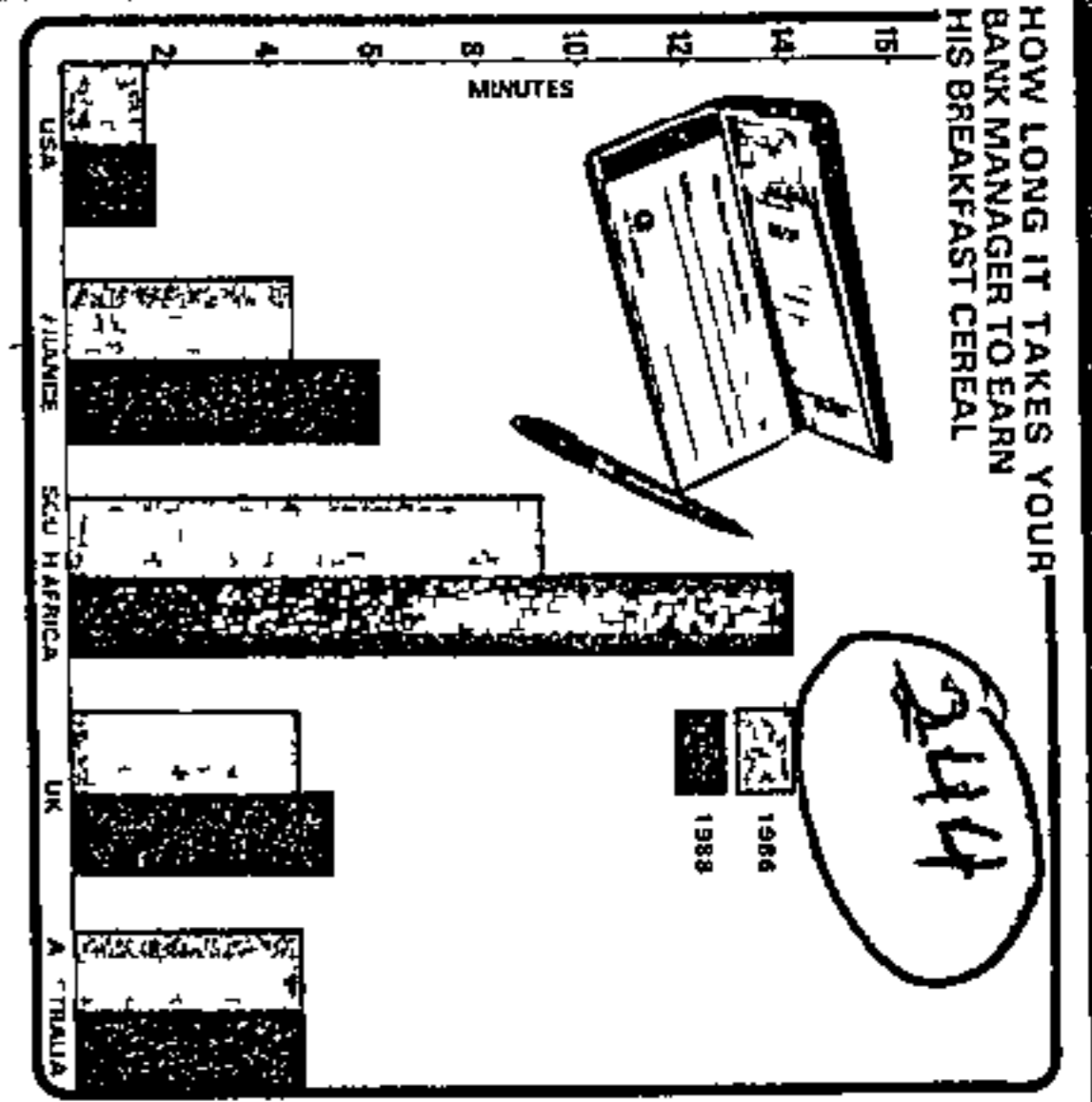
THE cost-of-living survey compared predominantly-white South African purchasing power with that of salaried counterparts in the US, UK, France and Australia.

Any comparisons between SA and other African states would, of necessity, have to be based on black purchasing power as many whites in African states are expatriates who are paid, by South African standards, abnormally high wages to work in the banking, nursing and teaching professions.

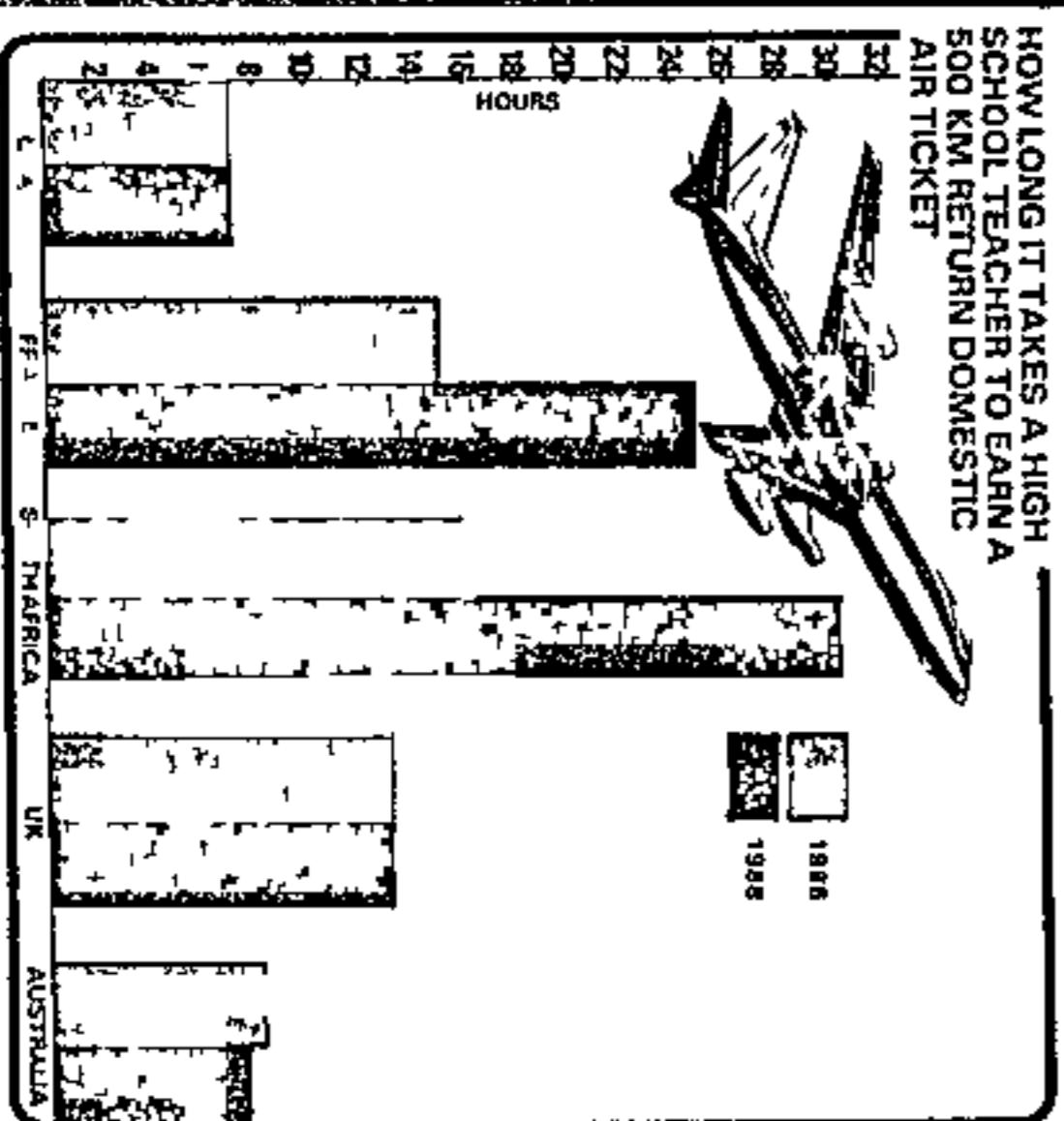
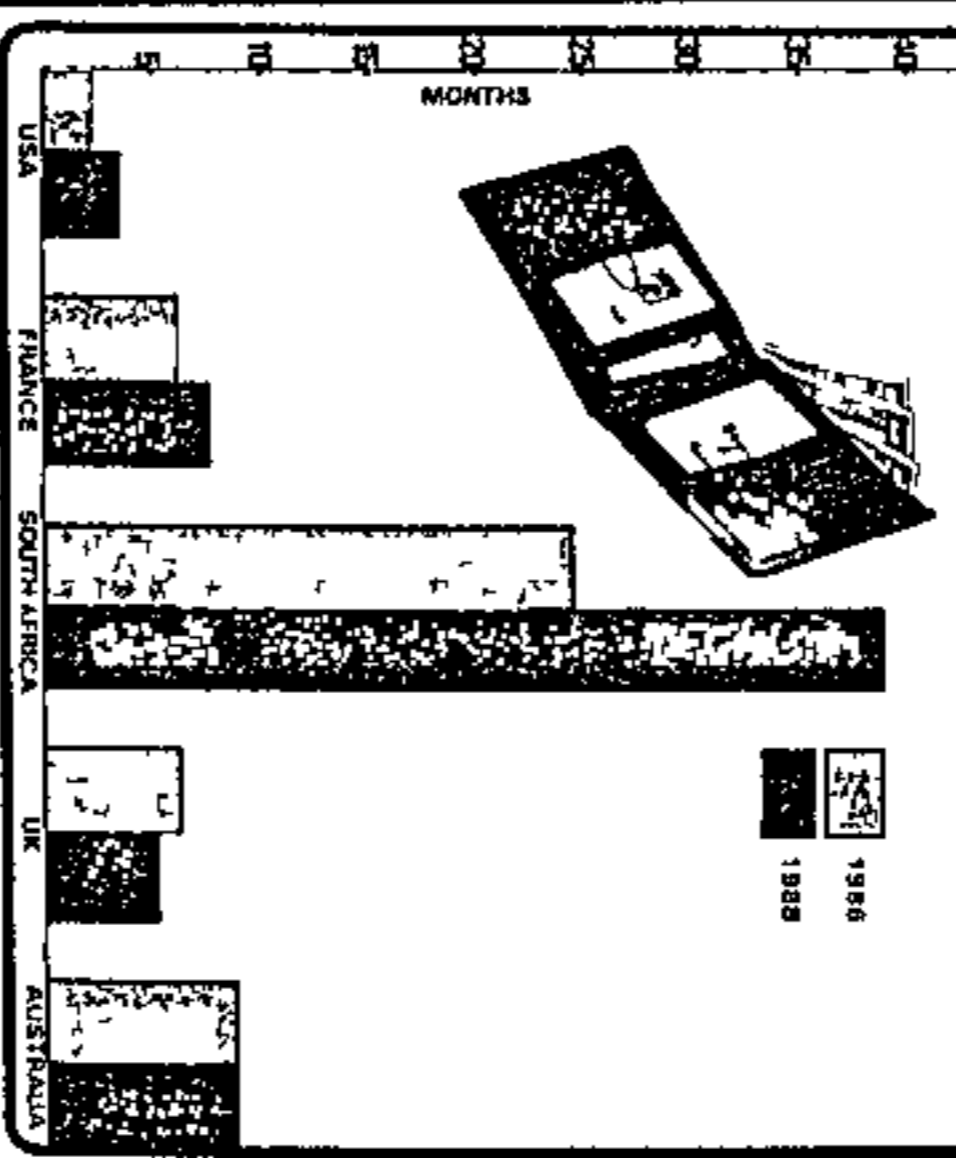
Nor was this survey intended to compare black purchasing power in South Africa with that of semi-skilled and unskilled workers in the other countries as this would have increased the local COL index to ridiculously high levels.

Why no houses?

WHILE the cost of buying or renting a house or apartment plays a vital role in the cost of living in any country, it has been impossible



HOW LONG IT TAKES A FACTORY WORKER TO EARN A SMALL CAR



BANK MANAGER
SUPERMARKET CASHIER
BANK TELLER

ARE White South Africans better off in the basic cost-of-living stakes than their counterparts in the USA, France, UK and Australia? The answer is — not by a long shot! This comparative COL survey produced and published by Weekend Argus shows the differences. The survey was conducted by a team of researchers in five countries and compiled and co-ordinated by Weekend Argus finance correspondent CHRIS MOERDYK.

WHITE South Africans are having to work longer and harder than their counterparts in the USA, Australia, France and the UK for basic foodstuffs and living essentials.

Just to buy a basket of supermarket products, all locally produced, salaried South Africans have to work for 11 hours as against 3.4 hours in Australia, 4.3 hours in America, 5.2 hours in Britain and 6 hours in France.

In a recent five-nation, comparative cost-of-living survey, six random employee groups were chosen with incomes based on white salary scales.

By taking the amount of working time needed by specific employees to "earn" the same products selected at random in each country, the survey was able to compare living costs without involving exchange rates or the relatively-low value of the Rand abroad.

'False' decrease

In an identical survey conducted two years ago, it took 12.8 hours for the employee sample to "earn" the same basket of supermarket goods.

Since this year's figure is only 11 hours, it might give the impression that the COL here has improved. However, the decrease was due to two of the employee categories — nurses and supermarket cashiers — having received relatively massive increases during the past 24 months.

Cashiers' salaries improved 200 percent in this period.

If these two categories were re-placed by almost any others, the index would have risen from 12.8 hours to somewhere in the region of 16 hours.

To illustrate further the actual plight of South Africans struggling to maintain their living costs on an even keel, the survey did not take into account that South Africans paid more tax than their counterparts in the other countries.

While South Africans have traditionally blamed government control boards for escalating COL, the survey found that the Dairy Board, for example, was the smallest offender in the approximately 30 percent increase in the costs of the basket of supermarket goods in two years.

In fact, the price of butter at the time of the survey was four percent lower than 24 months previously. The main culprit turned out to be Rice Krispies with a 63 percent increase for the period.

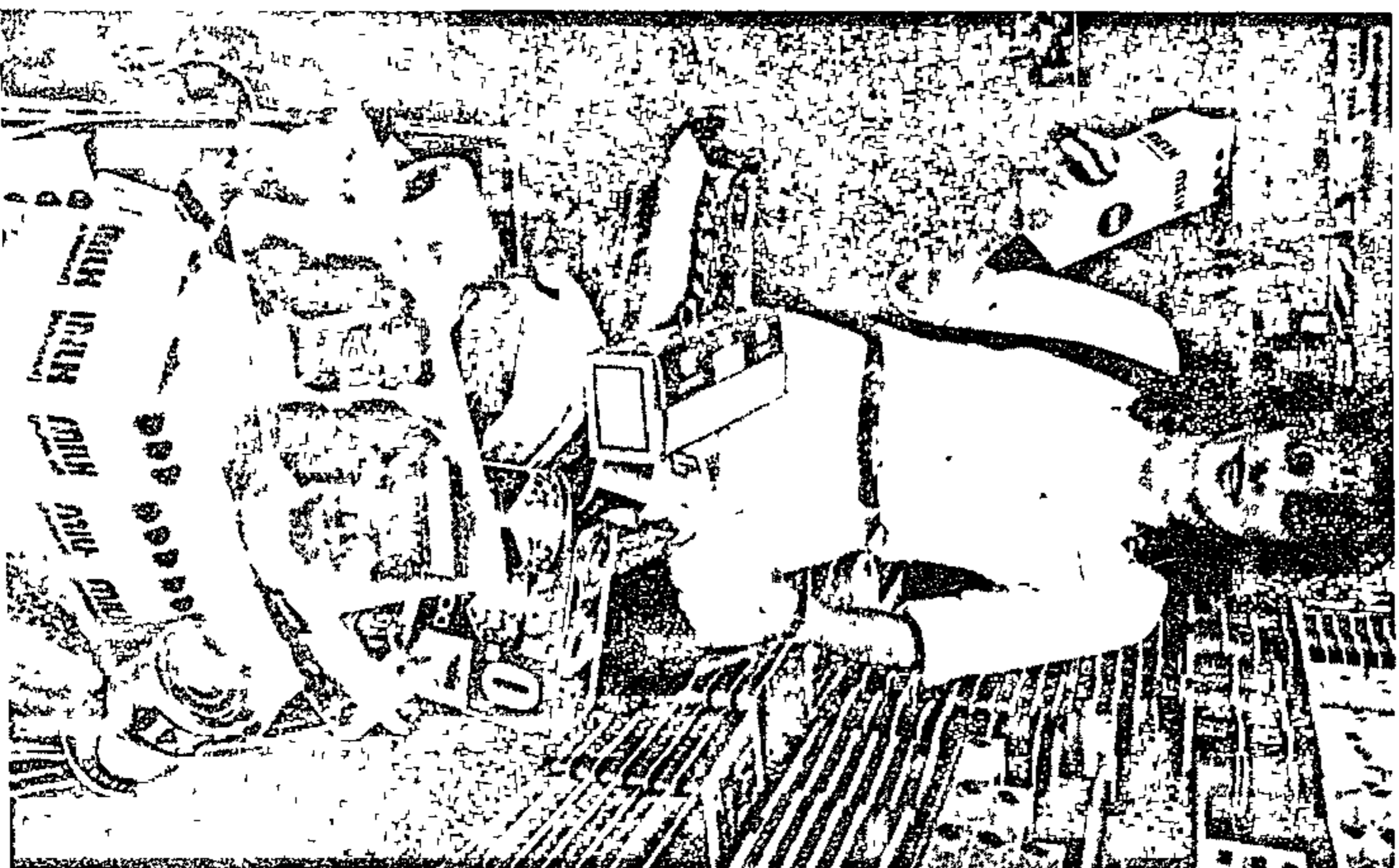
The survey also uncovered a fascinating phenomenon regarding air travel. In those countries where domestic air transport had been deregulated, air-fare increases in terms of number of hours required to buy a ticket were minimal and, in the case of Australia, had actually dropped.

Paying the price

In South Africa and France, where domestic air travel remained regulated, increases were well over 100 percent for the 24-month period.

As in the case of the survey conducted two years ago, it was once again clear that South Africans were paying a premium for products, services and goods controlled by price-collusion and manufacturer's cartels.

Surveys of supermarket and other prices were conducted simultaneously by researchers in Johannesburg, London, Sydney, Perth, Paris and Los Angeles.



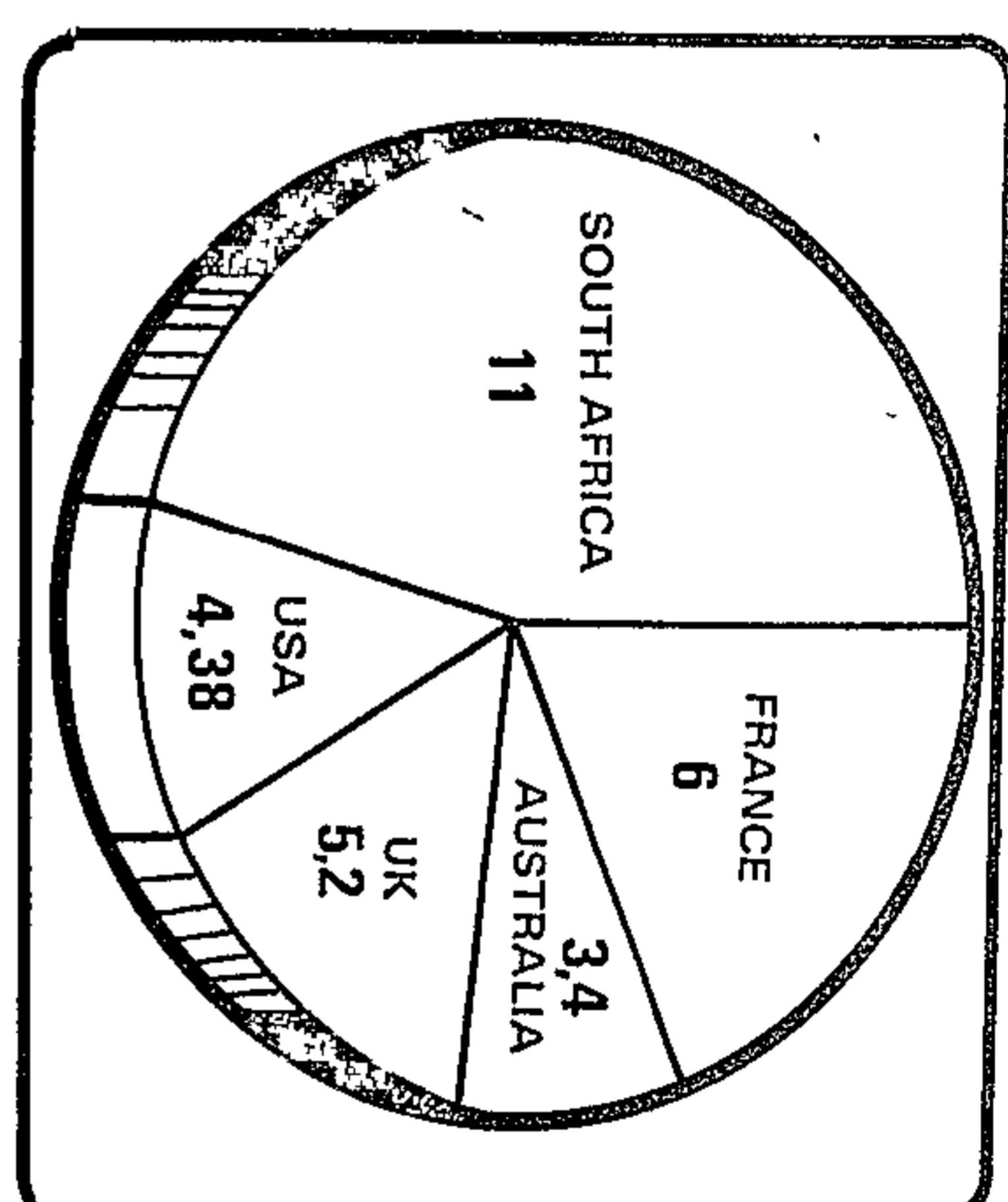
BANK MANAGER
SUPERMARKET CASHIER
BANK TELLER

placed by almost any others the index would have risen from 128 hours to somewhere in the region of 16 hours

prices were conducted simultaneously by researchers in Johannesburg, London, Sydney, Perth, Paris and Los Angeles

C O L INDEX BASED ON EMPLOYEES AVERAGE HOURS WORKED TO PURCHASE A SUPERMARKET BASKET OF GOODS

COUNTRY	TEACHER	BANK MANAGER	BANK TELLER	FACTORY WORKER	BANK TELLER	FACTORY WORKER	BANK TELLER	FACTORY WORKER
USA	TEACHER	SUPERMARKET CASHIER	BANK TELLER	FACTORY WORKER	BANK TELLER	BANK TELLER	BANK TELLER	BANK TELLER
UK	TEACHER	BANK MANAGER	SUPERMARKET CASHIER	FACTORY WORKER	BANK TELLER	BANK TELLER	BANK TELLER	BANK TELLER
SA	TEACHER	BANK MANAGER	BANK TELLER	FACTORY WORKER	BANK TELLER	BANK TELLER	BANK TELLER	BANK TELLER
FR	TEACHER	BANK MANAGER	BANK TELLER	FACTORY WORKER	BANK TELLER	BANK TELLER	BANK TELLER	BANK TELLER
AUS	TEACHER	BANK MANAGER	BANK TELLER	FACTORY WORKER	BANK TELLER	BANK TELLER	BANK TELLER	BANK TELLER



Cost-of-living index based on employees' average hours worked to buy a supermarket basket of goods.

Why no houses?

high levels.

WHILE the cost of buying or renting a house or apartment plays a vital role in the cost of living in any country, it has been impossible to make any accurate comparison between South Africa and the other four countries in this survey.

For example, a house in a Paris suburb may well be twice the price of a similar home in suburban South Africa. On the other hand, interest rates on home loans might be far lower abroad, not to mention the vast variety of housing perks and subsidies available overseas.

It is for this reason that the survey has concentrated on those products and services where consumers have little or no choice in terms of price variation. Everyone has the right to choose whether to live in a mansion or modest flatlet — but, they all have to pay the same price for food and other products.

Inextricably linked to accommodation is the question of transport. Once again, this is difficult to compare. Given London's transport system, it is quite feasible for someone there to do without a car altogether.

In South Africa, on the other hand, one car, at least, is essential to most employees in the categories concerned and, in many cases, because of distance from schools and shopping centres, two cars are considered a necessity.

HOW WE SHAPE UP - A South African bank manager takes 2.7 weeks to 'earn' a TV set. His US counterpart does it in 1.3 hours.

PRODUCT	SOUTH AFRICA					USA					FRANCE					AUSTRALIA					UNITED KINGDOM				
	BANK MANAGER	TEACHER	FACTORY WORKER	BANK TELLER	SUPERMARKET CASHIER	BANK MANAGER	TEACHER	FACTORY WORKER	BANK TELLER	SUPERMARKET CASHIER	BANK MANAGER	TEACHER	FACTORY WORKER	BANK TELLER	SUPERMARKET CASHIER	BANK MANAGER	TEACHER	FACTORY WORKER	BANK TELLER	SUPERMARKET CASHIER	BANK MANAGER	TEACHER	FACTORY WORKER		
Nescafe-500 g	1.4	4.4	4.5	4.5	3.7	2.3	8.2	3.5	3.9	1.5	2.4	3.3	1.8	3.5	3.2	2.8	3.3	3.3	3.2	1.0	2.6	3.0	3.1	2.2	
Milk-1 litre	4.5	15	15.2	12	7.5	26.3	1	9	2.6	4.3	3	3	1.8	1.7	1.8	1.7	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.8	
Toilet paper-1 roll	8	5.5	5.7	4.7	13	10.1	1/2	4	1.5	2.5	2.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	
OMO-1 kg	13.8	43.7	44	34	22	13	1.3	3.3	2.2	13	9	9	9	9	7.3	24.5	33	26.3	27	12.2	16.6	23.3	18.8	13.4	
Coke-1 can	2.6	9	9.2	7.6	4.4	16	1/2	4.2	1.5	2.8	1.8	1.8	1.8	1.8	1	3.2	3.9	3.1	3.6	2.4	3.4	4.7	3.8	2.7	
Chocolate-200 g	9.7	30.5	31	24	15.7	5.5	4	2.8	10	17.5	12	12.5	12.5	12.5	3	10	19.8	12.3	9.8	11	10.6	14.8	11.7	8.3	
Chicken-1 kg	15.4	48	50	40	24.2	1.4	3.5	2.4	8.5	14.5	10.5	10.5	10.5	10.5	7.7	26	51	27.3	28.7	10	11.4	16.7	11.9	11.2	
Eggs-1 doz	8.6	28	28.5	23	14	4.9	1.5	1.2	4.2	7.2	5	5.2	5.2	5.2	4.5	15.3	30	18.6	15	17	6	7	10.3	7.4	
Butter-500 g	10.3	32	32.2	28	16.4	50	1.4	5.5	3.7	23.5	16.5	16.5	16.5	16.5	5.5	18.5	36.5	28.5	22.2	20.5	7	9.2	13	7.4	
Rice Krispies-300 g	14.1	45	45.5	40	22.7	1.3	1.3	1.75	4.3	7.3	5.4	5.4	5.4	5.4	5.6	19	37	28	21	22	5	7	9.5	7.8	
Leg of Lamb-1 kg	5.6	3	3.2	2.7	1.4	5.2	1.3	1.75	2.1	4.4	2.1	2.1	2.1	2.1	18.5	1	2	1.4	1.1	1.1	16.1	31	24.3	17.2	
Cigarettes-20	4.8	15.3	16	14	7.6	27	2	14	5	8.8	8.2	8.5	8.5	8.5	3.2	11	21.6	14	11.3	12	11.2	15.3	21.6	17.4	
Basket of Goods	3.8	12	12.3	10.2	6.2	21.3	1.3	8.8	3.2	5.3	3.8	3.9	3.9	3.9	1.5	5.2	10.4	7.5	5.5	5.8	2.5	3.3	4.6	3.8	
Air ticket-500 k	19	61.3	62	60	30.2	2.3	2.1	15.7	5.7	9.7	7.1	7.1	7.1	7.1	7.6	25	50.6	37.7	27.3	28	6.9	9.6	13	10.9	
VW Golf	6	1.5	1.6	1.44	9.8	2.7	4.2	6.3	8	4.2	2.9	2.9	2.9	2.9	1.9	6.7	13.2	9	7.3	7.3	3.9	5.4	7.3	5.9	
Tyre	6.4	11	11.4	10.3	36	10.3	1	7.5	2.7	4.8	3.3	3.4	3.4	3.4	1.8	6.1	12	8	6.4	6.7	4.1	4.7	7.7	6.3	
66 cm TV set	2.7	1.9	2	1.4	4.7	1.3	1.3	1.9	3.4	1.3	3.4	3.4	3.4	3.4	3.5	2.6	2.6	2.5	2.7	2.9	1.1	1.1	1.6	1.2	

244

Cape Times, Tuesday, July 5, 1988 7

Survey: Groceries are more expensive

Staff Reporter

THE national average price for a trolley of goods increased by 0,7% from R257,44 in May 1988 to R259,26 in June 1988 a countrywide survey has shown.

The survey was conducted by the South African Co-ordinating Consumer Council at 60 hyperstores and supermarkets

The survey stated that there was a relatively high monthly increase in the prices of cleaning agents namely 1,4% and prices of foodstuffs and toiletries remained fairly constant with monthly increases of 0,4% and 0,3%

OK Bazaars showed a relatively large monthly decrease, namely 2,3%, while Pick 'n Pay remained the cheapest hyperstores in the country.

The survey list was limited to 98 products, representing a variety of household requirements

Limitations included the fact that there are no Checkers warehouses in

Pretoria and Bloemfontein and that no Spar supermarkets were surveyed in Cape Town and Bloemfontein

Only two Shoprite supermarkets were surveyed, one in Cape Town and one in Bloemfontein

Meat, fresh fruit and vegetables carried a small weighting in the survey "No-name" brands were not taken into consideration and in some cases averages were used because of temporary unavailability of stock

The survey showed Cape Town's store groups in its order of the cheapest to the most expensive

HYPERSTORES

Checkers (Warehouse)	R244,21
Pick 'n Pay (Hypermarket)	R246,71
OK Bazaars (Hyperama)	R250,98

SUPERMARKETS

Shoprite	R244,75
Pick 'n Pay	R253,92
OK Bazaars	R255,71
Checkers	R261,23

fm 8/7/88

higher interest rates

The figures come from Information Trust Corp (ITC) — formerly Dun & Bradstreet — which handles over 90% of consumer credit checks made by financial institutions and retailers

Credit inquiries

In the first four weeks of June, ITC averaged 11 282 consumer credit inquiries a day That's down from 11 665 in May and 11 512 in April, but still above 11 222 in March, 10 669 in February and 9 380 in January. And it's still well up from June 1987 (10 255) and June 1986 (8 109).

"The figures are showing a little cooling off, but demand is still there," says chairman and MD Paul Edwards "We're reaching a plateau But I don't think consumer confidence and the willingness to spend have been affected as much as was expected"

Edwards says credit demand may steady, rather than fall again in July With the rand plummeting, consumers may rush to replace cars and appliances to avoid higher imported prices — despite larger deposits and stiffer



Edwards ... little cooler

interest payments "We're in a replacement cycle for durables and consumers feel that if they don't buy now they'll just pay more down the road." ■

CREDIT DEMAND

On a plateau?

After increasing for four months in a row, the number of consumer credit applications fell in June This suggests consumer demand is levelling off in the wake of credit curbs and

244

REVENUE

Rising PPI

Mike Timp
12/7/88

indicates higher inflation rate

244

By AUDREY D'ANGELO
Financial Editor

RISING salaries and wages, widening profit margins and the impact of the weaker rand on the cost of imported components sent the producer price index (PPI) for the 12 months to May, to 13,2% — the highest since September.

Economists pointed out yesterday that this would inevitably send the consumer price index (CPI) up, ending the downward trend of recent months.

The Central Statistical Services announced yesterday that the rise in the PPI between April and May was 1,2%.

It said the year-on-year rate of increase for locally produced products was 14,3% in May, up 0,6% from April.

The annualized rate of increase for imported products was 10% up on the figure for May last year.

Production costs for coal were up 11,2%, other mining and quarrying by 6,7%, beverages by 2% and materials used in the building industry by 2,7%.

Boland Bank economist Louis Fourie commented: "From this month on we shall see a flattening out of the CPI, which will soon start to rise."

Pointing out that SA had enjoyed relief from imported inflation in a period when the exchange rate had been fairly stable, he said the weakening of the rand in recent months inevitably pushed up the cost of imported components.

Other cost-push factors included higher salaries and wages without any

corresponding increase in productivity. The lack of competition in some sectors of the SA market also tended to push up prices.

Southern Life economist Mike Daly said the PPI had bottomed out at the end of last year "and we are going to see the trend continuing up."

This was inevitable because the average cost of the basket of currencies with which SA paid for imported goods was more than 13% higher than at this time last year.

Daly pointed out that the pressure which increased consumer demand had placed on SA's industrial capacity, and the fact that many manufacturers were now paying overtime, had also played a part in increasing production costs.

There was also a technical factor. The PPI had risen from a very low base in May last year.

Standard Bank economist Nico Czipionka said that although the rise in the PPI "obviously had implications" for the CPI, he did not think there would be "an explosive rise in prices" as had happened in 1985.

The cost pressures from outside this country were not as great as they had been then, when the rand plummeted.

And although SA manufacturers might have widened their margins while the market was buoyant they would tighten them again if the market lost its buoyancy.

"The rise in the PPI obviously has implications for the CPI, but it will not go up at such a rate as in 1985."

High prices 'on the way'

(244)
sowetan 15/7/88

SOUTH Africa was in for another round of price increases — with the rate of increase itself getting bigger.

This finding emerged from the Bureau for Economic Research's latest analysis of wholesale and retail business trends throughout the Republic

Summarising the result of the BER's survey in these fields, bureau director, Dr Ockie Stuart, said that almost 100 percent of wholesale firms polled said they expected purchase prices to be higher in the third quarter of the year than in the comparable quarter last year

Expectations

"More important, however, are their expectations about the extent of rate of increases," Dr Stuart said

"No fewer than 20 percent expected the rate of increase itself to rise, while in our previous survey three months ago, only five percent expected a rate increase "

Goods expected to

notch up particularly higher rates of price increase included chemicals and raw materials for agriculture and industry, furniture and electrical appliances, jewellery, gifts and electrical equipment

"Most retailers have indicated they intend passing the higher purchase prices on to consumers," Dr Stuart said — Sapa.

RM 19/1/88

The basic price of fuel in SA (that is, the price excluding taxes, duties, and levies) amounts to more than 58% of the total price, compared to 33% in the UK and 36% in West Germany. Finally, the Equalisation Fund is now largely being used to "prevent a general price increase." According to the Department of Mineral and Energy Affairs, in April this year motorists in the PWV area (zone 13A) underpaid 3,684c/l for 93 octane petrol.

The latest preliminary estimates of the position on the "slate" (the ledger account for over- and under-recovery against the pump price) indicated a deficit of around R98m as of the end of April. The international list price for April was, in rand terms, 32,126c/l (0,602c/l higher than in March). It was the fourth successive month that the international price had shown an increase against the previous month.

Although the oil price is now at US-\$14 a barrel (Brent crude futures for August), the decline in the rand has far outweighed any favourable trend in oil. It fell nearly 6% from 2,245 to the dollar on June 1 to 2,375 now. Furthermore, the outlook for the currency remains poor.

But balancing the books is not the only problem. Petrol sales have surged because of declining prices, the revival in the economy and higher personal incomes. Government now has reason to be concerned about the effects on the balance of payments — with Sasol producing at full capacity, all additional demand translates into added crude oil imports.

Conclusion. an increase in the pump price seems inescapable.

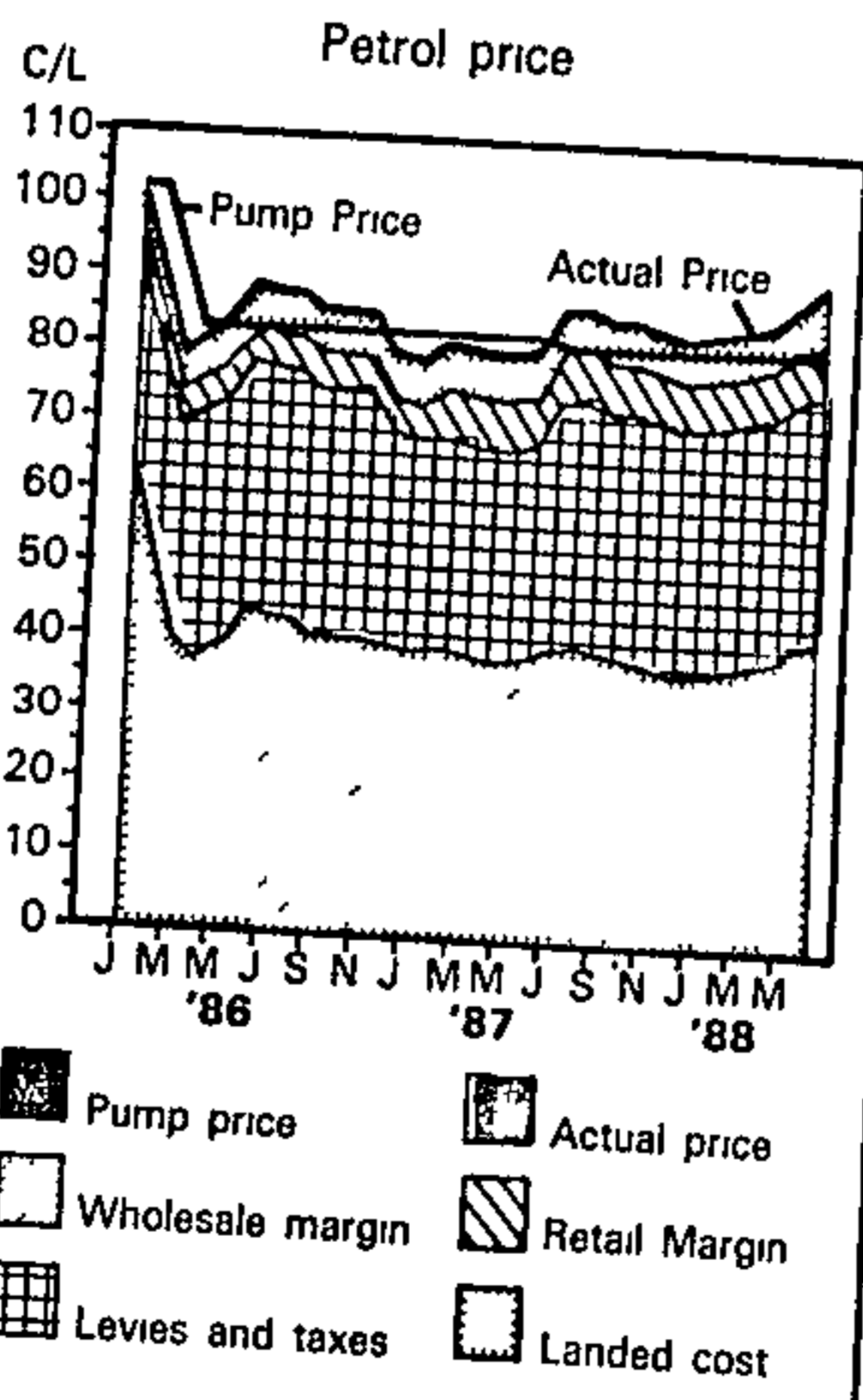
PETROL PRICE

All pumped up

The writing is on the wall as far as the pump price of petrol is concerned. An intolerable gap has opened up between the actual petrol price (calculated according to a formula) and the pump price (see chart).

Government has hinted that an increase in the pump price is imminent. Deputy Minister of Economic Affairs and Technology George Bartlett recently outlined the prob-

Taking the gap



93 oct - Witwatersrand

lem
Bartlett maintained the retail price of 93 octane petrol in the PWV area is 82c/l "which is lower than the price had been during 1985 and 1986. And current prices, in constant terms, are lower than 1978 fuel prices."

PRODUCTION PRICES

244

Import costs up

The rand's depreciation against all major currencies has led to increases in the price of imported goods, now reflected in the May production price index (PPI)

This week's figures from Central Statistical Service show a rise in the imported commodities component of PPI of 10% for the 12-month period to May, compared with 8,2% the previous month. On a monthly basis, import costs rose 1,9% in May compared with April's 0,9%

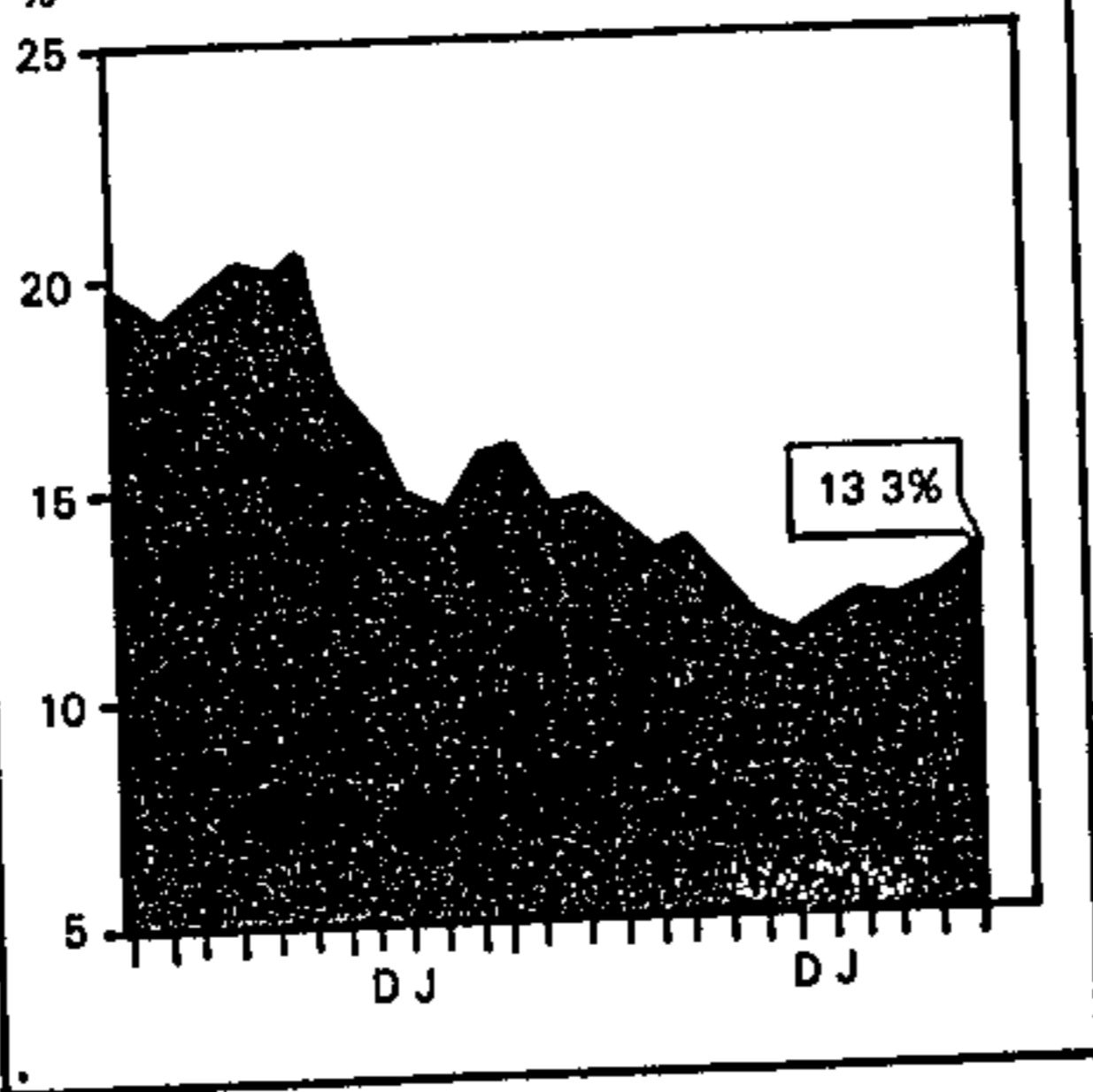
The price of domestic goods also increased for the 12 months, rising by 14,3%, compared with April's 13,7%. However, the monthly rate of increase slowed to 1,1% from 1,7% in April. And, once government's May restrictive measures take effect, monthly increases in domestic prices could slow further. Overall, PPI climbed 13,3% for the year to

FINANCIAL MAIL JULY 15 1988

244

Upward trend

12-month increase in PPI



consumer prices. It usually takes some months for producer prices to filter through — and many think the consumer price index has already bottomed anyway. ■

May (12,5% in April) and 1,2% that month. The year-on-year increase is the highest since September, while the monthly increase confirms that PPI is heading for an annual growth rate of over 17%

The figures have serious implications for

12/1/1988

THE ECONOMY

THE boom in consumer spending appears to be slowing down, according to some of the indicators. New car sales in June, for example, were down 5.7 percent on the May total and for the first time were lower than in the same month last year, according to the latest Naamsa figures.

But overall domestic demand, which the government and Reserve Bank attempted to curb with a package of credit measures in May, is still strong — as is the demand for credit. The result has been upward pressure on interest rates and bankers are said to be urging the Reserve Bank to allow another rise in the prime overdraft rate, currently at 15 percent.

According to Paul Edwards, managing director of Information Trust Corporation, the number of consumer credit enquiries received by the corporation in May was 1.3 percent higher than in April and 1.5 percent higher than in May last year. As the graph shows, credit demand in June dropped only marginally.

As ITC provides over 90 percent of the credit information used by banks and retailers, its figures are a fairly accurate reflection of consumers' demand for credit.

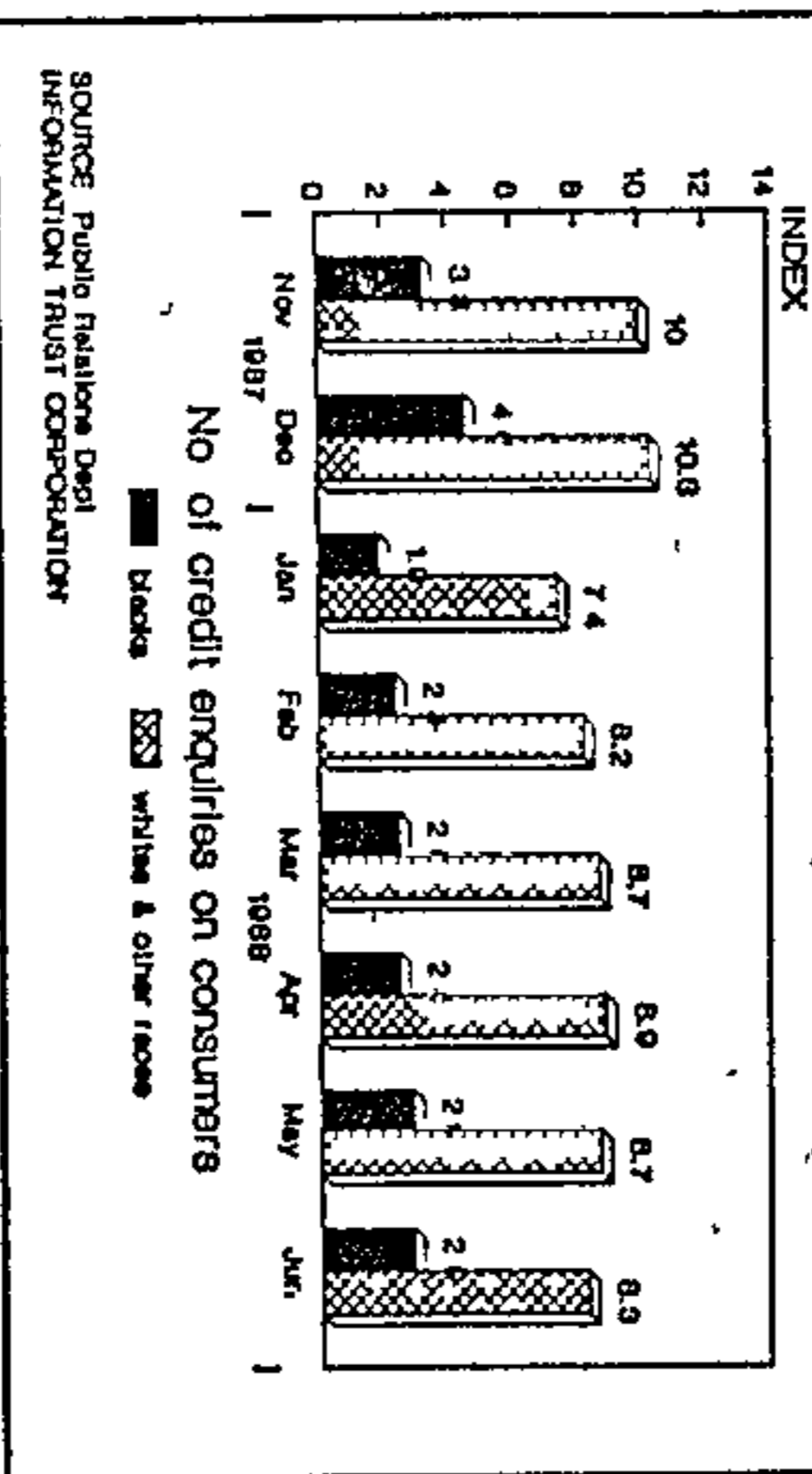
The consumer spending boom slows down ... just a little

The government's package of credit measures slows consumer spending a little, but overall spending keeps going up. **HILARY JOFFE reports**

The South African consumer's capacity for taking up credit at this stage of the economic cycle is strong. A few percentage points rise in interest rates, and tightening of credit terms will not discourage this desire to spend," Edwards said this week.

The high level of consumer spending has been mainly on consumer durables, spurred on by the need to replace ageing vehicles, furniture and appliances. Consumers also tend to spend more if they believe prices will rise due to inflation or further depreciation of the rand, Edwards said. He adds that the number of individ-

NUMBER OF CREDIT ENQUIRIES ON CONSUMERS PER DAY



Consumers' demand for credit levelled off in June — but not by much

ual insolvencies declined in the first quarter of 1988 by 17 percent against the previous quarter and 40 percent on the first quarter of 1987. By the second half of 1987 consu-

mers had refrained from borrowing for nearly three years but with continued low interest rates personal balance sheets improved, Econometric director Azar Jammine points out

Corporate investment spending has played a major role in the rapid increase in imports, which has highlighted balance of payments problems in recent months and has had financial authorities worrying about South Africa's too-high growth rate. Investment by private businesses rose at an annualised rate of 8.1 percent in real terms in the first quarter of this year and Czyponka attributes the 22 percent first quarter rise in import volumes mainly to this factor. Imports of machinery, which make up 27.3 percent of all imports, have increased by 58.2 percent during 1988, compared with the 1987 average. While imports have risen, exports have remained static so that the surplus on the current account on the balance of payments has worsened, raising doubts about South Africa's ability to meet its foreign debt commitments comfortably. The gold component of the Reserve Bank's gross gold and foreign exchange reserves declined by 1.11 million ounces in May and June.

The financial authorities have been reluctant to allow interest rates to rise further, partly because it's considered to early to judge the effect of the May credit package but mainly because of pressure from politicians and farmers to keep interest rates down. A major casualty has been the rand, which has declined by 28 percent this year as the balance of payments situation has worsened.

He has no doubt consumer demand is starting to slow down, especially for expensive durable items, but says that might have happened anyway, as individuals stopped taking on more debt.

The time lag between consumption and interest rates can be anywhere between two and six quarters, Jammine says.

It's not clear what consumers' responsiveness to interest rate rises in South Africa is, though the experience of both 1981/82 and 1984/85, when domestic demand was curbed with interest rate rises, was that consumers took some time to respond. Once they did, demand for credit dropped very rapidly, as people found themselves caught with very high — and expensive — levels of debt.

Says Standard Bank chief economist Nico Czyponka "Consumers never have been responsive to interest rate rises except at a much more painful level than one or 1.5 percent."

He points out the prime overdraft rate has risen only three percent from its recession-induced level of 1986. Even if consumer demand slackens in the coming months, overall domestic demand is unlikely to do so.

For one thing, as consumers slow down on spending, traders and manufacturers may find themselves with high inventory levels, which have to be financed by bank credit.

At present most corporations are not holding large stocks and are cash rich. If the economy were stopped at the retail level, says Czyponka, "involuntary" credit demand by corporations would increase.

In addition the growth of expenditure hasn't only been consumers. Investment by private businesses has risen, too, and investment decisions are longer-term ones which are not (fortunately) likely to be stopped in their tracks immediately.

244



Why so hard to swallow this medicine?

The generic medicine furor appears, on the surface to have died down, but manufacturers say they still face opposition from both the medical profession and the "ignorant" public.

While sales of generic substitutes have shown pleasing results in recent years, there is still doubt in many quarters that these medicines are as safe and as good as their ethical counterparts.

Ignorance, believes Mr Aubrey Lampert, is the generic manufacturers' greatest obstacle.

"The manufacturer is going to have to launch an extensive education campaign if his products are to be accepted. He will have to ensure the dissemination of information to educate the public. People don't understand generic medicine," says Mr Lampert, a director of a leading Johannesburg generic company.

BRAND NAMES WIN

The lay public tends to cling to what it has known for many years, to familiar brand names which are well advertised. And doctors receive frequent visits from ethical drug representatives who constantly promote their products.

The generic drug is not advertised nor is it packaged in bright, eye-catching colours

It is a copy of an ethical drug for which the patent has run out.

Before a generic can go on sale, it must be approved by and registered with the South African Medicines Control Council. When registered locally, no research history is required. The generic rides piggyback on research done by the original manufacturer.

The big difference between ethical drugs — those whose brand names we are so familiar with — and generic substitutes is the price.

Generics can cost up to 60 percent less than their ethical counterparts. For instance, says Mr Lampert, one well-known ethical tranquilliser costs R23,64 for a container of 100 tablets while its generic substitute costs R8,50 for 1 000. Another popular drug costs R251,56 per 500 while its generic sells at just over R32 per 500.

Manufacturers of generic medicines will have to launch education programmes if they want products to be accepted by the public and the medical profession. So says Mr Aubrey Lampert, director of a generic medicines company, speaking to *The Star's Medical Reporter, TONI YOUNGHUSBAND.*

With enormous financial savings like this, why then the opposition to generics?

Mr Lampert believes backyard chemists whose fake generics caused an uproar in the 60's and early 70's are to blame for the poor reputation these medicines have.

And, of course, there are the ethical drug manufacturers who have repeatedly slammed generics as worthless and dangerous.

They have repeatedly pointed out they are the ones spending millions of rands in research and development. It takes years before their prod-

ucts have final approval and reach the pharmacy shelves. They must then recoup their research expenses through, among other things, the prices they charge for their products.

Then 16 years later, these products are merely copied by a multitude of generic manufacturers who do no research and charge less.

Mr Lampert says these companies have 16 year' grace to recoup their research expenses. And he believes they can cut their costs. "But how is that going to look? For years they have been justifying their prices, how can they suddenly lower them?"

The generic war reached a climax when ethical companies threatened to pull out of South Africa as they were "no longer serving any purpose".

But, says Mr Lampert, when this threat produced little reaction they sought other avenues of support.

The Government steadfastly refused to become involved in the generic war but doctors and pharmacists were drawn into it.

Doctors are trained at university to use certain drugs and they tend to stick to those while pharmacists have financial considerations in prescribing ethicals.

"If the pharmacist gets 10 percent off every medicine he sells he is obviously going to prefer selling a drug that costs R54 rather than its generic substitute which costs only R4".

A RAY OF HOPE

One ray of hope for generics is medical aid schemes, Mr Lampert believes. "We believe some day soon medical aid schemes will tell their members they will pay generic medicine rates only and any extra charges brought by using ethical drugs will have to be borne by the patient."

Generics are fast becoming popular among the working classes, pensioners and hospital patients.

So far, Mr Lampert points out, only one generic has proven less effective than its ethical counterpart and the reasons for this are unknown.

"These drugs are safe and effective. How can they not be? They are exact copies of the original ethicals. It is time people realised this," says Mr Lampert.

Dec 29/1988

TV licence fee rises in October

Staff Reporter

The television licence fee is to increase by 11 percent from R72 to R80 a year in October.

The concessionary licence fee will remain at R24.

Announcing the increase yesterday, the chairman of the SABC board of governors, Dr Brand Fourie, blamed inflation, exchange rates and spiralling costs.

Dr Fourie said it was only the fifth increase in the fee since the introduction of TV 12 years ago. Since 1976, the fee for a TV licence had risen 128 percent against the 320 percent rise in the cost of living.

Had the licence increase matched inflation, the licence would have cost more than R200 a year by now.

While the SABC's financial position had improved last year, an increase in the licence fee had become unavoidable.

Since 1984, up to and including 1987, the SABC had an accumulated operating loss of nearly R70 million. Over the past two years the losses had been R27,9 million and R13,2 million.

The corporation had done what it could to cut costs. There had been an 11,7 percent increase in expenses in 1985, 7 percent in 1986 and 13,7 percent last year, he said.

In the process of cutting costs, staff had been cut by nearly 20 percent.

Mr David Dalling, the PFP's media spokesman, said although the increase would affect the man in the street, the 11 percent rise was not inordinate.

"One hopes the SABC will make some effort to improve the quality of their programmes. If people are expected to pay more, they should be able to get better programmes than they are getting now," he said.

Mrs Lyn Morris, president of the Housewives' League, said South Africans were a captive market when it came to the television licence.

"You have to have a licence so you are stuck with it. But I really get so angry when people say it's below the inflation rate. We'll never bring it down if everybody goes with the rate of inflation. It's certainly not an argument," she said.

(244) (244) 27/7/88
Only fifth rise in 12 years — Fourie

TV licence fee goes up to R80

THE TV licence fee is to go up by R8 to R80 a year, an 11% rise, from October, the SABC said yesterday.

Concession licences remain unchanged at R24.

Announcing the increase in Johannesburg, SABC Board chairman Brand Fourie said it was only the fifth rise in fee since TV's introduction 12 years ago. Since 1976 TV licences had increased by 128%, compared with the 320% hike in the cost of living index.

Had the licence increases matched the rate of inflation, TV licences would now cost more than R200 a year.

While the SABC's financial position had improved somewhat in 1987, compared with previous years, an increase in licence fees had become unavoidable. The corporation could not increase its dependence on TV advertising revenue to balance its books, said Fourie.

Since 1984, up to and including 1987, the SABC suffered an accumulated operating loss of nearly R70m. Over the past two years the losses were R27,9m and R13,2m respectively.

The corporation had done what it could to cut costs. There had been an 11,7% increase in expenses in 1985, 7% in 1986 and 13,7% last year, he said.

"This is considerably lower than the rate of inflation over the same period and, in addition, includes the costs of expansions, such as TV4, breakfast TV and operating additional transmitters."

In the process of cutting costs, Fourie added, staff had been cut by nearly 20%.

If all circumstances were considered, the SABC would have been justified in raising licence fees dramatically. But, in view of the State President's moves to curb inflation, the increase was kept "to the absolute minimum."

Fourie pointed out that keeping concession licences at R24 was costing the corporation more than R13m a year.

The new licence fee of R80 a year represented a monthly cost of R6,67 — an increase of 67c a month.

If the SABC was to continue delivering high-quality services over a broad spectrum and meet increasing demands in broadcasting, the accumulated deficit would gradually have to be wiped out, Fourie concluded.

Government sources said the SABC had wanted to increase fees by more, but government, which had to approve the increase, had limited it to R8. — Sapa

Petrol price rise looms

By VERNON BRENT, Staff Reporter

THE price of petrol can be expected to rise soon, either in October or as soon as the end of the month, according to industry and Government sources.

A higher fuel price will be another blow to motorists hit last week by a rise in interest rates which pushed up the cost of car finance

Bus commuters can also expect to pay more following an application by City Tramways to increase fares by an average of 12½ percent

And for those who drive into the city, there is the prospect of increased fees in some municipal carparks soon

Mr Alan Rose-Innes, marketing manager of Total, said that taking into account the falling value of the rand, the pump price of petrol was 12 percent cheaper than in 1986

He predicted the price would rise after the municipal elections in October, but he did not say by how much

A Government source agreed that the period after the municipal elections was a likely time for a rise in the petrol price but hinted it might come as soon as the end of the month

The petrol price was under "heavy pressure" because of the weakening rand-dollar exchange rate, a spokesman for the Department of Mineral and Energy Affairs said

Fluctuations

He said "The price is being kept artificially low by using the equalisation fund to cushion consumers

"This is part of the Government's effort to fight inflation. If the price goes up, inflation will spiral

"But realistically we will have to raise the price at some stage"

The equalisation fund is financed by a 6,7 percent levy on each litre of petrol sold and is used to keep the pump price stable against fluctuations in the landed price of oil.

Exchange rates, transport costs and the price of crude oil are major factors affecting fuel price

It is understood that the Minister of Finance, Mr Barend du Plessis, would like to see an increase because of the effect paying for crude oil has on the balance of payments

Municipal parking fees may go up soon

By ANTHONY DOMAN
Municipal Reporter

PARKING fees at three municipal areas will go up by between 25c and 50c if the City Council accepts a recommendation from traffic manager Mr Wouter Smit

In a report to the utilities and works committee, Mr Smit proposed that the R1,25 fee for all day parking on Riebeeck Square and in Harrington Street be raised to R1,50 and the R1,50 for the station deck to R2

He also proposed increasing the fee for off street parking at Dree Street from R1,25 to R1,50

He suggested making time even more expensive outside the main post office. Parking in the half hour metered bays would be the priciest in the city — at 10c for 10 minutes.

● Moves to change Riebeeck Square from all-day parking to pay-and-display are still in progress

A report from the City Administrator said one person had objected

The square's boundaries have to be redrawn before a decision is taken

Parking bays leased to the police must be omitted from the public area covered by the pay-and-display scheme

Tramways bid to raise bus fares 12,5 percent

Staff Reporter

CITY Tramways has applied to increase its bus fares by an average of 12,5 percent.

If the application to the Road Transportation Board is successful, the company's revenue will increase by 12,17 percent

A Tramways spokesman said the increase would be no more than 10c a ride for 66 percent of commuters

Another 30 percent would face increases of between 11c and 20c and the rest — mainly those on long routes — would pay a maximum of 15 percent more

The company had applied to the Department of Transport for relief on clipcard fares

Concessions to people over 65 would still apply

The spokesman said reasons for the application included wage increases, the soaring cost of spare parts as a result of the weak rand and a general increase in operating expenses owing to inflation

Full details would be made available when the board hears the application

"We cannot say when the new fares are likely to come into force," he said

City Tramways last increased fares last September



Pictures D/

WHISTLE STOP: Miss South Africa, Janine Botbyl, and Miss Republic of China, Chou, began a hectic schedule during a short visit to Cape Town. One of their highlights will be an airborne tour of the Peninsula. They leave the

Change in plan for World Cup test dates are fixed

By DEON VILJOEN, Sports Reporter

SOUTH AFRICA will play the first of two official rugby tests against an International XV in more than three weeks' time

The tests have been set for the Boet Erasmus Stadium in Port Elizabeth on August 27, and a week later at Loftus Versfeld in Pretoria on September 3.

The matches are to coincide with the centenary of the Eastern Province Rugby Union and the 50th birthday celebrations of the Northern Transvaal Rugby Union

Because of the additional tour fixtures — the SA Rugby Board has yet to announce the official programme — the Currie Cup set-up has changed

Western Province will now play Transvaal at Newlands on August 13 instead of August 20

A number of Western Province players are in line for Springbok selection after their stunning 24-12 win over Northern Transvaal in the Lion Cup final on Saturday

Barring further injury, Michael du Plessis, Kobus Bu Knoetze, Gert Smal and Tiaan Erasmus are almost certain choices. Michael may be picked as a stand-off instead of fly-half

Calla Scholtz, Schalk van der Merwe, Christian Stewart and Willie van der Merwe have strong claims for Bok cover. Bok cover will be the unluckiest of all the players. Scrum-half Freddie Ferrel is expected to be in action for the next six weeks with a fractured jaw

● The Argus Foreign Editor from London that the French Rugby Union has flatly dismissed that French players may be in the World XV team to tour

"The Minister of Sport is very pleased and he is very tactful with South African rugby. He is very pleased to see the South African rugby team

The four Home Union players have refused to be among those to be among those

● WP Injur

'Weak rand the culprit'

New shock for motorists as car prices soar

Star
244
3/8/88

By Michael Chester
and Jeremy Sinek

Car prices are taking off again — only two months after the last round of increases.

Since January the prices of most popular models have risen by 13 to 14 percent — and forecasts are that the average increase by year-end could be a whopping 20 percent

Toyota raised the prices of all its vehicles on Monday by between 4 percent and 6 percent

Honda prices went up by 5 percent at the same time and Mercedes-Benz's prices are scheduled to increase by 3,8 percent on Monday

Foreign exchange

A VW spokesman said his company was monitoring the situation but there would be no increase this week.

Most other car-makers are expected to follow suit within two weeks

The lowest-priced Toyota now costs R18 800, an increase of 11 percent on its price at the start of the year.

New estimates by the National Association of Automobile Manufacturers suggest that vehicle prices will have risen 20 percent by the end of the year.

Executive director Mr Nico Vermeulen has told the Department of Trade

and Industry that the bulk of the blame must be shouldered by the weakness of the rand exchange rate.

Imported components from the industry's major suppliers in Japan and West Germany rose sharply in price as the rand weakened against major currencies

Though price increases had been negligible in the home markets of both Japan and West Germany, the cost of components had soared by the time they arrived in South Africa as more rands were needed to pay bills quoted in German marks or Japanese yen.

Components

In the three months from April to June, import bills had climbed by between 4 and 8,7 percent in rand terms — equal to an annual rate of between 16 and 35 percent.

Price increases on components supplied by local companies had been kept to a far more modest average of 3,2 percent.

However, many local suppliers were failing to keep pace with the demand of assembly lines

Producers continued to run into production hold-ups caused by shortages of components, ranging from engines and transmissions to tyres and radiators.

Subsidy running out and slate account in deficit, say sources

Bread, petrol price increases expected

244
B/Day
4/8/88

PRETORIA — A bread price increase is expected to be announced by Agricultural Minister Greyling Wentzel today, while motor industry sources say the price of petrol is likely to rise in early September at the latest.



● WENTZEL

Wheat Board sources say the current year's bread subsidy of R100m will run out before end-September.

Economists say government is faced with the dilemma of a supplementary subsidy — which it cannot afford — or raising the price.

Currently white bread is subsidised to the extent of 2,3c a loaf and brown by 13c. If no additional subsidy is

GERALD REILLY

forthcoming, the bread price will rise by at least this amount and even more if the milling and baking industry get the relief they have asked for to compensate for higher costs.

Motor industry sources say the heavy losses involved in importing crude will force a petrol price increase. They say government cannot delay a price adjustment in spite of possible adverse political consequences.

Major reasons for the big losses is the persistent weakness of the rand in terms of the dollar. Under-recovery has been in progress since December last year, when it amounted to 1,089c/l, in January to 1,219c/l, in February to 1,796c/l, in May to 6,401c/l, in April to 3,684c/l, and in June to 7,896c/l.

In July last year the over- and

under-recovery (slate) account was in surplus to the extent of R180m, but declined steadily until May this year when it registered a R98m deficit.

The slate was financed back to zero by the equalisation fund, sources said.

Meanwhile, Wheat Board GM Dennis van Aarde said because of the huge 2,35-million ton crop — and it could be bigger — the price of wheat was unlikely to be changed from the start of the new season in November.

However, because of expected losses, selling the surplus of about 600 000 tons on saturated world markets and on the local feed market, about R140m in producer levies to compensate for the losses were likely to be imposed. The levies could be as high as R50-R60 a ton.

The Wheat Board indicated to Wentzel that if the bread price was not raised soon an even bigger price adjustment would be needed by the beginning of next year.

Production prices slowing down

PRETORIA — Production price increases slowed markedly last year to 13,9% compared with previous years. Central Statistical Services said that in 1986 the increase was 19,5% and in 1985 it was 16,8%.

GERALD REILLY

Prices of locally-produced goods increased by 9,7% compared with 22,6% in 1986 and 23,6% in 1985.

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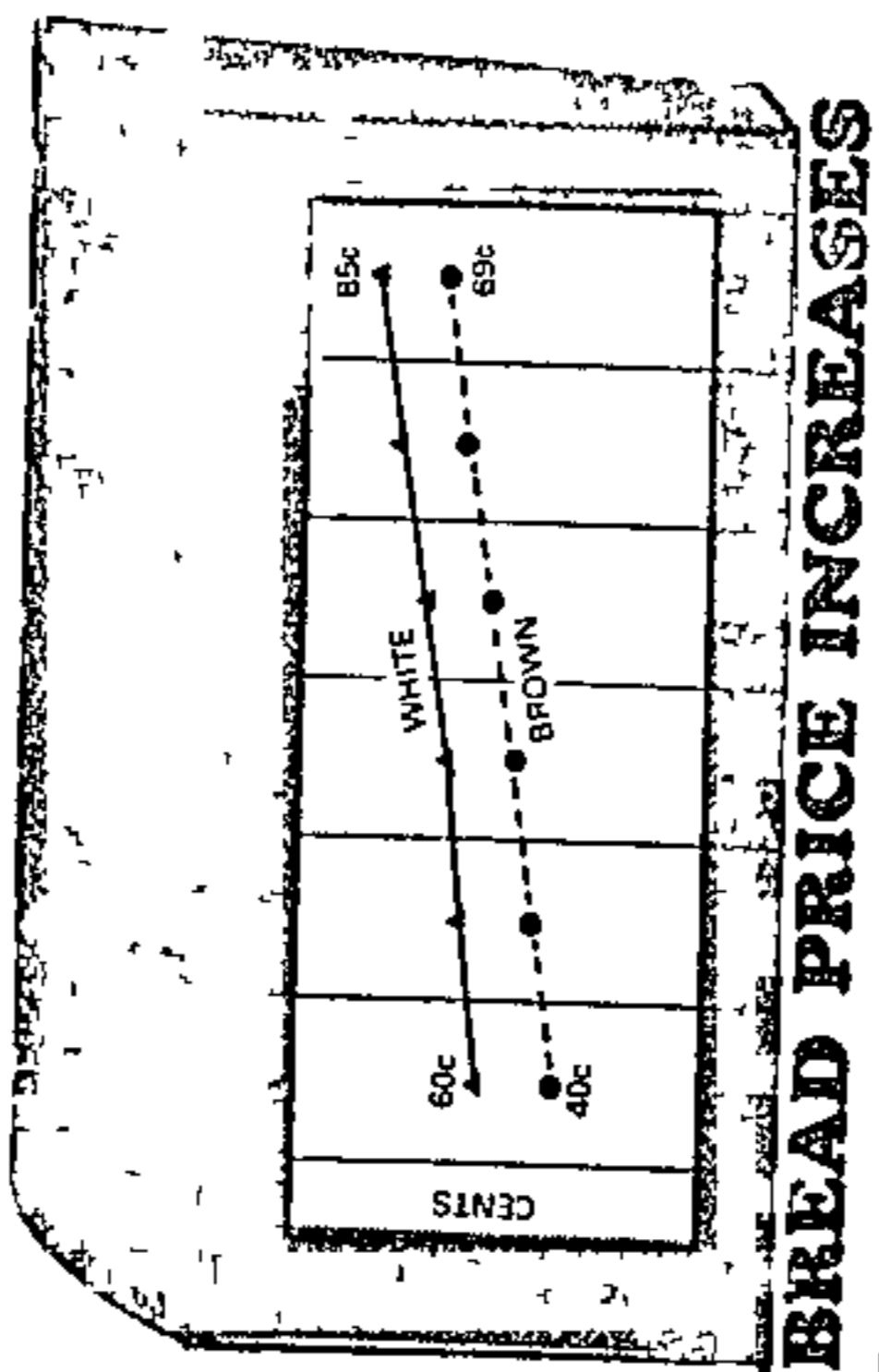
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4/8/88

BREAD BILL SHOCKS MILLIONAIRE

244

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'Far below cost'

Mr Wentzel said yesterday the government subsidy for bread had been increased by R32 million, while the wheat industry had been given an additional R20-million subsidy

If these subsidies had not been forthcoming, the price of white bread would have risen by 6c and that of brown bread by 11c, he said

Mr Wentzel said the government had considered postponing the price rise until October, but because of increases in costs in the baking and milling industries it had been brought forward

Bread was selling "far below cost", he said

Mr Wentzel said the additional funds allowed white bread to be subsidized by 1,9c a loaf and brown bread by 10,7c

He added that the cabinet had approved a phasing out of the bread subsidy over the next three financial years.

The honorary secretary of the Peninsula School Feeding Association, Mrs Paddy Policansky, described the price rise as "devastating", saying the move would lead to an increasing number of children who would have to be fed

She said the rise in the price of brown bread would add R81 000 to the association's bread bill this year

The PSFA feeds about 150 000 children from 378 schools every school day

The director of the Consumer Council, Mr Jan Cronjé, said in Johannesburg yesterday the body could not condone the increase

"Bread is an essential foodstuff and to many consumers this will come as a severe blow."

The president of the Housewives League, Mrs Lyn Morris, said in Pretoria that what concerned the organization was the increase most affected the needy

By JIM FREEMAN and ANDRE KOOPMAN

SHOCK and despair followed the announcement yesterday of steep increases in the price of bread, with many feeding schemes saying the extra burden could cripple their operations.

The Minister of Agriculture, Mr Greyling Wentzel, announced in Pretoria yesterday that the price of white bread would rise by 4c to 85c, and that of brown bread by 6c to 69c. The new prices represent increases of 4,9% and 9,5% respectively

Mr Wentzel said the new prices would come into effect on Monday.

The Consumer Council, Housewives League and the Peninsula School Feeding Association have all reacted angrily to the increase, saying it would seriously affect poor people

Meanwhile the Cape Town Medical Officer of Health, Dr M E Popkiss, said last night the increase would have a dramatic effect on the TB problem in the Cape Flats

"There has been a 24% increase in TB for the first six months of this year and the bread increase can only make things worse," he said

Groups slam bread price rise

By Tim Cohen

Consumer groups have strongly criticised the increase in the bread price, announced by Agriculture Minister Mr Greyling Wentzel yesterday.

From Monday consumers will pay 85c for a loaf of white bread (previously 81c) and 69c for brown bread (previously 63c).

The Government has added R32 million to its budgeted R100-million subsidy, and although no final decision has been taken, consumer groups are convinced the Government intends to do away with the subsidy within the next two years.

Mr Sergio Martinengo, deputy group managing director of Checkers, opposed the increase and any plan to phase out the subsidy.

He said most South Africans were depending on the Government subsidy to keep the price within reach.

Mr Raymond Murray, the national perishables co-ordinator for Pick 'n Pay, said the increase was a serious blow to consumers. He said his company would freeze prices at least until the end of the month.

Mrs Lyn Morris, national president of the Housewives League, said the league was not against the phasing out of subsidies, but would like the Government to add the amount taken away from subsidies to its job-creation funds.

The Consumer Union noted the "relatively small" rise.

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Bread price up on Monday

PRETORIA — The bread price would be increased from Monday — white by 4c a loaf (4,9% increase) and brown by 6c (9,5%), Agriculture Minister Greyling Wentzel said yesterday.

He said the R100m bread subsidy provided for in the Budget had run out and had been supplemented by an additional R52m — R32m from government, R10m from the Wheat Board and R5m each from the baking and milling industries.

Cabinet had approved a phasing out of the bread subsidy to zero over the next three financial years.

A postponement of the increases until

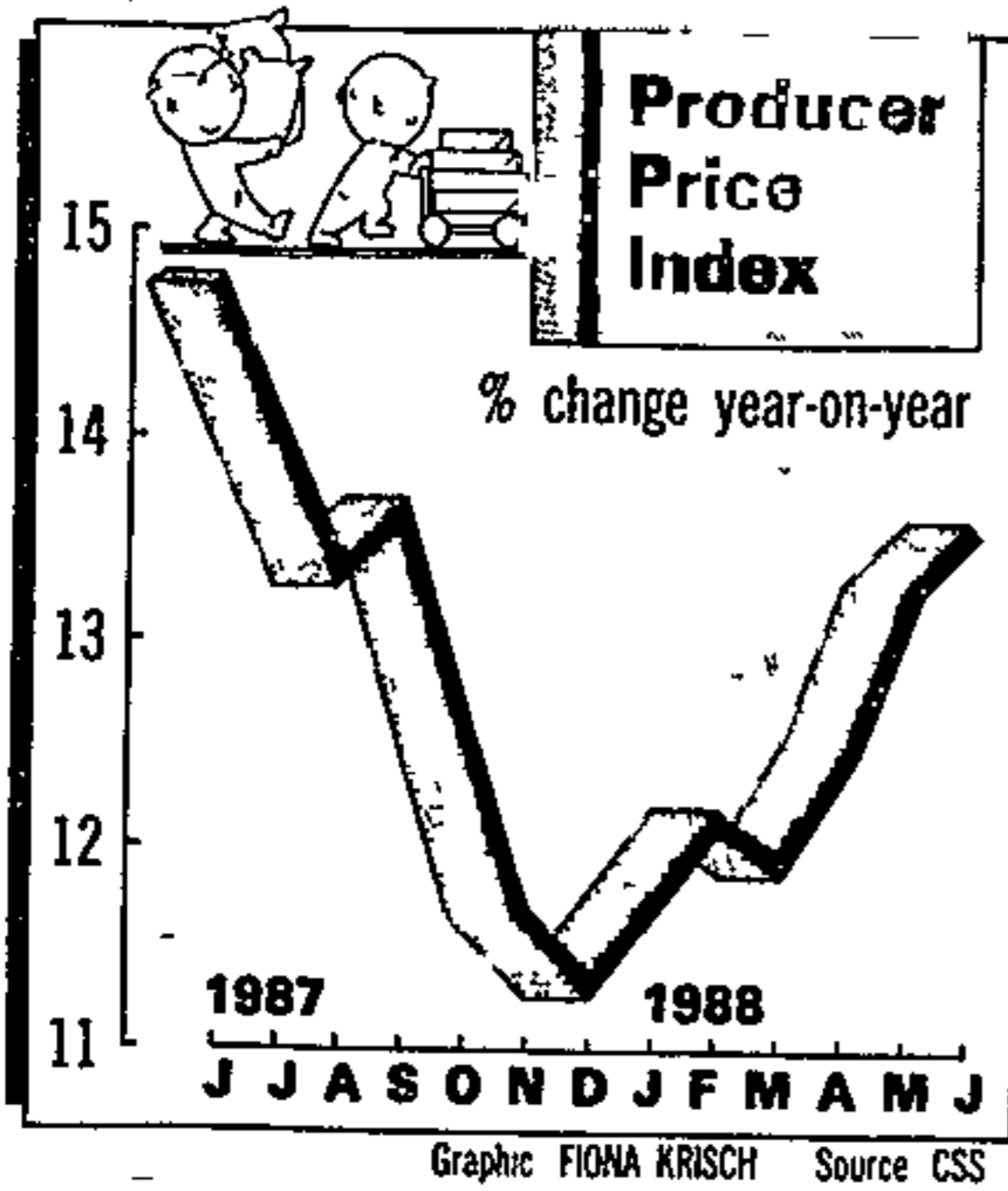
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GERALD REILLY

October had been considered. But that had been impossible because of cost increases in the baking and milling industries which had meant bread had been selling at a price far below cost.

A special committee would be appointed to work out the mechanics and to ensure a minimum-hardship impact on consumers

Wentzel also said a national food strategy committee had been appointed to plan the future food needs of southern Africa.

244



PPI creeps up as rand slips

B/Day 9/8/88

GRETA STEYN

PRODUCER price inflation crept up to 13,6% in the year to June from a year-on-year rate of 13,3% in May, Central Statistical Services figures show.

Inflation, as measured by changes in the producer price index (PPI), bottomed in December and has since been climbing steadily as domestic cost pressures and the weaker rand hit home.

However, the battering the rand is taking has not yet made its full impact felt.

After a sharp rise of 1,9% in the imported component of the PPI, between April and May, the rate of increase

slowed to 0,2% between May and June.

Frankel Kruger economist Gillian Raine said: "This is not surprising as the rand went through the floor only in mid-June, after the foreign debt repayment. The local currency was quite stable in April and May and its subsequent plunge would not be reflected in June."

The CSS survey takes place during the first seven days of the month and rising

(244) To Page 2

PPI creeps up as weaker rand impacts

9/8/88

import prices from mid-June will be reflected only from July.

The monthly increase in the PPI was 0,8% with the prices of locally produced commodities rising by 0,9%.

Senbank economist Johann du Pisani ascribed higher production prices to cost pressures from labour as well as

(244)

From Page 1

B/Day

demand pressures arising from shortages.

Sanlam's Johan Louw noted prices were also higher because companies' profit margins were bigger when the economy became more buoyant

Clover puts up milk price

MANDY JEAN WOODS

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THE Clover Dairies fresh milk increase of 10c from August 1 affected consumers in the Witwatersrand, Vaal Triangle and Natal.

NCD GM M Hermann said yesterday the average price increase — attributed mainly to labour and raw product costs — was between 7% and 8%.

Pick 'n Pay and Checkers said they would not raise their milk price in the near future, and the OK Bazaars said it would increase its price of Clover milk by 6c from August 15.

Pick 'n Pay regional director Jeff Kahn said his company turned down an

NCD request to approve an increase.

Pick 'n Pay milk sells for R1,10 per carton litre and R1,02 per sachet litre.

OK Bazaars marketing controller (food) Mervyn Kraitzick said NCD had put up its price of milk to the company by 6c a litre from August 15, but that its own "plain wrap brand" sold at 99c a sachet.

Clover Dairy milk at the OK, currently selling for R1,09 per sachet litre, would increase to R1,15, and carton litres selling for R1,15 would increase to

R1,22

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Pick 'n Pay

OK Bazaars

Petrol price rise on the cards

ANNOUNCEMENT of a substantial fuel price increase is expected today from Economic Affairs and Technology Deputy Minister George Bartlett.

The increase, it is understood, was approved by Cabinet this week.

Bartlett is expected to outline the background to the increase at a news conference this morning.

However, neither the date of imple-

Story 12/18/88 GERALD REILLY 244

mentation nor the extent of the price hike could be determined last night, but it is not expected to be greater than the inflation rate.

The increase, economists said yesterday, would ripple through the economy exerting a new upward pressure on virtually all prices.

'Govt could no longer absorb shortfall'

Big jump in SA fuel prices: details

12/8/88 244 Star

By David Braun, Political Correspondent

Cape Town

Fuel prices are to go up by between 11c and 13c a litre from September 1.

The price of illuminating paraffin is to rise by 14c a litre from the same date

This means the price of 93 octane petrol in the PWV area will increase from 82c a litre to 95c a litre — a 15,85 percent increase

Deputy Minister of Economic Affairs and Technology Mr George Bartlett announced the increases today, saying they had become unavoidable

After a thorough investigation of all the economic, social and political implications, the Government had approved the following increases in fuel pump and wholesale prices.

- 98 octane and 93 octane petrol 13c/litre
- 87 octane petrol 12c/litre
- Diesel 11c/litre
- Illuminating paraffin 14c/litre

Included in the increases are elements to strengthen both the Equalisation Fund and the MVA Fund. The retail profit margin, which was last adjusted in February 1987, is also increased by 0,6c a litre for petrol sales

The Government has also decided to increase the fuel tax by 3c a litre

Mr Bartlett said that while the low fuel price had assisted in combating inflation, it had also resulted in a number of disadvantages for the economy

It had increased consumption, increased imports of crude oil and upset the desired levels of self-sufficiency in liquid fuels from domestic sources

Increased imports of fuel had a detrimental effect on the current account of the balance of payments which in turn put pressure on the value of the rand relative to other currencies

Argentina expels SA consul

BUENOS AIRES — Argentina expelled the South African consul and three other South African citizens yesterday, an official announcement said

The consul, Mr Dirk de Wet, was ordered to leave the country after the three South Africans took part in an unauthorised seminar organised by the consulate, a foreign ministry communique said

No details on the subject of the seminar were supplied by the government but a diplomatic source said that Argentina's decision to sever diplomatic relations with South Africa in May 1986 was apparently criticised at the seminar

Pretoria could take similar action to Argentina's and expel the Argentinian consul in South Africa, he added

A foreign ministry spokesman said the seminar broached political topics and was considered by the government "an intolerable intrusion in Argentina's foreign policy" — Sapa Reuter

Decision on Labour Act 'is regretted'

By Adele Baleta

The South African Consultative Committee on Labour Affairs, (Saccola) said in statement today that it regretted the decision of Manpower Minister Mr Pietie du Plessis to promulgate the Labour Relations Amendment Act in full on September 1

Mr du Plessis said notice regarding the promulgation of the Act was appearing in the Government Gazette today

Saccola chairman, Mr Bobby Godsell, said it was hoped the Minister would reconsider his decision in the light of a joint motivation by Saccola, the National Council of Trade Unions (Nactu) and the Congress of SA Trade Unions (Cosatu) which would reach the Minister today

Yesterday Saccola and the unions agreed to ask the Minister to postpone the promulgation of some clauses of the Act

Mr Godsell said Saccola appealed to Nactu and Cosatu not to react to the latest developments in ways which would threaten the process of further negotiations

Ripple effect

Thirdly, increased fuel consumption had put additional pressure on South Africa's highway and public transportation systems, while relatively cheaper fuel for road haulage had also had a detrimental effect on support for rail transport

Another reason for an adjustment of fuel prices had been the recent rapid decline in the dollar value of the rand

This had resulted in serious under-recoveries from the sale of fuel, requiring a total of R550 million from the Equalisation Fund

The Housewives' League said the increase would have a ripple effect on virtually every commodity and service

Mrs Lyn Morris, president of the league, said "Everyone will grab the new petrol price and go with it"

Motorists in the PWV area have been paying about 8c a litre less than the cost of petrol

The basic price of fuel in South Africa, excluding levies and taxes, amounts to 58 percent of the total price, compared with 33 percent in Britain and 36 percent in West Germany

Making their sele



More curbs on domestic spending to be enforced

By Sven Lamsche

The Government is likely to announce a package of fiscal and monetary measures later this afternoon to protect South Africa's balance of payments, which has deteriorated rapidly this year

An extension of a surcharge on imports and measures to curb individual credit demand is likely. Selective import controls on luxury goods are not likely to be on the agenda this afternoon, but could be added at a later stage if imports continue to rise in spite of the measures

Soaring domestic expenditure and an increase of about 20 percent in imports on last year's figures, has resulted in South Africa's balance of payments surplus deteriorating dramatically. This threatens the country's ability to meet its \$22 billion (R55 billion) foreign debt commitments

The announcement of today's package is expected after close of trading on the Johannesburg Stock Exchange at 4 pm

2 ill after eating poisoned sweets

Own Correspondent

CAPE TOWN — A Swellendam lawyer and his pregnant typist are ill in Tygerberg Hospital after eating poisoned chocolates sent by post.

Mr Martin Kelly said his partner, Mr Chris Taylor, received a parcel on Wednesday of two boxes of chocolates, which were labelled A and B

An accompanying letter

said that as a member of the legal profession, Mr Taylor was obviously discerning and he was asked to taste and smell the chocolates

Mr Kelly said Mr Taylor gave a chocolate to Mrs Jeanette de Jonge and tried one himself

"They are now both out of danger but it was a hideous thing," Mr Kelly said

Police said they had not yet established a motive or what poison was used

PPI SLOW IN JUNE

For the third month running, the year-on-year increase in the production price index (PPI) accelerated in June. According to Central Statistical Service (CSS), it rose 13,6% to 278,2, from 13,3%, 12,5% and 12% in previous months.

However, the monthly increase of only 0,8% is the lowest since December and sharply reduces projected annual growth to 16% — from over 17% based on monthly growth in the year to May. The reason for the monthly slowing is not clear, says CSS head Treurnicht du Toit.

Despite the depreciation of the rand since May, local prices are having most impact. Year-on-year they increased by 14,6% against 10,2% in prices of imported commodities; and monthly they increased 0,9% against 0,2%.

But the declining value of the rand is expected to reverse this trend soon, giving much impetus to inflation.

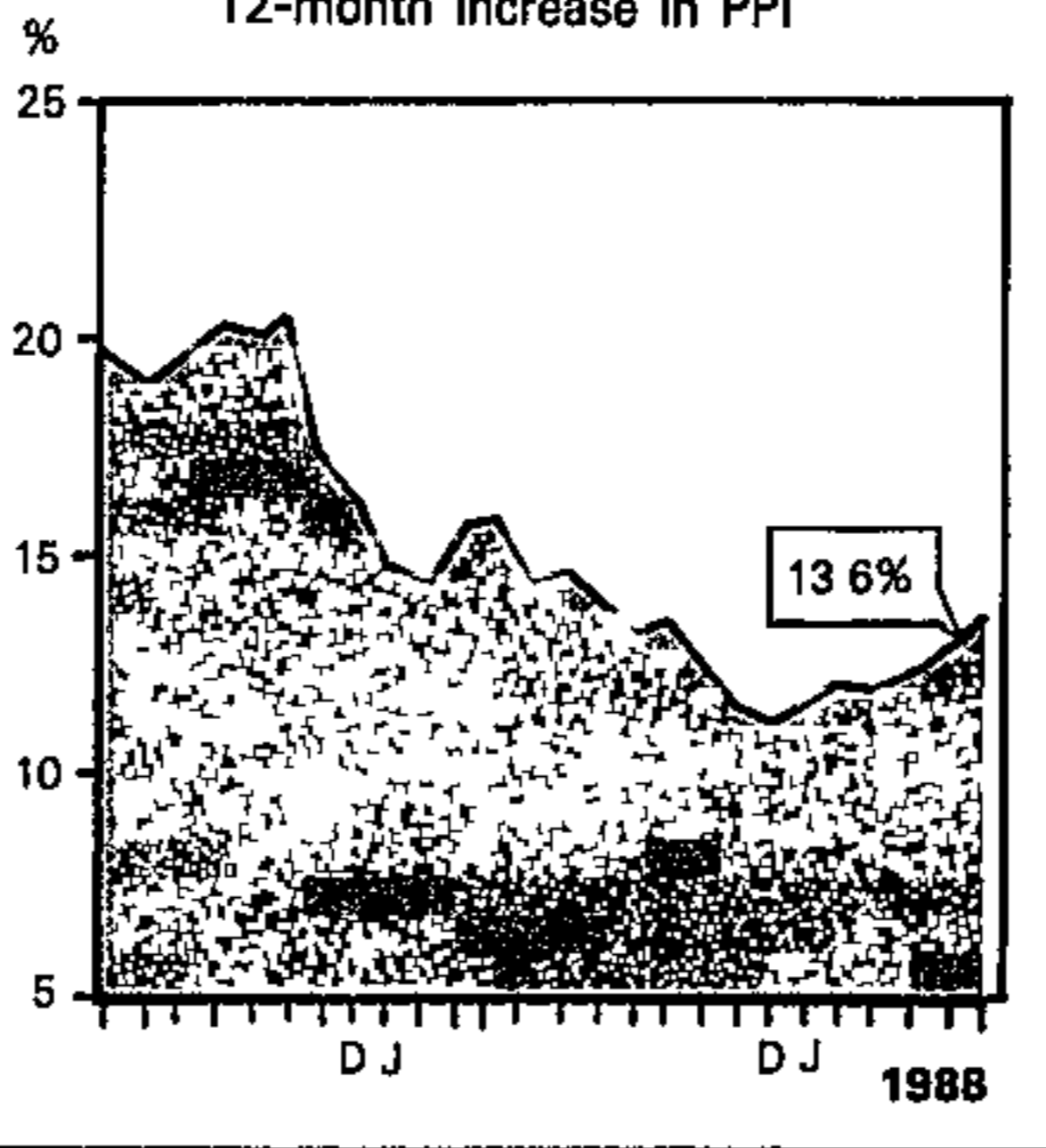
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12/8/88

Upward

12-month increase in PPI



16,5% rise from Sept 1

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12/8/88
266

By TOS WENTZEL
Political Correspondent

THE price of petrol will rise between 12c and 13c a litre on September 1.

Diesel will go up by 11c a litre and illuminating paraffin by 14c.

In Cape Town the price of 98 octane will go up from 79c to 92c a litre, an increase of 16,5 percent.

The increases were announced today by Mr George Bartlett, Deputy Minister of Economic Affairs and Technology

Both 98 octane and 93 octane petrol will go up by 13c a litre and 87 octane by 12c

Included in these increases are elements to strengthen the Equalisation Fund and the Motor Vehicle Assurance Fund

Retail profit

The retail profit margin, which was last adjusted in February last year, is also increased by 0,6c a litre on petrol. Fuel tax has been increased by 3c a litre

The latest increases apply countrywide but the end prices of products vary according to zones

Mr Bartlett said the rises were inevitable as a result of a number of factors.

Since 1980, the government had made a determined effort to combat inflation by keeping pump prices to reasonable levels

While a low fuel price had helped to combat inflation, it had in fact resulted in a number of disadvantages in the overall economy.

Consumption up

The first was increased consumption, which in turn meant increased imports of crude oil. This decreased the desired levels of self-sufficiency in liquid fuels from domestic sources as set by the government

Increased imports of fuel had had a detrimental effect on the balance of payments, which in turn put pressure on the value of the rand. This ultimately had a negative effect on the landed cost of crude oil and the inflation rate.

Increased fuel consumption had put additional pressure on South Africa's highway and public transport systems while relatively cheaper fuel for road haulage had also had a detrimental effect on the use of rail transport

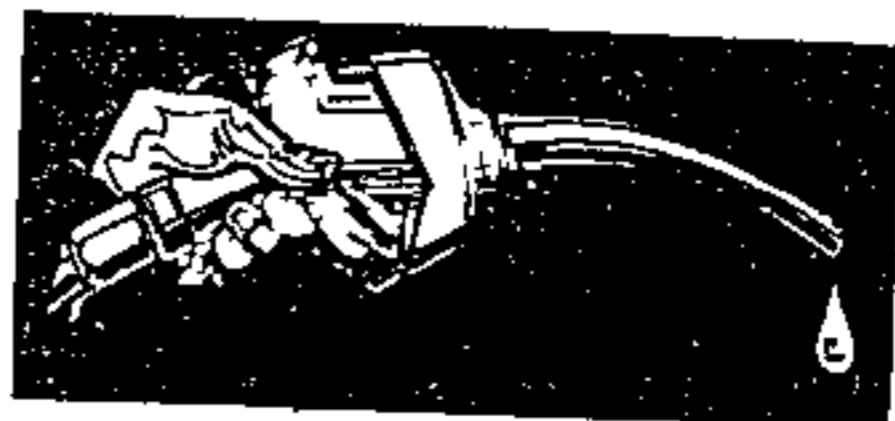
In view of this it had become imperative that South Africa's retail fuel prices be increased relative to other commodities and services in the economy

Another reason was the recent rapid decline in the dollar value of the rand, which had deteriorated from R2,03 to the dollar in July 1987 to R2,49 last month

This had resulted in the rapid depletion of the equalisation fund. Accumulative under-recovery to June 1 this year led to a withdrawal of R331-million from the fund on that date and a further R220-million this month in order to maintain fuel prices

If allowed to continue, it had been estimated the fund would be exhausted in early September

Mr Bartlett said South Africa



How the pump price at the coast of a litre of 98 octane petrol breaks down:

Landed cost	46,50c
Customs and excise duty. 4c	
Equalisation Fund levy	7c
Motor vehicle assurance (third party)	3,60c
Fuel levy	22,90c
Transport cost	0,20c
Total wholesale price	84,20c
Dealer margin	7,80c
Pump price	92c

can fuel prices, even after the latest increases, compared favourably with prices in other countries

He said the government remained committed to placing a high priority on the fight against inflation.

How much it will cost to fill your tank . . .

Tank size:	35 l	55 l	80 l			
Octane:	93	98	93	98	93	98
Current price:	R25,90	R27,65	R40,70	R43,45	R59,20	R63,20
New price:	R30,45	R32,20	R47,85	R50,60	R69,60	R73,60

These figures apply only in Greater Cape Town, including the False Bay suburbs and Simon's Town. Prices differ according to petrol delivery zones set by the oil companies. For instance, 93 octane petrol in Somerset West and Stellenbosch is going up from 75c to 88c a litre and 98 octane from 80c to 93c a litre, while in Swellendam, the price will go up from 77c to 90c for a litre of 93 octane, and from 82c to 95 c for a litre of 98 octane fuel.

PETROL PRICES

Ripple effect of rise in petrol price will be severe

Star 244
13/8/88

SVEN LUNSCHÉ

Recent efforts by the monetary authorities to bring inflation under control were dealt a blow yesterday, when the government announced that fuel prices would increase on average by 15 percent from September 1.

Provisional calculations show that the consumer price index (CPI) will increase by almost three percent within the next two to three months, given the direct impact of the fuel price rise.

In other words the inflation rate, which is currently running at 12,4 percent, could theoretically be pushed up to around 13 percent.

But the direct impact is minimal when compared to the ripple effect higher fuel prices will inevitably have on many other commodities, as many consumer goods have fuel as a major component of

their input costs.

Taking an example of a basic commodity such as bread, economist Willem Roets said that the grain farmer's fuel input was about 30 percent of production costs.

When this was carried through each stage of production, with a "modest" independent fuel cost factor of 15 percent added at each stage, plus the baker's delivery cost, any fuel price increase eventually multiplied about eight times at the final stage.

But Gillian Raine, economist at stock-broking firm Frankel, Kruger, Vinderine adds that consumer demand was expected to decline from its present high levels and that retailers could not afford to push prices too high.

She says that the rise in the fuel price was inevitable, given that the petrol price in real terms (inflation adjusted) is

at its lowest levels since 1977.

However, the latest increase is bound to reverse the decline in inflation rate increases, evident for over a year now.

Lower inflation has been targeted as one of the major economic prerogatives by the monetary authorities, headed by Reserve Bank governor, Dr Gerhard de Kock.

And the policies have succeeded to the extent that inflation fell to 12,4 percent in June, its lowest level in almost four years.

But economists are adamant that the rise in fuel prices, coupled with the recent rise in the price of bread, higher interest rates and the declining exchange rate of the rand — which pushes up the cost of imports — will see inflation rising again in two to three months time.

Tax increase

Reacting to the increase the Director-General of the Automobile Association, Mr Peter Elliott, said the 10c per litre increase is absolutely justifiable to offset the exchange rate deterioration, the additional levy for the equalisation fund, the MVA Fund and the margin for retailers.

"But the AA is opposed to the increase in tax of 3c per litre and is of the opinion that it could have been deferred. This would have softened the impact of the price increase to the motorist, been less inflationary, and reduced the effect on sectors such as tourism and the motor industry."

"The government has in the past lowered the fuel price when the exchange

'Important to protect BoP'

Reacting to the statement by Finance Minister Barend du Plessis yesterday on measures to control the economy the Federated Chamber of Industries said it fully realised the importance of protecting the state of the balance of payments in order to secure a sound base for future economic growth.

"Bearing in mind the adverse effects of immediate past experience in relying too heavily on monetary policy measures aimed at economic stability, the measures announced are recognised as necessary."

"It is envisaged that the effect of these measures will be to curb domestic expenditure via lower imports of non-essential goods and services.

rate improved, and the AA looks forward to a reduction when circumstances permit," Mr Elliott said.

The Black Consumer Union said the underprivileged in South Africa will be hard hit by the latest increase in the price of petrol and lamp oil.

The President of the BCU, Mrs Nonia Ramphumane, said the increases were especially unfortunate in light of wide scale unemployment and the present rate of inflation. She says the rise in the price of lamp oil will affect specifically those in the rural areas who depended on it as an only source of light, cooking and heating.

A spokesman of the South African Agricultural Union, Mr Kobus Jooste said the increase of 11 cents a litre in the price of diesel will cost the agricultural community at least R150 million a year.

The Building Industries Federation says that building costs, which were expected to increase between 21 and 25 percent this year, will rise by even more as a result.

However, executive director Louw Davis said it was at present impossible to quantify the extent of the further increases.

He said that the effects would be cumulative. "Material manufacturers will pay higher input and transportation costs, and these will be passed on to the contractors who will have to pay more for the transportation of labour and the running of on-site plant and equipment. These higher costs will have to be recovered from the developer and home buyers."

"Secondary industry also seems to have been reasonably adequately safeguarded against inflationary effects of the new surcharge system. The exclusion of agricultural products is also welcomed in view of the relative high contribution of foodstuffs to the expenditure patterns of lower income groups."

Regarding the surcharge on capital goods, the FCI said it is concerned at the negative effect that a 20 percent increase in the cost of capital equipment could exert on the economy in the absence of a rebate approval.

It pointed out that attention should be focused on the weak performance of capital formation in the economy during recent years.— Sapa

Petrol hike: 'Get ready for shocks'

CAT Trucks 13/8/88 244

Staff Reporter

THE 16% petrol price increase announced for September 1 could have been avoided and will send shock waves through the economy, knocking vehicle fleet-owners and heavy-duty hauliers hardest, organized commerce said yesterday.

Spokesmen for the Federated Chamber of Industries, Assocom and the Afrikaanse Handelsinstituut (AHI) said that more regular adjustments over the past year would have avoided the "unnecessary shock" to the economy.

However they conceded that the declining rand-dollar exchange rate had made an increase inevitable.

Mr Ron Craig, Western Cape chairman of the National Automobile Dealers Association, said

the increases would add R26 to the monthly fuel bill of an average motorist who used 200l a month.

The Consumer Council yesterday predicted a plethora of price increases and added its voice to urgent appeals by the Building Industry Federation and the Automobile Association to traders and manufacturers not to misuse the increase for their own profits.

Mr Jan Cronje, Consumer Council director, said consumers were now in a "particularly precarious position".

He reminded consumers that when the fuel price was decreased last year traders and manufacturers had claimed fuel made up only a "fraction" of their overhead costs. The price of their

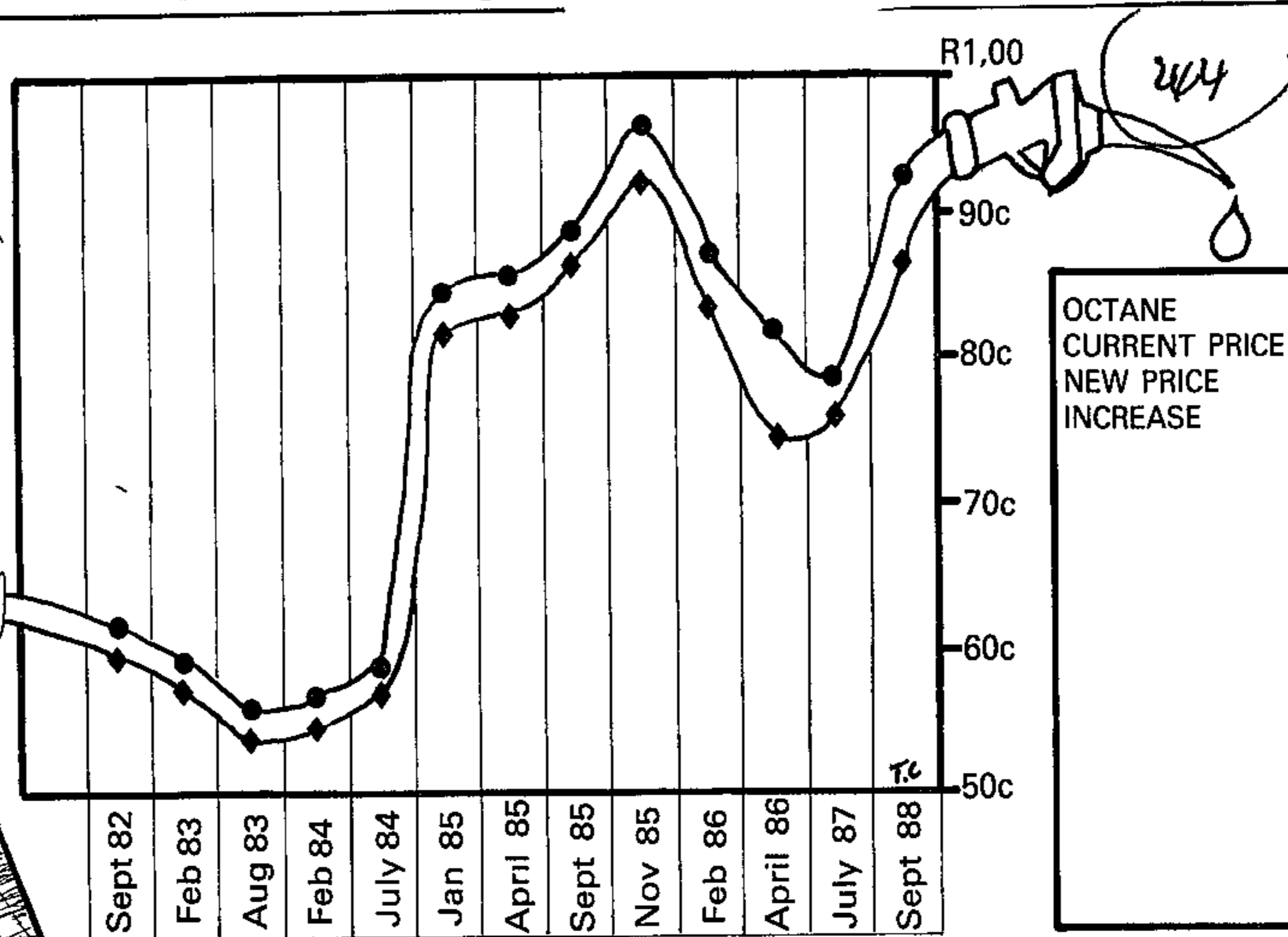
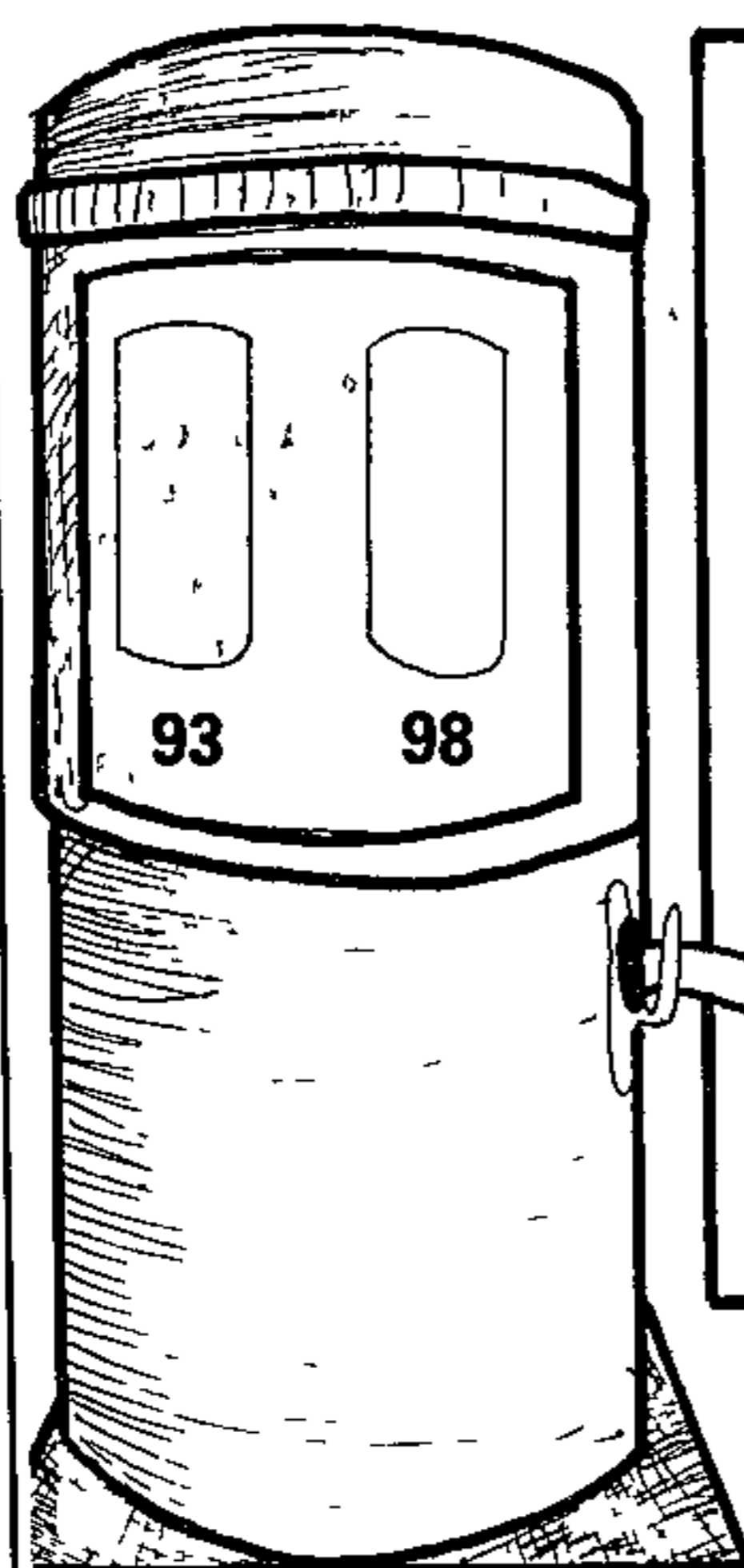
commodities had not come down. The increases were announced yesterday by Mr George Bartlett, the Deputy Minister of Economic Affairs and Technology.

Both 98 octane and 93 octane petrol will go up by 13c a litre, and 87 octane by 12c. Mr Bartlett said elements to strengthen the Equalization Fund and the Motor Vehicle Assurance Fund were included in the increases.

Diesel will go up by 11c a litre and illuminating paraffin by 14c, body blows to organized agriculture and for millions of poor South Africans who depend on paraffin for light, heat and cooking.

A spokesman for the SA Agricultural Union, Mr Kobus Jooste,

To page 3



Filling a tank			
OCTANE	98	93	
CURRENT PRICE	R27,65	R25,90	35 litres
NEW PRICE	R32,20	R30,45	
INCREASE	R 4,55	R 4,55	
	R43,45	R40,70	55 litres
	R50,60	R47,85	
	R 7,15	R 7,15	
	R63,20	R59,20	80 litres
	R73,60	R69,60	
	R10,40	R10,40	

From page 1

Petrol

said the diesel increase would cost the agricultural community R150 million per year.

The road freight industry — already saddled with increased road tolls and a permit system — is particularly hard hit and will almost certainly pass on increases.

Mr Mike Norris, managing director of Hultrans, called for the immediate deregulation of the transport industry and the removal of "artificial barriers" created by the permit system.

"At a time when South Africa is desperately trying to

restrict imports it makes no sense for transport operators to be forced to undertake empty leg journeys due to the permit system," he said.

He did not expect a change in car sales trends and hoped that some of the funds generated would be used towards improving and maintaining roads.

Mr Bartlett said the petrol price increase would have a direct effect on the inflation rate of 0,6%.

He called on all commercial users of petrol to reduce petrol consumption in an effort to absorb as much of the increases as possible.

The 13c per litre increase in 98 and 93 octane petrol comprised an 8,1c increase to offset the slate under-recovery, a 1c increase in motor vehicle assurance, a 3c fuel tax increase, an 0,3c increase in the equalization

fund levy, and an 0,6c increase in the dealer margin.

Mr Bartlett said the prices had not been increased sooner because government had been "hammered" to keep them down.

However, various factors necessitated the increase. There had been an increase in consumption, which meant increased imports of crude oil, thereby decreasing the country's desired levels of self-sufficiency in fuels.

The increased imports of fuel had a detrimental effect on the current account of the balance of payments which, in turn, put pressure on the rand. This had a negative effect on the landed cost of crude oil and the inflation rate.

More fuel in inflation furnace

14/8/88
244
Stines

SHARP increases in petrol and diesel prices in September will hoist the consumer price index (CPI) by about 1,7 percentage points and dash hopes of reducing inflation.

The CPI hit a four-year low of 12,4% in June. Economists now estimate that by the end of the year the inflation rate as measured by the CPI will rise to 15% or 16%.

The 15,8% increase in the petrol price will be the first in 31 months and has been caused mostly by the declining rand.

The new fuel prices will result in an early rise in the CPI of 0,7 percentage points, but the multiplier effect through the additional cost of transport will add another percentage point by the first quarter of next year.

A motorist travelling 1 600km a month in a two-litre car can expect his petrol bill to rise by about R30 a month.

Phil Erasmus, chairman of the Public Carriers Association (PCA), says the cost of transport will increase by about 3%. Higher licence fees for heavy trucks will add another 2% to costs.

The Deputy Minister of Economic Affairs and Technology, George Bartlett, says that too-cheap fuel has increased road use to the detriment of rail transport.

Building

Kobus Jooste, president of the SA Agricultural Union, who with representatives of other organisations met Mr Bartlett on Friday, says the additional cost to farmers will be about R150-million a year. He concedes that the increase is unavoidable.

Expensive fuel will push up building costs. They are expected to rise by between 21% and 25% this year, says Lou Davis, executive director of the Building Industries Federation of SA (Bifsa).

Material manufacturers will have higher input and transport costs which will be passed on to contractors who will have to pay more for running on-site plant and equipment.

Cees Bruggemans, chief economist at First National Bank, says fuel

By Don Robertson

prices have been held at an artificial low for some time. There could be a wave of price rises later this year on other products whose prices have been kept down.

Assocom says the rise will have a serious effect on the cost structure of the economy and it is unlikely that the recent improvement in the rate of inflation can be maintained.

Other economists say the new fuel prices could have been designed to curb consumption and so protect the current account of the balance of payments (BoP).

For political reasons, the authorities have supported the price of fuel since December at a cost of R551-million. The money was drawn from the Government-operated equalisation fund.

Exhausted

However, with the retail price of petrol running at as much as 7,9c a litre below the production price, the fund would have been exhausted by the end of September.

Since December, the under-recovery has mounted rapidly. In January it was 1,089c/l, 1,219c/l in February, 1,796c/l in May, 6,401c/l in April, 7,896c/l in June and 7,906c/l in July.

In June last year, the slate operated by the oil companies, had a surplus of R195-million. However, it was whittled away each month and in April had fallen into a deficit of R98-million. This was settled by a payment from the equalisation fund.

The price of 93 octane petrol on the Reef will rise from 82c/l to 95c/l. The price of 98 octane at the coast will go to 79c/l from 92c. The price of 87 octane fuel will increase from 79c/l to 91c on the Reef.

The price of diesel will rise to 87c/l from 76c, and paraffin will cost 14c/l more.

The structure of the petrol price will also be changed. In spite of the September increase, an under-recovery of 8,1c/l is estimated. An additional 1c/l will be allocated to the Motor Vehicle Assurance Fund. The fuel tax will be increased by 3c/l, and the equalisation fund will get an extra 0,3c/l. The dealer margin will rise by 0,6c/l.

The under-recovery of 8,1c is based on an exchange rate of R2,45 to the dollar, but is averaging R2,50 to the dollar this month.

However, Mr Bartlett says there will be no further fuel-price increase this year as the equalisation fund will receive an additional 0,3c/l.

Mr Bartlett says fuel-price increases from 1980 to 1987 were 45% below the rise in the CPI, which meant that in real terms it declined by 45%.

Although the volume of crude-oil imports could fall, further steps are needed to protect the balance of payments (BoP).

In the first half of this year, all SA's imports rose to R18,24-billion from R13,23-billion in the six months to June last year. Exports rose by only 6,4% to R21,67-billion from R20,36-billion — a decline in volume terms. As a result, the BoP current account surplus fell from R7-billion to R3,43-billion.

Imports in June were R3,55-billion compared with exports of R4,02-billion, reducing the surplus to R463,8-million — the second lowest this year.

The growing import bill was caused mainly by capital equipment purchases, stock replenishment and high-tech items, such as computers, which were bought ahead of tighter sanctions.

The worsening position was alleviated in March, April and May as interest rates abroad eased. This encouraged importers to seek trade credit instead of SA finance. The resultant capital "inflow" assisted the BoP.

However, foreign interest rates have firmed and trade credits have become expensive.

The authorities were reluctant to take any action, fearing that interest rates in SA would rise. The Government was afraid of the political consequences of this, says Azar Jammine, director and chief economist of Econometric.

"We are now in trouble. We cannot continue to import at levels which are 40% above those of last year while exports remain static."

"The authorities have three options — they can lift interest rates, impose direct credit controls through the banks, or impose import duties or surcharges. They have no alternative, they have waited too long."

Government puts lid on ^{Stav} big spending ^{15/8/88 244}

By Sven Lunsche

Consumers were today still reeling under the double-blow of the Government announcement of a 15 percent increase in the petrol price, coupled with increased import surcharges and tougher hire purchase restrictions.

The Government hopes a potential crisis on the balance of payments can be averted through the measures, which are expected to reduce the country's import bill by about R1,5 billion.

But consumers will undoubtedly bear the brunt of the measures, given that petrol price increases in particular have a ripple effect on the prices of many items.

The new hire purchase sales curbs, which were formally gazetted in an extraordinary edition of the *Government Gazette* on Saturday, will increase the minimum deposit required for mainly electrical equipment.

For domestic appliances, TV sets, jewellery, clocks and camping equipment a minimum deposit of 15 percent will now have to be paid, while the maximum repayment period has been reduced to 18 months.

Similarly, consumers will now have to pay 25 percent up front for video recorders, while the remainder has to be repaid over a year at the most.

Furniture and cars were exempt from the tougher hire purchase conditions.

Today retailers were still struggling to find out details of the measures, as buyers attempted to assess the extent of the new surcharges.

PREDICTIONS

Predictions are that consumers can expect to see a lot of products disappearing from the shelves.

The current surcharge of 10 percent on a wide range of imported products will be replaced today by a scale running from 0 to 60 percent.

The steps had been necessitated by high domestic expenditure, which placed pressure on interest rates and also led to an increase in imports.

Finance Minister Mr Barend du Plessis indicated, however, that if consumers did not react positively to these measures by curtailing their spending, particularly on credit, "further and more painful steps would follow."

Increase a 'disgrace'

THE latest petrol price increase was a "disgrace," and was yet another way for the Government to milk the road user who had already been subjected to toll roads, higher licence fees, fuel levies and the usual road taxes, CP spokesman on Economic Affairs and Technology, Mr Clive Derby-Lewis, said on Friday.

"If the economy had had any chance of recovery, this possibility has vanished with the latest increase.

Effect

"The fact that a junior Minister announces the increase, is an indication of the Government's couldn't-care-less attitude towards the man in the street, particularly the hard-hit farming community."

The petrol price increases will have a major effect on all prices, especially on basic foodstuffs, according to consulting economist Mr Willem Roets.

The latest fuel price increases of 16,5 percent would have a considerable impact on what the consumer would pay for all products, said Mr Roets.

He also warned that the increase would further marginalise the farming community, hitting it with rising production costs on the one hand while, in a very capital intensive situation, it was facing heavy interest rates.

Assocòm has accepted the massive 13 cent a litre in the fuel price, but states that the increases should be done on a regular basis to avoid the situation when large increases become necessary.

Supermarket slates bakeries agreement

By JEREMY DOWSON
Staff Reporter

A MAJOR supermarket chain is at loggerheads with the "big four" bakery groups in the Western Cape over a 15-year-old zoning agreement for government-subsidised bread.

After last year's collapse of a milk zoning agreement between local dairies, Pick'n Pay is gunning for the bread-delivery agreement between bakeries owned by Tiger Oats, Premier Milling, Bokomo and Sasko

The chain's national perishables co-ordinator, Mr Ray Murray, described the agreement — whereby bakeries have mutually agreed to supply stores in certain areas — as "archaic and in conflict with free market principles".

He admitted that the agreement's collapse would not bring down the prices of subsidised white and brown bread, as these were fixed

The secretary of the Western Cape Bakers' Association, Mr Colin Boyes, said the agreement was introduced during the oil crisis in the early 1970s to cut down delivery costs by avoiding duplication of supply routes.

"Over the years this has saved the industry — and therefore the consumer — many millions of rands

"If Pick'n Pay has its way and there is a free-for-all, bakeries will have to buy more vehicles and employ more labour"

This would cause costs to rise and lead to further increases in the price of subsidised bread.

Since the collapse of the milk zoning system, dairies had been forced to expand their delivery fleets at enormous cost

Mr Boyes said that at the time the agreement was struck, all supermarket chains operating in the Western Cape — including Pick'n Pay — were given the opportunity to state their cases

"Agreed to it"

"Like the others, Pick'n Pay agreed to it"

The national vice-president of the Housewives' League, Mrs Sheila Bailie, said the organisation was "generally in favour of competition" and regarded rigid zoning as unfair.

The regional head of the S A Consumer Council, Mr Wander Hoon, said the council was opposed to zoning in principle and believed that the free market system should be complied with.

maintained minimal Mining 758 close = Sapa

ONE Times 17/8/88 (214) 200

Simmers lifts income

JOHANNESBURG — Simmer & Jack Mines (Simmers), an associated company of Johannesburg Mining and Finance Corporation (JMF), reported increased pre-tax profits of R2,236m (R1,932m) for the six months ended June 30, 1988

This emerges from the interim report published yesterday, which reflects a marginal increase in turnover to R3,598m (R3,4m) compared with the previous corresponding period

Operating income increased by 30% to R2,885m (R2,219m), with profit after taxation having increased to R1,133m (R986 000)

This is equivalent to earnings of 16,8c a share (14,6c)

A director of Simmers, Tony Netto, said a loan of R9m bearing interest at current overdraft rates security by a cession of the company's right to royalties, repayable by February 28, 1990, resulted in interest payable amounting to R649 000 (R287 000).

"The loan was raised to finance the company's obligations in respect of the Simmergo project, a joint venture with East Rand Gold and Uranium Co (Ergo) at Simmers' Germiston operations"

"Royalties paid to Simmers in respect of this joint project were higher at R2,352m (R2,277m) — Sapa

The fuel tax has been increased by 3c/l, while the retail profit margin — which has been under severe pressure and was last adjusted in February 1987 — goes up by 0,6c/l. The margin, says George Bartlett, Deputy Minister of Economic Affairs and Technology, is calculated on a pre-determined "economically viable" turnover for the average service station.

Pump prices have been held constant, explains Bartlett, during an extended period of high inflation. This has resulted in sharp falls in the real prices of petrol and diesel (see graph 1). In June the under-recovery was 7,8c/l for 93 octane petrol.

This has led to "accumulative withdrawals" of R331m on the Equalisation Fund. Without the price increase, the fund would have been exhausted by early September — so a price increase was needed regardless of other important factors.

While demand for diesel is mostly determined by the level of economic activity, demand for petrol is highly elastic in relation both to real price and real disposable personal income. Official figures indicate the real petrol price has dropped by 45% since 1980!

The most serious impact of the recent surge in petrol sales has been, undoubtedly, on the trade account. We are not permitted to know how much foreign currency is spent on crude oil imports, but an educated guess is in the region of R1,5bn-R2bn a year.

A 10% increment, say, to liquid fuel demand would nearly double the percentage of crude oil imports (assuming Sasol provides a little less than half current requirements and produces at capacity at all times).

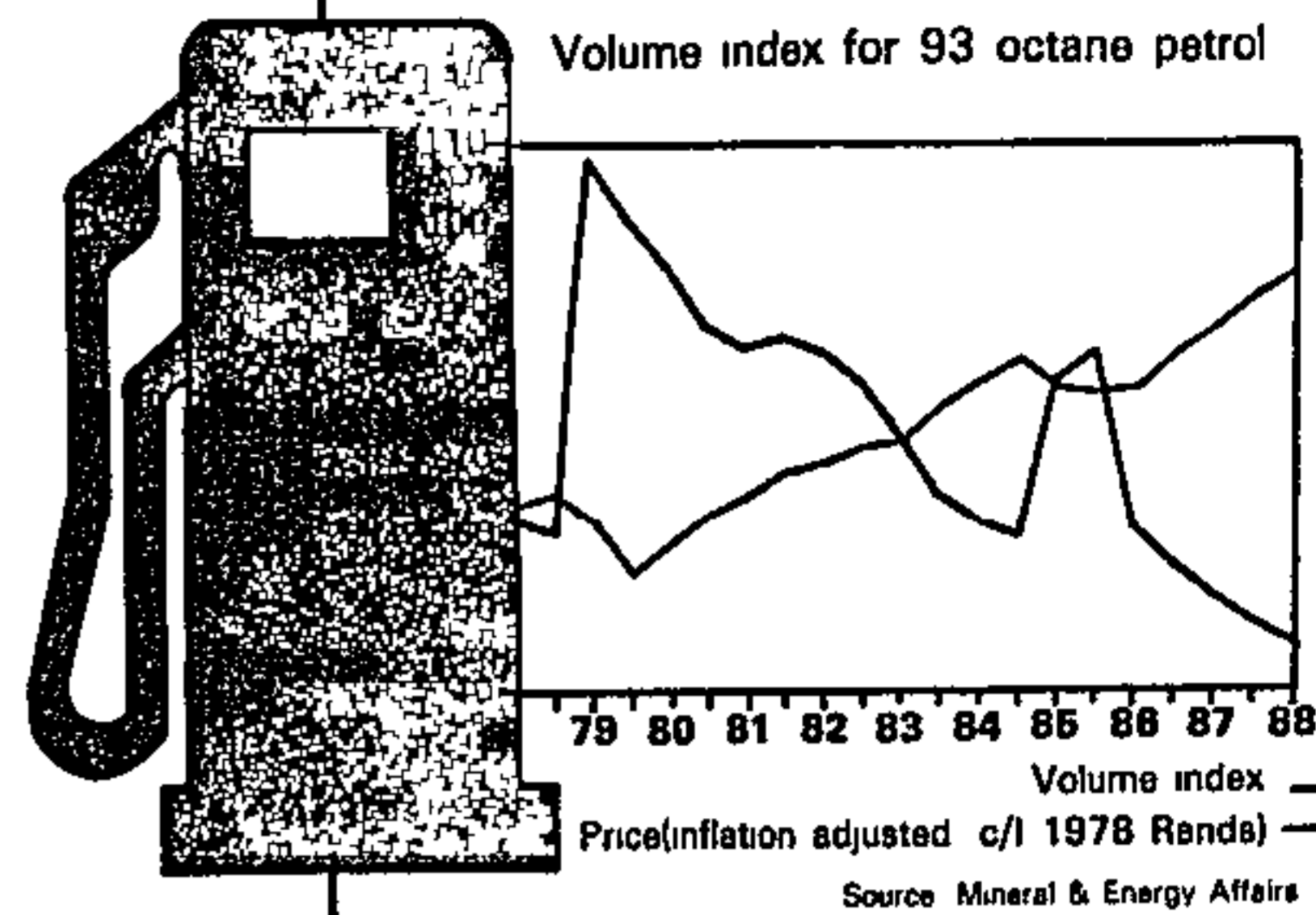
Bartlett makes the point, moreover, that a significant increment to oil imports reduces the degree of self-sufficiency considered necessary for strategic reasons.

Further, relatively cheaper fuel for road haulage has placed additional pressure on highway and public transport systems, and has decreased utilisation of rail transport.

Bartlett claims fuel prices, both before and after taxes and levies, "still compare favourably with other countries" (see graph 2). Table 2 shows the detailed components of the PWV price of 95c/l for 93 octane petrol.

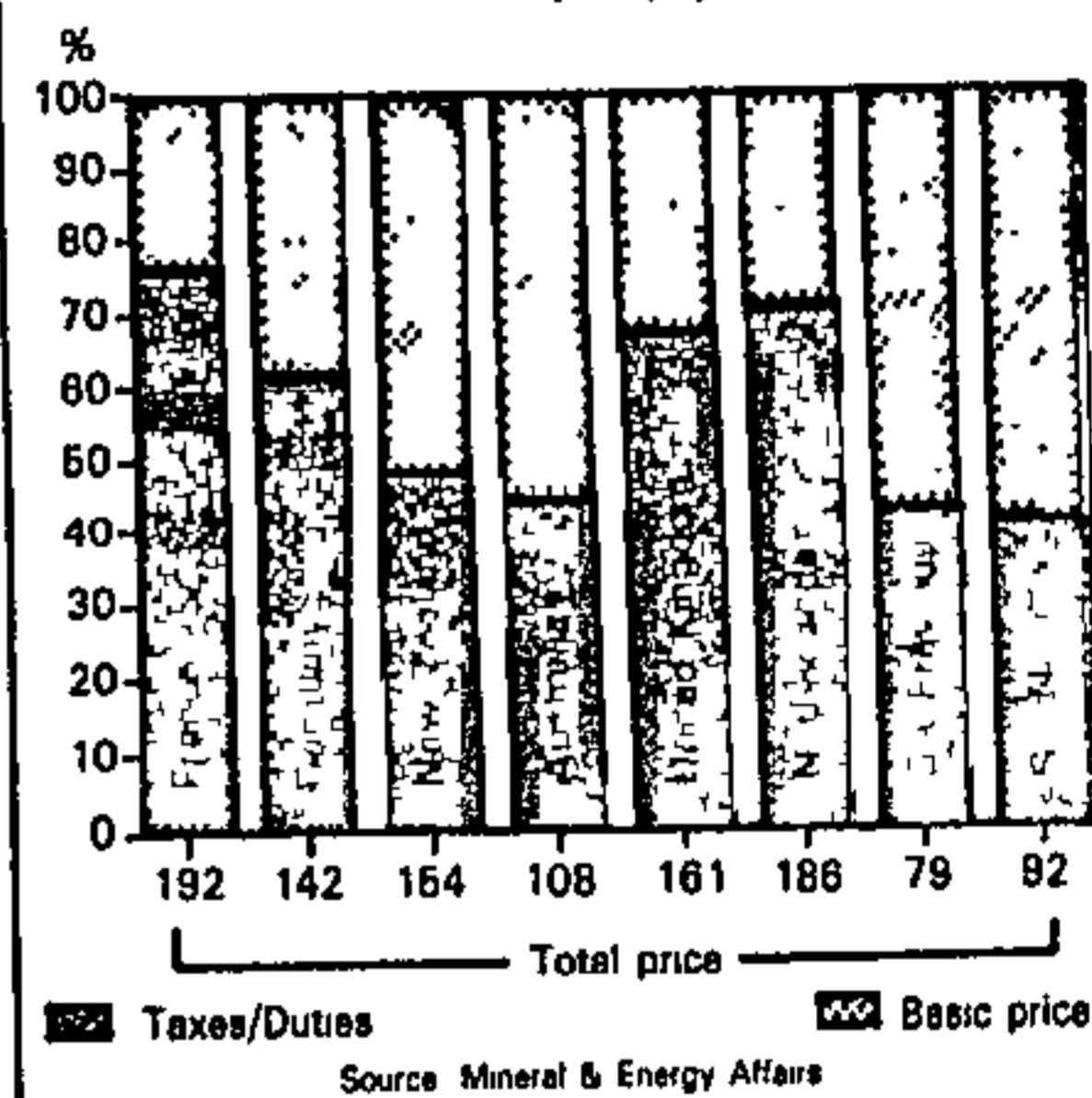
Government has to walk a tightrope be-

Unwanted stimulus



A taxing issue

International pump prices



tween balancing the national books for liquid fuels and adding to inflationary pressures. Private-sector calculations suggest the increases could add around 0,6% to the inflation rate. On the other hand, any move to reduce pressure on the current account could ultimately be anti-inflationary.

The biggest losers from the increases will be the oil companies, which have, for some time, had the benefit of increased loadings on their refineries.

Longer term, the trend in liquid fuel prices will continue to be determined by the minutet of international oil prices measured in dollars and the dollar value of the rand. While the oil price has neutral to bearish prospects as the Gulf war ends, sentiment about the rand remains gloomy.

But the restored margin for the Equalisation Fund should enable the new line to be held for some time, even if the net result is a continued increase in rand oil prices.

FUEL PRICES

The axe falls

The long-awaited blow of higher liquid fuel prices, effective on September 1, has finally fallen. The recent fall in the rand has forced up the cost of both imported crude and (through the landed cost formula) the price paid to Sasol for its output.

The price of 93 octane petrol goes to 95c/l in the PWV area, and 87c/l at the coast; 98 octane (coast only) goes to 92c/l and 87 octane to 91c/l (PWV); while diesel goes to 87c/l in the PWV and 81c/l at the coast.

PETROL PRICE

93 Octane on the PWV area

	cents SA
International price .. .	34,442
Zone differential	7,8
Customs & excise	4,0
Equalisation fund	7,0
MVA	3,6
Tax	22,9
Delivery difference	1,9
Wholesale margin	5,558
Retail margin	7,8
	<u>95,000</u>

Source: Mineral and Energy Affairs

24K
19/8/88
PWV
95/9/61

CAR PRICES

Driving up costs

Planning to buy a new car before prices go up again? You're too late. Four more manufacturers have raised their prices this week to almost complete the latest round of increases

Two weeks after Toyota and Mercedes Benz increased their prices, Samcor, Nissan, Volkswagen and Delta have all followed suit. That just leaves BMW, which plans its next increase on September 1

With at least one more general price increase expected before the end of the year — and perhaps two — manufacturers are well on target to achieve the 18%-20% overall increases predicted for 1989. For some models, the latest increases are the fifth this year.

Prices of some vehicles have already risen by as much as 14% in 1988. With four-and-a-half months of the year to go, the 20% for those vehicles looks well within reach. At the same time, other ranges have risen by no more than 10% as individual manufacturers are trying to balance out increases between ranges.

Motor industry officials say the rand remains weak against the Deutschmark and Japanese yen — the critical currencies for vehicle prices — so the signs point towards further increases this year.

Most manufacturers have pushed up prices this time round by an average 3%-4%. A similar hike is likely in early November, followed — in all likelihood — by another increase at the end of December. The industry traditionally likes to slip in an extra price rise at Christmas while everyone's away.

The level of increases will continue to be dictated, unofficially, by Toyota. As the market leader in vehicle sales, it is almost invariably the first to raise its prices. Competitors then pitch their prices accordingly.

On that basis, the introduction of Toyota's new Corolla range at the end of the year could raise a problem or two. Toyota may want to keep prices down but company sources stress no such decision has yet been made — competitors may be tempted to a one-off price rise beyond the normal 3%-4% BMW did that this year, with the introduction of its Three Series facelift.

If that does happen — and the Toyota sources stress no such decision has been made yet — competitors may be tempted to raise their prices more than they might otherwise have done, particularly since manufacturers argue the competitiveness of the market forces them to accept lower margins and returns than they need.

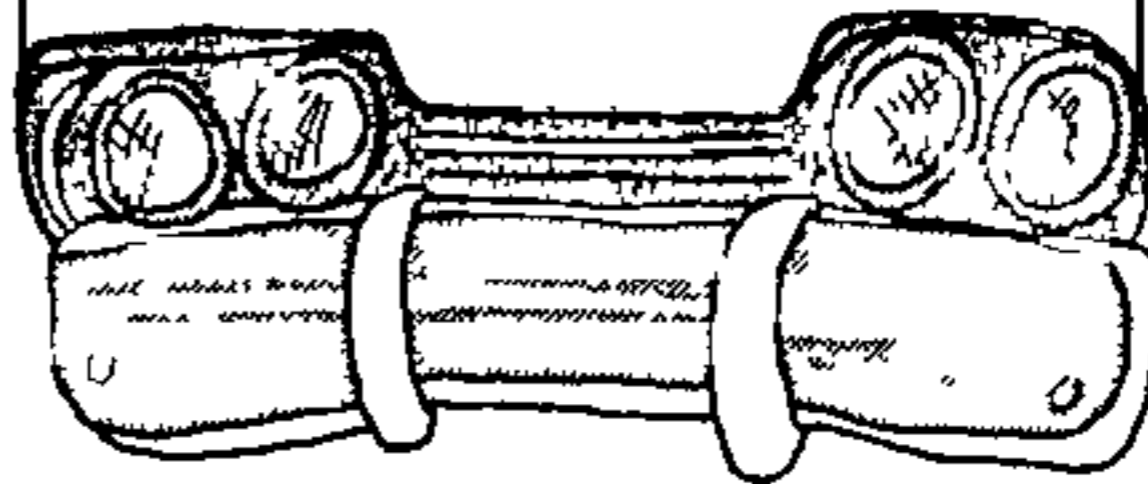
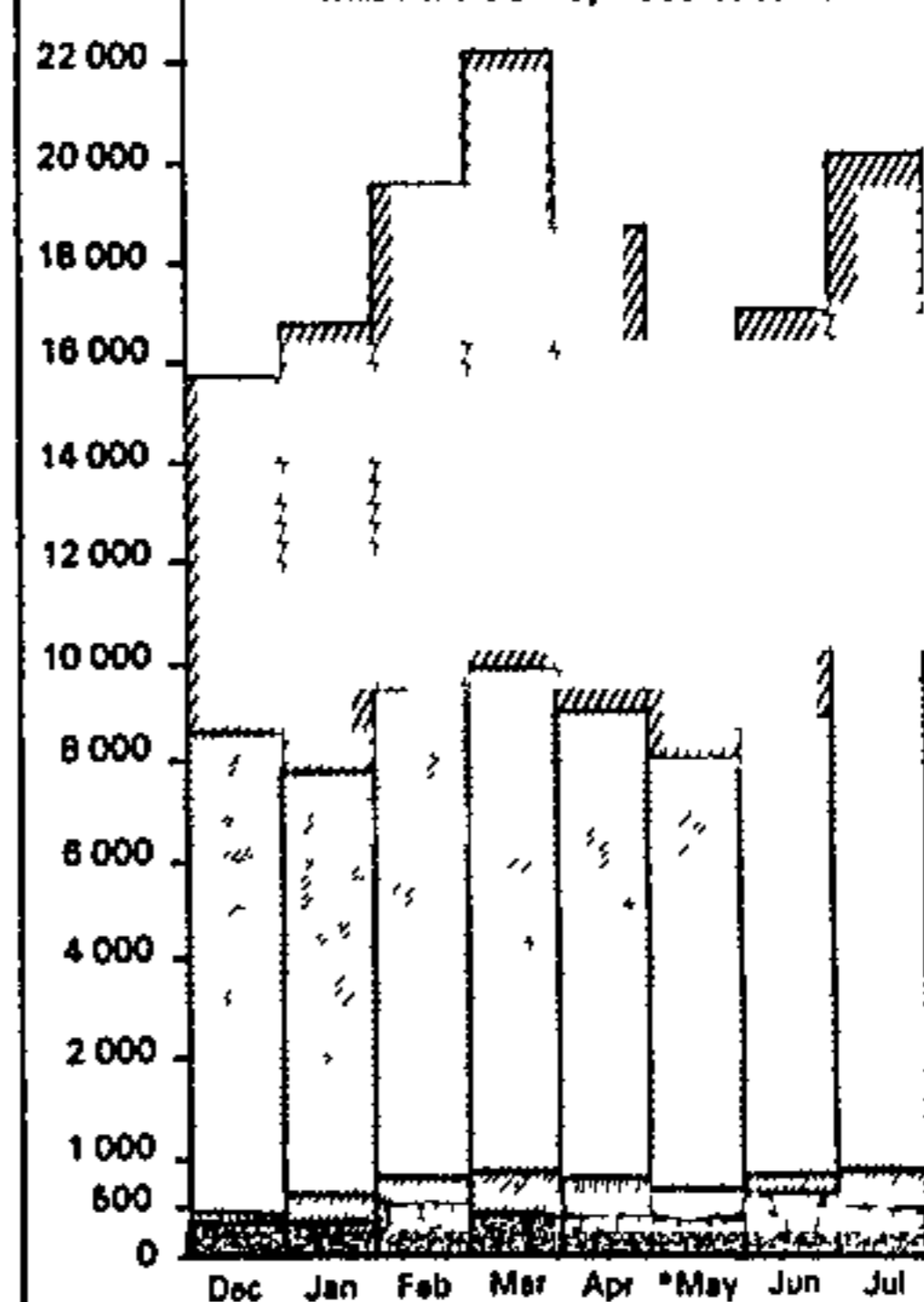
This week's increases don't apply to all models of the manufacturers involved. VW, for instance, is putting up prices on the Golf,

A bumpy road

Ups and downs of 1988 vehicle sales



* Figures do not include Delta Motor Corporation which withheld May 1988 sales details



Jetta and Audi, but not on the Fox. Delta, while increasing prices on the Kadett and Monza, hasn't touched the Rekord.

Despite the increases, manufacturers remain confident sales won't be hit. July's recovery in vehicle sales (see graph) has convinced them the market remains essentially stable, particularly in view of the vehicle shortages that have existed for most of the year. Manufacturers are making up the backlog but they still have some way to go.

There is some concern at the effect on the market of the impending petrol price increase — particularly on fleet purchases — and continuing government attempts to dampen consumer spending. Overall, though, industry officials continue to express optimism. ■

Second lift in car prices

MOTOR manufacturers may be forced to increase vehicle prices again this month

The increased surcharges announced by Finance Minister Barend du Plessis last week will lift the price of cars by as much as 3% and could result in an overall price increase this year of about 23%

Minimal

The price of imported parts and spares will increase by between 8% and 8,5%.

As part of a package to reduce imports, Mr du Plessis imposed an additional 3% duty on completely knocked

By Don Robertson

down (CKD) component kits and on imported parts. The surcharge on spare parts has been increased from 10% to 20%.

Brand Pretorius, managing director of Toyota Marketing, says components arriving now have to bear the higher rate.

"We have run on a 'just-in-time' stock basis for some years. Our stocks are minimal."

The declining rand and high SA inflation are also raising costs.

A spokesman for Samcor says: "Duties on components in transit will cause increases in vehicle prices sooner than expected."

Exotics

Brian Taylor, managing director of exotic car dealer Bloomsbury, warns that import duties will lead to hyperinflation in the upper end of the luxury market.

The increased duty and higher surcharge have resulted in an immediate increase in the price of imported cars of 15%.

The price of second-hand exotic cars will rise by up to 15%.

Govt creates
 Silver
 over
 VCR
 price

THE Government is pocketing more than half of the retail price of video recorders after imposing sweeping import controls.

A VCR costs R1 900 retail and the Government takes R950 in duties and surcharge. It gets another R228 in sales tax.

The Government's percentage on radio and hi-fi sales is even higher.

Industry sources say that the sharp rise in the surcharge — in some cases from 10% to 60% — should have been phased in.

The fiscus will take 134% of the landed cost of hi-fis 141% of radios — excluding GST.

Deposits up

Taxes are often more than the selling price of the product in the country of origin and more than 10 times those in Europe and the US.

Deposits in hire-purchase deals have been lifted to 25% in some cases and the repayment periods have been cut. Many people will be unable to buy these goods.

Other items which have been hit include office computers. Only days after the import announcement, the price of computers rose by between 17% and 23%.

Machine tools have risen in

By Don Robertson

price by 10% to 20% because of surcharges.

Fred Bourbon, managing director of one of the largest machine tool distributors, Technocentre, says imports will be cut. But the imported tools are so sophisticated that is impossible to make them in SA.

"Expensive machine tools prevent us from producing articles from SA materials and exporting them," says Mr Bourbon.

Crisis

The need to protect the current account of the balance of payments is accepted by businessmen, but they believe the large increases in surcharges represent crisis management by the Government.

Businesses with a strong manufacturing capability will benefit from the import curbs.

However, the import raid has left few communities and businesses unscathed. The increase in the cost of spices has upset the Indian community, and the wealthy have been hit by the higher surcharge on the import of art works. The surcharge is up from 10% to 60%.

It has been suggested that some art galleries might be

□ To Page 3

Tax cream

□ From Page 1

forced to close. But Everard Read of the Everard Read Gallery says this is unlikely. He says that most art galleries deal mainly in SA works.

Some believe that companies which are only distributors of imported goods could collapse.

Hardest hit is the TV, VCR and audio industry. The surcharge has risen from 10% to 60%.

Terry Millar, managing director of National Panasonic, says, "The Government has been threatening the industry for two years by saying it will allow free imports. What we need is a long-term strategy."

"Now they go the other route and increase the surcharge to 60% without consulting the industry."

National Panasonic has asked the Department of Finance for a moratorium on the additional surcharge.

"The Government's efforts will not have an immediate effect because we have stocks on the water on which we will have to pay the increased surcharge."

The deposit on a VCR will rise from R200 to R600 and the monthly repayment will go from R75 to R150.

Before the Government introduced credit curbs in August 1984, National Panasonic was selling 12 000 VCRs a month. In the following three months it sold none. Mr Millar expects a similar pattern to develop.

Mr Millar estimates that if his company takes no immediate action, it will lose between 30% and 40% of its business.

Handwritten notes and scribbles on the right margin, including "2/1/85" and "S. J. Stone".

Rise in petrol price will affect Sasol

24/8/88
13/Day
24/11
~~24/11~~

WITH the petrol price due to be increased shortly, Sasol appears to offer excellent value at current levels.

After rising to a high of R15,75 at the top of the bull market, Sasol is now selling at less than half of that price

Consequently, its historic earnings and dividend yields have risen to 10,7% and 6,5% based on last Friday's level of 735c

Sasol's profit margins have been under pressure during the past few years

Most readers will have no trouble remembering when the cost of petrol was more than R1/l

When the fuel price was reduced to where it is now, Sasol felt the effects on its bottom line performance

Pressure

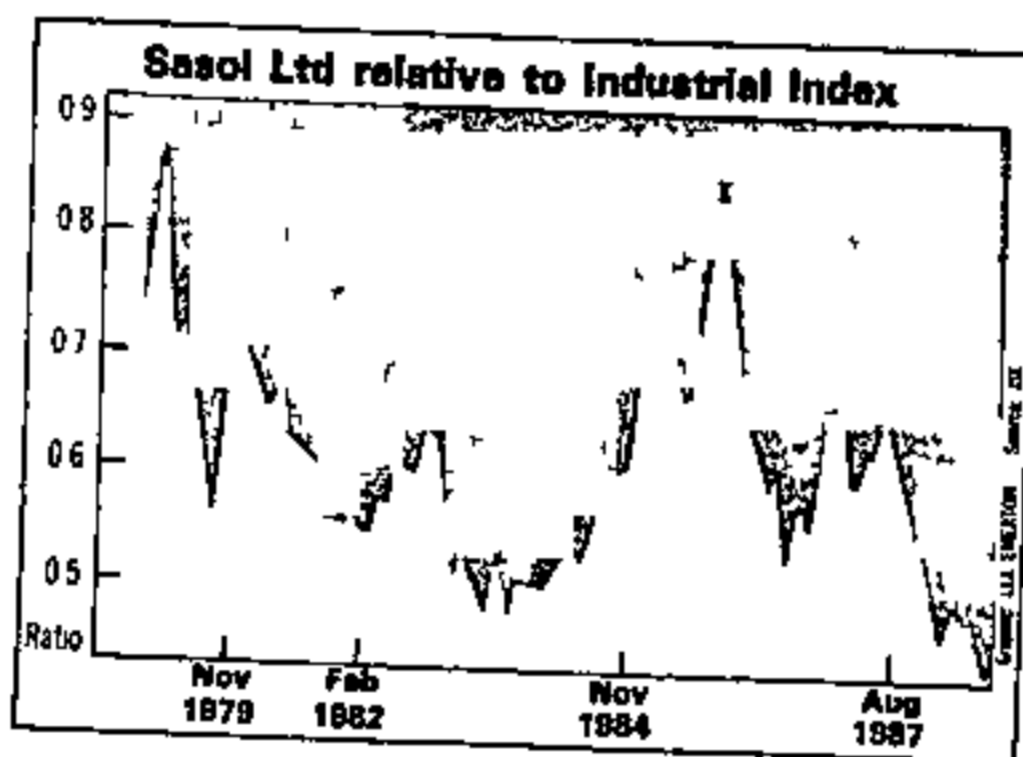
Not only are profits being squeezed by the lower petrol price, but the high inflation rate that exists in this country puts pressure on the company from the cost side of the business as well

Therefore, it should come as no surprise that Sasol's profits have been falling since 1986

But the increased petrol price should help to reverse Sasol's earnings slide which could help boost its share price from current levels.

Provided we are not about to witness another severe market decline, there is further evidence to suggest

The increase in the petrol price from September is expected to have a marked effect on Sasol's profits. Market analyst STEPHEN RICHTER examines the share's prospects.



that Sasol must be close to a bottom

The accompanying chart measures the company's performance against the JSE actuaries industrial index from the time the share was first listed in 1979.

The ratio shown in the chart is arrived at by dividing Sasol's share price by the value of the industrial index at any given time

As can be seen, shortly after Sa-

sol was listed the ratio quickly rose above 0,85.

It then fell sharply and only found renewed strength once the ratio fell below 0,5.

After this level was reached, the ratio again entered a bullish phase and rose above 0,85.

The fact that Sasol could not advance above this level a second time confirms that significant resistance now exists above 0,85 based on Sasol's price in relationship to the industrial index.

Looking at the current situation, the ratio has again slumped below 0,5 which is only the second time this has happened since the company was listed.

Support

Just as the 0,85 ratio level appears to offer significant resistance, the 0,5 ratio reading could act as a support level

Practically speaking, Sasol shareholders who kept a close eye on this chart would have been wise to switch out of the company once the ratio rose above 0,85 and moved into more promising investments.

But with the ratio now below 0,5, investors have a golden opportunity to purchase Sasol at a cheap level in relationship to the overall market.

Therefore, a switch from other shares into Sasol could prove rewarding during the next few years, as the chemical giant could be poised to outperform most industrial shares over that period.

Meat prices: board warned

PRETORIA — Consumer Council director Jan Cronje said yesterday the organisation would be forced by shoppers to ask the Business Practices Committee to investigate meat prices if they continued to rise unchecked

To boost and stabilise supplies, the council was in the process of requesting Agricultural Minister Greyling Wentzel to allow more red meat imports

The committee has the power to probe businesses and enforce measures to protect consumers

Cronje said consumers were no longer

2/18/88 GERALD REILLY B1 Day

prepared to accept what he called exorbitant price increases

There were fears that there were serious shortcomings in the meat marketing system. Agents, he said, were involved in almost every link along the chain

Cronje said the Consumer Price Index showed meat prices had increased by an average of 24,65% in the past six months while the price of all items rose by an average 13,32%

244

Price increases 'turning people away'

26/8/88

B/Day

Meat Board is given a roasting

GLEN SHELTON and
GERALD REILLY

THE Meat Board has come under fire from industry, consumers and the Consumer Council for its monopoly practices and alleged mismanagement.

Clive Weil, of Checkers, said the board was neglecting its long-term strategies and allowing consumer confidence to dwindle to the point where the market was dropping off.

He said "The huge increase of about 100% during the past couple of years has turned consumers away from red meat and this sort of confidence is difficult to restore."

The market was losing a "generation of consumers" because of the inefficiency of leaders in the meat markets who allowed huge peaks and valleys in the price range, which in turn further eroded consumer confidence.

The board was capable of stabilising meat prices but had avoided doing this, causing the unpredictability in meat prices so the "consumer has reacted rationally in an irrational market — and demand is falling".

The council warned the board that a full-scale investigation into the board's monopolistic tendencies was proposed. It said unless meat prices regained bal-

ance, it would refer the issue to the newly formed Business Practices Committee, a business watchdog given disciplinary powers by government to protect buyers from exploitation.

Red Meat Producers Organisation manager Jan van der Walt, responding to claims by the council that meat prices had risen by nearly 25% in the first six months of the year, said "Average producer's price for beef in January was R472/kg, and in June, R458,7/kg — an increase of only 2,8%."

Van der Walt said the cause of the gap between the producer and consumer prices had to be found in the distribution chain, mainly in the wholesale and retail sectors.

Imported

On the council request that more beef be imported, Van der Walt said individual producers were opposed to imports as it tended to drag down prices.

However, producer organisations supported the importation of beef to protect beef's share of the market.

Good cheer for stores

THE Government's decision to raise the surcharge on imported liquor is enough to make anyone rush out and buy shares in bottle-stores

The surcharge, which has risen from 10% of the landed cost to 60% on certain luxury items, should not translate to an effective retail price rise of 50%

If the landed cost of a bottle is R10, the R1 surcharge rises to R6. The rise in cost to the importer is 45,5%

Let us be kind and assume that the retail mark-up is 50%. What cost R11 sold for R16,50. Now, what costs R16 sells for R24. The rise from R16,50 to R24 is 45,5%

But in rands and cents the retailer is making a profit of R8 where before he made R5,50

Figures quoted in a daily newspaper showed that the retail price of Beaujolais would rise from R8,90 to R15,33. That is a rise of 72%. Someone is scoring somewhere along the line

1
st

5 Times
28/8/88

244

You are in
petition
Award
Mar'
W

Meat Board hits back at price rise critics

PRETORIA — There was no way the Meat Board could manipulate prices and, anyone who said there was, was talking nonsense, Meat Board GM Pieter Coetzee said at the weekend

He was responding to claims by the Consumer Council that beef prices had rocketed by 25% in the first half of the year against a rise of 13% in the CPI.

He was reacting, too, to Checkers' MD Clive Weil's statement the board was capable of stabilising prices but had failed to do so.

Coetzee said the meat scheme was

GERALD REILLY

based on open auction sales and supply and demand determined prices. He stressed the board had no powers to control wholesale and retail prices.

In an official statement the board said "Although there have been short-term increases in meat prices, the auction price, which is the price the producer receives for his product, dropped by 3% from January to June 1988 in the case of beef. Mutton auction prices did increase by 28% but mutton constitutes

only 18% of the red meat basket

"With regard to the retail price of red meat, Meat Board surveys on the Witwatersrand from January to June 1988 reveal the beef consumer price increased by only 4% which is less than the 6.5% increase in the CPI

"The increase in red meat prices was therefore much lower than the 24.6% quoted in the press statement by the Consumer Council."

Commenting on a Consumer Council

● To Page 2 →

Meat Board defends itself against critics

warning of a full-scale investigation into the Board's "monopolistic practices", and the threat the issue might be taken to the Business Practices Committee, Coetzee said "We would welcome a full investigation into claims of monopolistic practices. We have absolutely nothing to hide"

On imports of beef, Coetzee said about 50 000 tons would be shipped into SA this year at a cost of about R120m

"However, the total to be imported is reviewed on a monthly basis at Meat Board meetings and it will be looked at again at the September meeting."

On prices he said the US drought had caused a shortage of beef and rumours were that the US could become a big buyer in the European market. If so,

prices would obviously rise

Last week the Consumer Council also said it intended approaching Agricultural Minister Greyling Wentzel on the issue of increasing imports to help stabilise local supplies and prices. Apparently no approach has yet been made

SA Federation of Meat Traders' chairman Eddie Bielovich claimed the highly competitive situation in the wholesale and retail meat trade broadly eliminates the possibility of excessive profits. However, he added, overtrading in the butchery business had led in some instances to traders "upping" prices in the effort to survive.

244

Electricity price to be increased by 10pc

MSAS
29/10/88

Municipal Reporter

ELECTRICITY in the Cape Town municipal area is go up by an average of 10 percent from October 1.

The proposed increase will be discussed by the City Council at its monthly meeting tomorrow.

Electricity tariffs went up in October last year, also by 10 percent.

Eskom put up its tariffs by 10 percent in January and a further increase of about 12 percent is expected next January.

The council's proposed increase is necessary "to meet all anticipated costs over the next 12-month period and to contribute R36,67-million to the Rate Fund," says a report to be tabled at tomorrow's meeting.

According to proposals from the council's utilities and works committee, the domestic tariff will increase from R8,52 to R9,38 a kiloWatt/hour.

SURCHARGE

A six-percent cut in the surcharge on power supplied to outside municipalities is also proposed.

The committee has recommended retaining the present overdue account limit of R70 before a 10 percent surcharge is added.

When the 1988/89 budget was presented earlier this year consumers were warned to expect an electricity price increase of at least 12 percent.

At the time, executive committee chairman Mr Dick Friedlander said a combination of sales growth and relatively favourable bulk supplies from Eskom "should enable the increase to be restricted to 12 percent".

Major pressures on the tariff were Eskom increases, salary and wage increases and "other inflationary increases beyond the control of the council".

Fears that fuel shortage may arise before price increase

By Dan Side

There is widespread concern among motorists that petrol supplies on the Witwatersrand may be insufficient to last until the petrol price rises at midnight tomorrow.

Some service stations owners are angry after apparently being told by oil companies that their petrol orders were to be halved, as hundreds of thousands of motorists across the country contemplate a final fill-up to beat the price rise.

The prices of 98 and 93 octane petrol are set to go up by 13c a litre, 87 octane petrol by 12c/l, diesel fuel by 11c/l, and illuminating paraffin by 14c/l.

But one big central Johannesburg dealer representing the same oil company said he had sufficient supplies to last until Thursday.

"We are geared to meet normal requirements, with provision for emergency situations, and this is all we are prepared to say," said a Caltex spokesman.

A Shell spokesman said deliveries would be "as usual" and no allowances had been made for special circumstances. "We have made it clear to our dealers that their will be no

changes from the normal pre-scheduled deliveries."

As the deadline loomed, many callers to The Star expressed concern about practices both at the refinery and at the pumps.

Motorists were fearful that oil companies were holding back supplies to their dealers, who may run short before the September 1 deadline. Some also suspect that retail outlets might shut their pumps early to conserve supplies of what would overnight become more expensive fuel.

Industry sources said the oil

companies had suspicions of their own. There is talk that individual motorists may be stockpiling comparatively large amounts of petrol in an attempt to beat the price increases. Concern here is mainly for the dangers involved in storing substantial amounts of fuel under what could be slipshod conditions.

A spokesman for the Department of Mineral and Energy Affairs, Mr Frikkie Odendaal, said today the Government had told oil companies to continue normal deliveries despite the coming price increase.

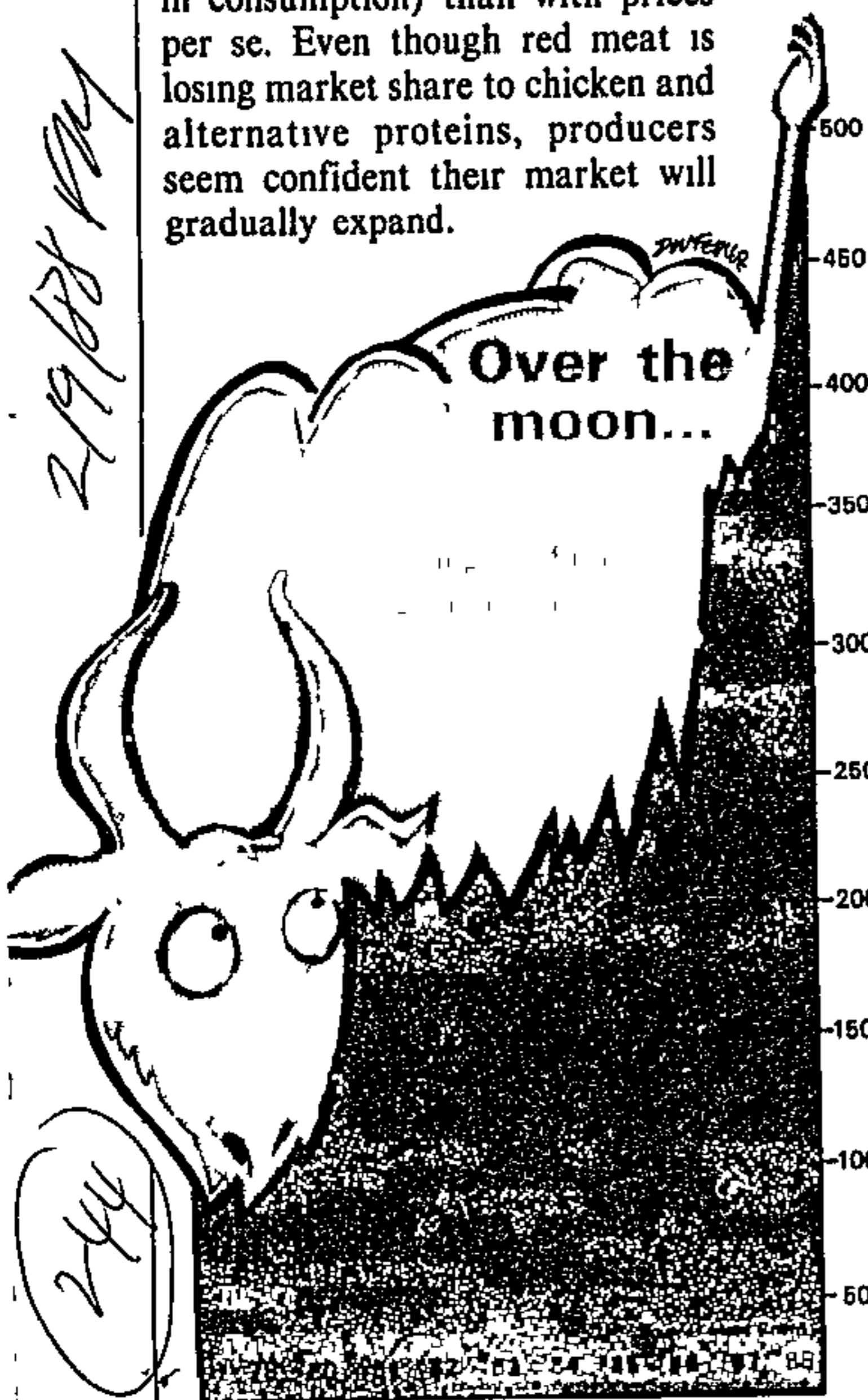
RED MEAT

Structural inflation

Is the Meat Board (MB) really concerned about high meat prices or the falling *per capita* consumption of red meat?

Last week's call by the Consumer Council (CC) for an investigation into the red meat pricing structure by the Harmful Business Practises Committee unless sharply increasing meat prices come to an end, has so far failed to elicit a clear response from the MB — or any other meat producer lobbies for that matter

It seems the MB is more concerned with retaining its captive market (normal population growth should ensure a steady increase in consumption) than with prices *per se*. Even though red meat is losing market share to chicken and alternative proteins, producers seem confident their market will gradually expand.



Says an industry spokesman. "Red meat will always be the Rolls-Royce of meat products, and white meat the Volkswagen — cheaper and more popular."

Suggestions that the market is rigged to keep prices high are strongly denied. But statistics supplied by MB GM Pieter Coetzee raise questions why normal supply and demand factors do not come into play at red meat auction sales. Coetzee last week strongly defended the "free market" meat sales system — but the facts seem to indicate the market is far from free

According to Coetzee, 1 985 cattle were offered on auction at City Deep on August 15, but only 1 152 were sold with super beef fetching 466c-495c/kg. On August 16, 2 000 cattle were offered and only 1 054 sold, but prices remained in the 464c-499c/kg range. The oversupply therefore had virtually no downward impact on prices.

Blue Ribbon Meat MD Gavin Hawthorne has little doubt about the structural problem in the market.

"The Dutch clock auction system is highly inflationary and forces prices up, even with an oversupply of meat. The system operates on the principle that the clock starts at the highest possible price and that buyers are forced to bid high before they lose out on stock as the clock moves downwards

"As we have to ensure that our shelves are stocked, we are forced to buy high to ensure that competitors don't clean out the supply. But manipulation of the system is possible, with either sellers' agents or competitors in a position to punch in high prices and leave the clock at that position, thus forcing others to buy in at inflated prices," says Hawthorne

But Coetzee is adamant the system works "very well," saying that it was introduced from Holland, where it is used in the huge flower markets. But Hawthorne's experience is that the system works against both consumers and producers, as the latter lose market share due to inflated prices.

"I suggest greater freedom for buyers to circumvent this system and to negotiate direct with farmers. This would save costs for both parties and allow supermarket chains to plan special sales promotions," he says

Another "emergency" option is to increase the floor price to more realistic levels (inducing more regular supplies) and creating a ceiling on daily auction price movements. This will bring greater "artificial" stability to the market, says Hawthorne

CC director Jan Cronje says meat prices have, since 1985, increased an astonishing 93% above the average price of all items in the Consumer Price Index (CPI). According to Central Statistical Services (CSS) information, the inflation rate (as measured by the CPI) index for red meat increased by 24,65% over the past year, while inflation itself went up by only 13,32%.

"Since 1985, meat prices have risen by 103,1%, while the prices of all items only rose 53,6%. We do not blame producers for these increases, but feel that the meat scheme, as administered by the MB in terms of the Marketing Act, should be investigated — in the interests of consumers and producers — if meat prices continue unchecked," says Cronje

CC research officer Ian Mountain says the CCS weighting for food in the overall CPI is 22,72%, of which meat alone makes up 7,71%. Red meat price increases, therefore, have a disproportionate effect on the total CPI and the inflation rate — and a negative impact on the economy as a whole.

"In June, 1988 the meat price CPI inflation was 24,5%, compared with a total inflation rate of 12,4% over the preceding year. In June, 1987 the position was even worse, with meat inflation at 35,2% and total inflation at 17,2%. Meat is a highly inflationary component of the total index," he says.

Frans Roelofse, chairman of Country Retail Butchers' action committee, suggests three "radical changes" to solve the problem.

"First, privatise the meat scheme, including the MB, and hand over its control on an equal basis to producers, traders and consumers. The system must be run on business principles. Then, stabilise supply and prices by allowing the privatised industry to freely import whatever cuts might be needed, if there is a shortfall in local supply

"Lastly, deregulate the industry — cut the size of the MB bureaucracy, reduce costly regulations applying to abattoirs, lower costly MB levies and allow more outlets to sell meat freely and cheaply," he says

Roelofse says costly, wasteful and time-consuming procedures of applying for butchers' licences — or even to move an existing butchery — must be done away with. In addition, unnecessarily strict hygiene requirements applying to abattoirs cost more than any perceived benefits to the industry.

"And why can't a butcher sell meat on Saturday afternoons and Sundays, when general dealers can freely sell meat? These ridiculous restrictions and costly levies are against the interests of producers and consumers alike," he says.

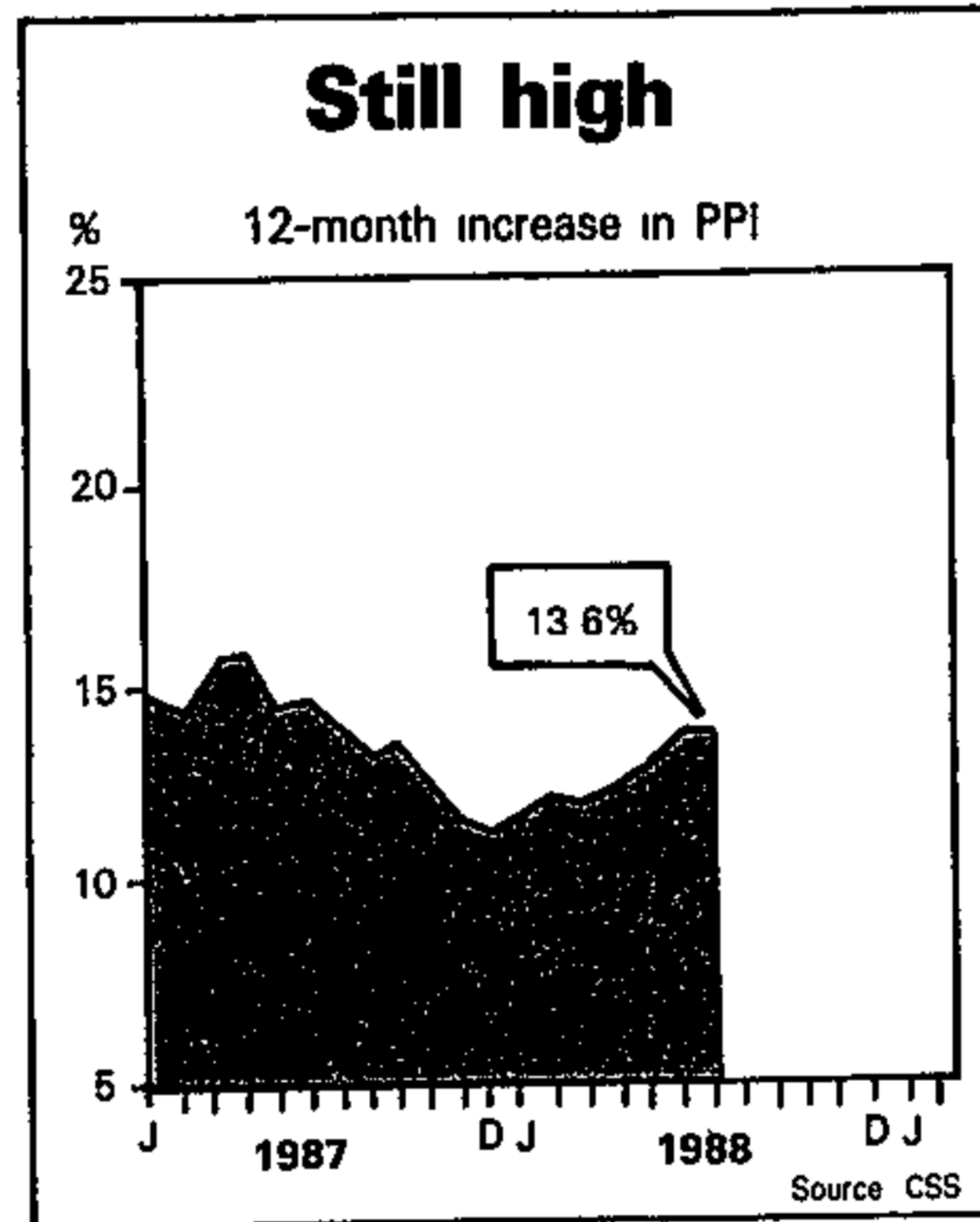
(244)

Chugging along

Increases in producer prices moderated in June and July but are still at a brisk annualised pace of over 15%. The production price index (PPI) increased 0,8% in both June and July, following larger monthly increases of 1%-1,6% in January-May

The latest increase brings the index to 280,4 (base 1980=100) This means a basket of commodities — building supplies, meat, coal, paper and so on — that cost an average of R100 in 1980 cost R280,40 in July.

In the first seven months of 1988, PPI jumped almost 8,6% — an annual rate of 15,1% if it keeps up the pace Central Statistical Service's official PPI rate in July was 13,6% — meaning the index was that much higher than a year earlier. This followed 12-



month increases of 13,6% (June), 13,3% (May), 12,5% (April), and 12% (March).

Imported commodities — which make up one-quarter of PPI — rose 10,6% in the year to July, a figure expected to jump as the collapse in the rand is felt. Locally produced commodities increased 14,4%.

In July, large monthly increases were in foam insulation (13%), bearings (12,5%), bovine hide leather (9,9%), crude rubber (6,6%), wood products (5,9%), paints (5,5%), glycerine (5,3%), forestry (4,1%), fresh meat (3,8%), footwear (3,1%), leather (2,5%) and chemicals (2,1%). Other agricultural commodities decreased 7,3%. ■

16/9/88/m

Garages ready ^{CAP} for big fill-up ^{24/4} ^{1/15} ^{30/1/88}

GARAGE owners are bracing themselves for a massive public rush for petrol on the eve of a 16% price rise which comes into effect at midnight on Wednesday.

An Athlone supplier said he would only close shop on Wednesday night once his tanks had "run dry".

Meanwhile, an industrial dispute has hampered scheduled deliveries by a major supplier.

A Motor Industries Federation (MIF) spokesman said he doubted whether widespread stockpiling of reserves, bought at pre-rise prices, would occur, since petrol was delivered on a roster basis.

A BP spokesman yesterday said deliveries from the company's Montagu Gardens depot were normal, following a stoppage last week by 35 drivers.

The MIF spokesman advised car owners to top up their tanks today to avoid the expected congestion and rush at filling stations tomorrow.

"By filling up before Thursday, the owner of an average-sized car with a 50-litre tank will enjoy a once-off saving of about R6.50," he added.

Both 93- and 98-octane petrol will increase by 13c a litre, and 87-octane by 12c. Diesel will go up by 14c.

Electricity rates increased again

2006
Cape Town 3/18/88

By RENEE MOODIE

A 10% INCREASE in electricity tariffs was one item in a package of increases in the cost of municipal services approved by the City Council at its monthly meeting yesterday.

Electricity is to increase by about 10% from October 1 due to rises in Eskom tariffs, salaries and "other inflationary influences beyond the control of the council", according to a report tabled at the council's meeting.

The report said the estimated cost of energy bought from Eskom for the 1988/1989 financial year was R188 million.

For domestic users, the increase means a service charge of R2,50 a month (previously R2,20) and an energy charge of 9,38c/kW.h, as against the old charge of 8,52c/kW.h.

Traffic control branch tariffs were being increased because of increased administrative, operating and maintenance costs, a separate report said.

Tariffs are set to go up on September 1.

While parking meter rates and parking fees in the council's pay and dis-

Stretching the planning service

FREE condoms will be handed out at Cape Town station tomorrow.

The country's first station-based family-planning clinic, run by the RSC Hospital, Health Services and Family Planning department, will be aimed specifically at commuters and will be open from 7am to 6pm, weekdays, and 8am to 1pm on Saturdays.

"No woman — or man — will be turned away," the professional nurse in charge, Mrs Pat Collis, promised. Advice on sexual problems and family planning will be available from male or female nurses.

● Eleven municipal public toilets from Sea Point to Wynberg will soon be provided with condom-vending machines, the city council decided yesterday.

play areas are to remain the same, toll parking in Riebeeck Square, the station deck and Harrington Street are to increase from R1,25, R1,50 and R1,25 to R1,50, R2 and R1,50 respectively.

Off-street Bree Street parking will now cost R1,50 instead of R1,25.

The council is also to increase the cost of tariffs for services rendered by the survey and town planning department. Services affected include plan printing, the supply of some maps to the public and microfilms.

The cost of providing town survey marks is to stay the same.

● Long St baths facelift — Page 2

Bus fares may go up again

CALC TRIPS
1/9/88
244
250

Staff Reporter

HIGHER bus tariffs coming into effect on Sunday, September 4, do not include the recent fuel increase and City Tramways cannot give any indication as to when the public can expect the fuel cost adjustment to hit them.

Yesterday a City Tramways spokesman said the amended bus fares, which increased the cash fare price by an average 12,2%, had been approved by the local Road Transportation Board well before the new fuel increase had been announced.

However, 66% of passengers at present paying cash fares will pay no more than 10 cents more per ride, he said.

Another 30% face an increase of between 11 cents and 20 cents, while the remaining 4% of passengers, of whom

most use very long routes, face increases to a maximum of 15%.

Increases to 10-trip clipcards vary according to distance. For trips up to 50km the increases range from three cents to 19 cents a trip while those for longer trips increase by an average of 21 cents per trip.

Scholars under 13 will pay R4.30 for a 10-ride clipcard while scholars under 17 will pay R6.50. A special 12-ride senior citizen clipcard will now cost R2.50.

Concessions for citizens over 65 have been extended to Saturday afternoons when they can use the standard 12-ride pensioners' clipcard, together with the company's photopass, after 2pm.

Used on its own without the photopass, the pensioners' clipcard will enable people over 60 but under 65 to use it between 8am and 3 30pm from Monday to Friday during pension week.

Housing market will lose some steam

244.
SMA
3/9/88

By Frank Jeans

While house prices are holding up considerably well following bond rate rises, there is little doubt that the latest upward adjustment to 16 percent must inevitably have a dampening effect on the residential property market

Endorsing this sentiment is the United Building Society in its latest issue of the Quarterly Housing Review which says that higher rates must hit demand for credit in general and homes in particular

"Potential new homeowners are bound to reconsider their investment decisions carefully and consequently, the level of activity in the residential market might well decline."

On the plus side, however, the Review believes that since the white population continues to grow at a rate of 1,5 percent a year and net migration has been reversed "from negative to positive", the surplus stock of houses in white residential areas is likely to decrease.

"The emphasis is likely to shift to the building of smaller houses since individual wealth is expected to decline in real terms," it says

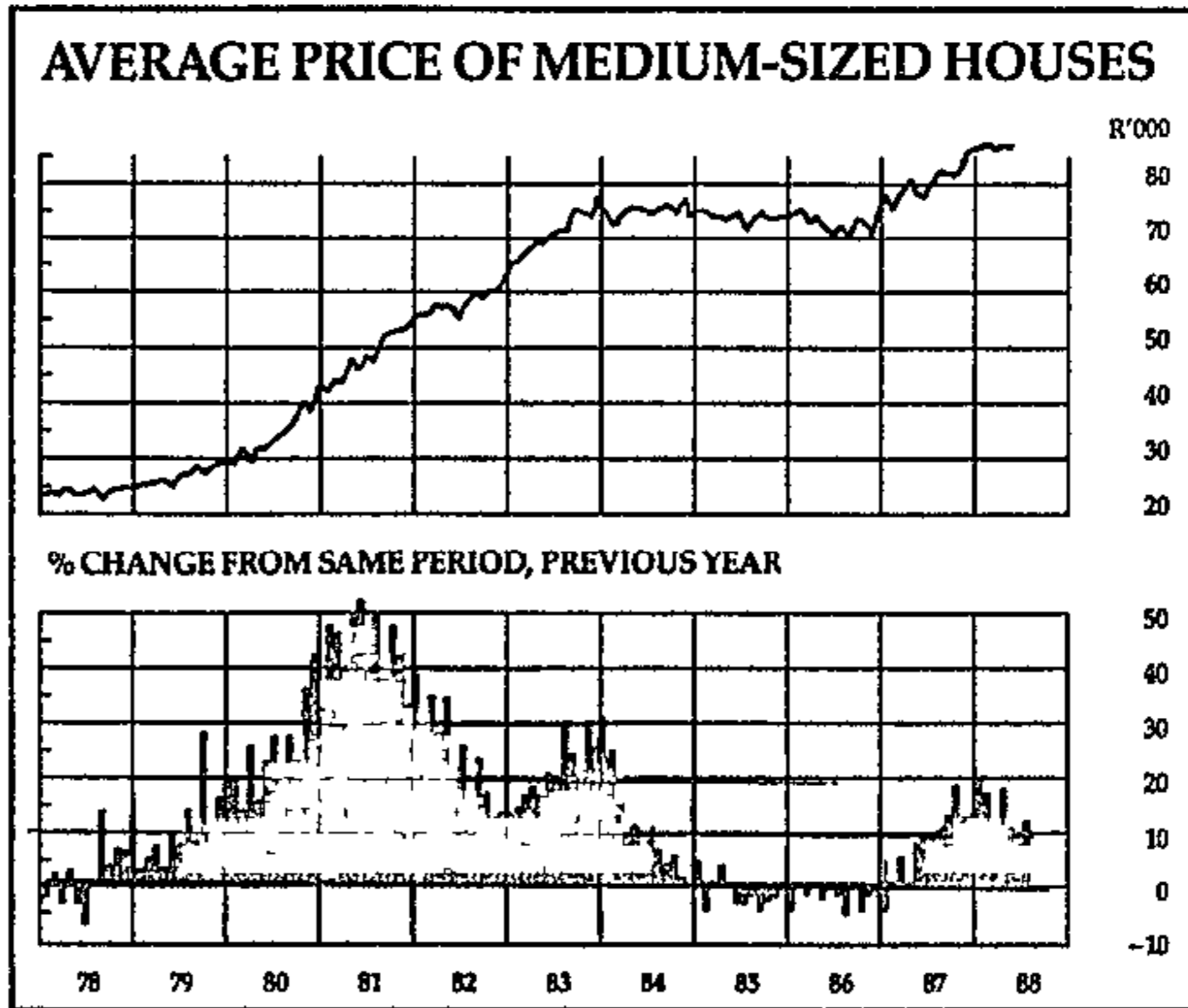
Looking at house price trends, the journal expects these to rise in tandem with inflation and an increase of about 13 percent a year seems likely over the next 12 months

During the second quarter of this year, the rise in house prices was 11 percent on a year-on-year basis compared with 13 percent in the first quarter

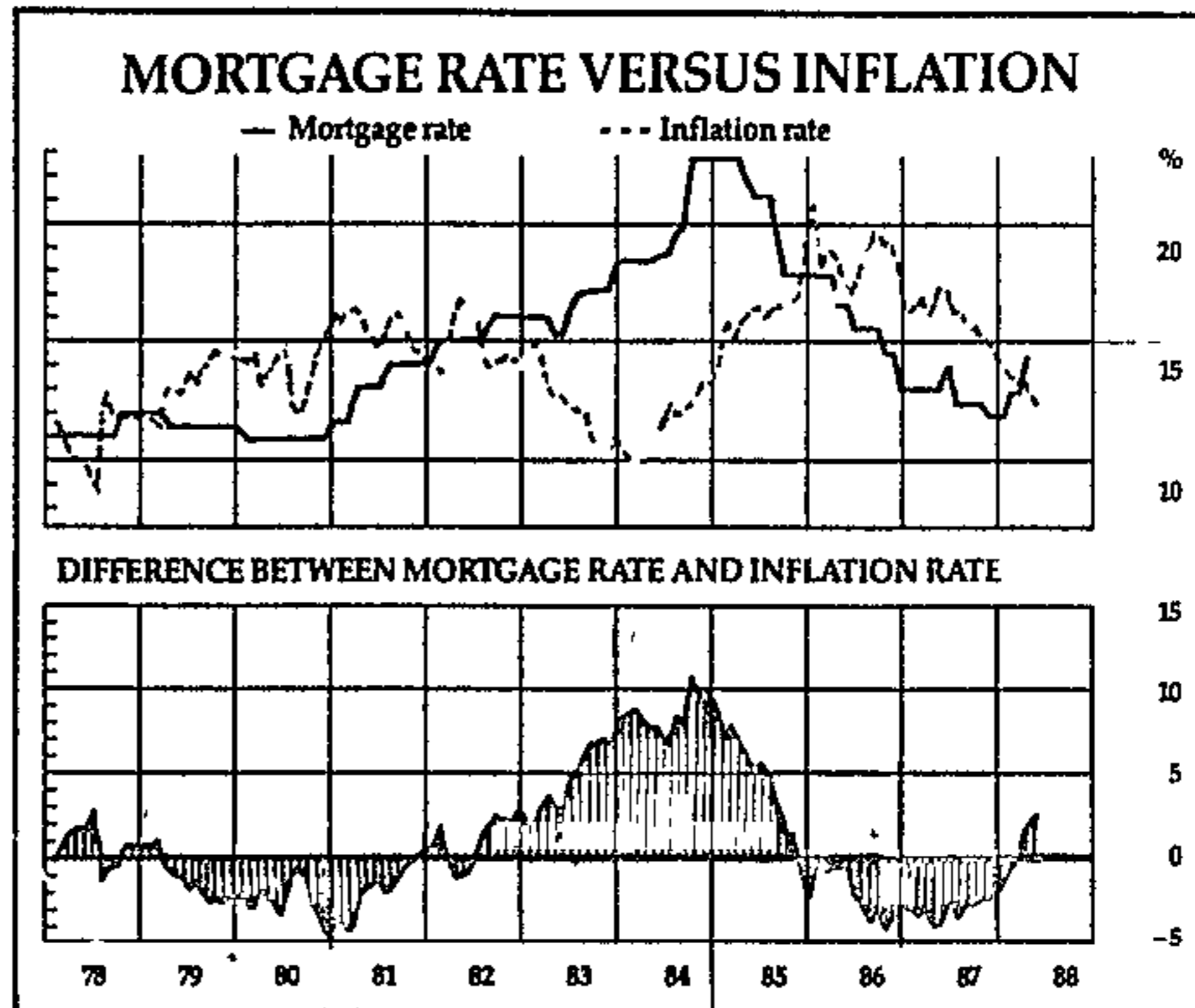
A medium-size house can now be acquired for about R85 000, while the average for larger homes remains stable at R118 000.

Certainly, the effect of soaring building costs is being seen in residential property

At present, a medium-size house can be built for about R100 000 — about 22 percent



Based on the average price of medium sized houses, ie 140-220 sq.m



Based on the UBS mortgage rate for new loans. During periods when differential rates were applied, the maximum rate was used.

more than the cost of buying an existing dwelling

The United estimates that building costs rose by 10 percent on a year-on-year basis in the first quarter and by 17 percent in the second quarter this year

In an national overview of prices, the Review says the most marked increase occurred

in the eastern and western Cape regions, where prices rose by 11 and nine percent respectively on a quarter-on-quarter basis

In the East Rand and Natal prices also went up by five percent and more, as against two percent in Pretoria and three percent in the rest of the Transvaal

copy from 9/9/88
**Tyre price up:
AA dismayed**

JOHANNESBURG
The Automobile Association yesterday said it was "thoroughly dismayed" at the second increase in the price of tyres this year, but it understood the economic disadvantages the tyre industry had to face.

In a statement released in Johannesburg last night, the AA said the increase of more than 20% was considerably higher than the inflation rate and posed as another economic burden for the motorist to bear — Sapa.

A steak that's guaranteed to set your teeth on edge

W/ Mail (244) 20/10/88
9-15/9/88

AS meat eaters stew over the latest price hike, the Consumer Council has pledged to report the meat marketing system to the Business Practices Committee unless the price spiral is checked.

Head of public relations for the Consumer Council, Paul Roos, told Weekly Mail the Meat Board — which has the monopoly on meat sales in South Africa — should heed this as a warning and note the Council's concern with the "stunning" rate of increases in red meat.

The price of meat has risen a shocking 103,1 percent since 1985 — and 24,65 percent over the last six months, according to the Consumer Price Index which measures retail price changes.

The Council compared the red meat price increase — 103,1 per cent — to the overall inflation rate of 53 per cent and has questioned the 50 per cent discrepancy between the two rates.

Roos said the council would be monitoring prices from now on. If they kept rising at the current rate it would ask for an investigation by the Business Practices Committee, which is empowered to recommend "far-reaching measures" to protect consumers.

But the Meat Board has fiercely disputed the Consumer Council's figures, saying they have used short-term price movements to fuel "one-sided and inaccurate" reports which have recently appeared in the press.

The Board said although there had been short-term increases in meat prices, the auction price for beef — the price the producer receives for his product — had dropped by three per cent from January to June this year.

It admitted mutton prices increased by 28 per cent but added mutton prices constituted only 18 percent of the red meat basket.

The Board said red meat comprised three types: beef, mutton and pork. Beef's share in the meat market amounted to 68 per cent, mutton 18 per cent and pork 14 per cent.

Meat Board surveys on the Witwatersrand from January to June this year had revealed the beef consumer price increased by four per cent — which is less than the 6,5 per cent increase in the CPI.

"The increase in red meat prices was thus much lower than the 24,6 per cent quoted by the Consumer Council — presumably because the

The rocketing meat price is double the inflation rate.
KIM CLOETE examines why

mer price index," the Meat Board said.

Although Roos said he did not doubt the integrity of the CPI figures, he stressed the exposure of the price hike was not meant as an attack on the Meat Board, but on the industry as a whole.

The increase in prices obliged the Consumer Council to voice its concern over the millions of traditional red meat eaters in South Africa faced with astronomical price surges, he said.

Consumers are also concerned about the mystification surrounding the discrepancy between what the consumer pays and the price the producer is paid.

The Council has questioned the imbalance in payments to farmers, saying the producer gains only 50 cents out of every consumer rand. Farmers carried 80 per cent of the risk yet they were only getting 50 per cent in return, said Roos, who suggested farmers push for a fairer deal.

Roos attributed the shortage of red meat to farmers "rebuilding their stocks" after the recent good rains. As a result, importing had become necessary and the Council had asked government to see to it that more meat was imported.

The Council has also attacked the Meat Board's sole right to import, branding it monopolistic and saying it could lead to manipulation in times of short supply.

Importers say they can import meat cheaper than the Meat Board can, says Roos.

The Board imports meat for less than R3 per kilogram, yet sells it off at the abattoirs for just under R5, and pockets the profit, Roos said. He adds that over R40-million has been grossed by the Meat Board from imports over the past few months.

But the Meat Board has tossed allegations by the Consumer Council aside and dubbed the Council's accusation of the Board being monopolistic as "proof of utter ignorance".

Although it made no mention of the massive profit it is said to have accrued through imports, the Board said it was an economic fact that the larger the amount required by a single buyer, the greater his bargaining

The milk price nudges the R1 limit

23-29/9/88

By KIM CLOETE

IN tune with the escalating inflation rate two of the country's largest dairies have upped the milk price by five cents over the past two months.

Dairy Belle is to raise its milk price on Monday and National Cooperative Dairies, which trades under the name Clover, increased its milk price on August 1.

As almost 90 percent of all South Africans drink milk this could have a drastic effect on consumers.

Dairy Belle managing director Roy Smither said salary and wage increases of between 15 and 20 per cent in the industry — resulting from recent annual wage negotiations with the Food and Allied Workers Union (Fawu) — had compelled the company to up the milk price.

In addition government increases in electricity, postal rates and the new petrol price had necessitated the rise, he said.

"We simply have to pass on a portion of those increases. But realising milk is a staple food we have tried to be responsible and think around R1 for a litre of milk is a fair price."

But Smithers' sentiments are not shared by all consumers.

The executive director of the National Black Consumer Union, Eldridge Mathebula, strongly condemned the increase saying consumers "can't afford the skyrocketing of staple foodstuffs at such an alarming rate."

He attributes the increased price directly to the government's "wasted expenditure" and its irresponsible lack of control over the country's inflation rate.

"Consumers simply do not have enough money to manage with unfair increases such as this, especially taking into account the country's alarming unemployment rate."

The head of public relations for the Consumer Council, Paul Roos, also attacked the increase, describing it as "a hard knock for consumers".

He was also critical of moves by

Blacks drink far less than whites

THE average urban black consumer drinks substantially less fresh milk than white consumers in urban areas — with 128,3 litres per year being consumed by the average white person and only 13,9 litres by the average black person

Instead, 87 percent of black consumers and 90 percent of Indians opt for *maas* (sour milk) according to a study conducted between 1977 and 1987 by the University of South Africa's Bureau of Economic Research (BER).

An incredible 4,675 million litres of milk are churned out of South African dairies daily. Of this 4,624 million litres is consumed, leaving a 1,1 percent surplus which is converted into milk powder.

Indicative of the greater affluence in white urban areas, the average white person eats 9,07kg of cheese per year, while black consumers eat an average of only 0,38kg annually. Indians and "coloureds" eat between two and three kilograms per year, according to the BER.

Yoghurt also tends to be more of a luxury consumer item, with white consumers consuming 5,97 litres of yoghurt a year, blacks 1,24 litres, "coloureds" 1,01 litres and Indians 1,14 litres.

market leaders to increase prices without fully informing the public well in advance, and appealed to distributors to make the increases known for the benefit of improved consumer awareness.

In an effort to lower the price, Mathebula has called for government subsidising of milk. At present the only dairy product which is subsidised is butter — and only to a small degree.

This is the second time a call has been made to subsidise milk. In February there was an outcry from consumers after an eight percent increase in milk prices

But Smithers believes price control would be detrimental to the future of the industry. He argues free market forces tend to provide a better quality product at a better price for a longer period of time.

Industry sources also said through stringent price controls farmers ceased to make a living and milk products had to be imported.

Fifteen years ago there were more than 20 000 dairy farmers. Although the increased price of milk has caused South African farmers to come back on the scene, there are only 10-12 000 dairy farmers at present.

Up until 18 months ago the Dairy

Board — the umbrella body for 11 major buyers and a number of smaller ones — controlled the price of milk, explained the Board's assistant public relations officer, Kevin Webb

However, free enterprise had taken over and it was now up to individual buyers to set their own price for milk.

The Board's main functions now involve quality control and the marketing of dairy products through advertising and promotions.

Smither said milk prices varied from outlet to outlet. Supermarkets usually charge less for milk and often sell it at cost or below cost. Milk is often used as a "loss leader" — a product used to entice customers to shop at a certain store.

The timing of price increases and the price paid to farmers also varied according to the region. "What we pay a farmer in the Vaal may be different to what we pay him in Port Elizabeth," Smither explained.

244

[Handwritten signature]

Larry the lamb

at 34% profit

w/g Argus 24/9/88

by MARK STANSFIELD
Weekend Argus Reporter

A True story.

Larry the Lamb was born on a Karoo farm where he spent his short uneventful life getting fat under the watchful eye of his owner. On Monday it was decided that Larry was plump enough to send to market.

On Tuesday Larry was slaughtered at the Municipal abattoir, Matieland. He was auctioned on Wednesday, wholesaled on Thursday and put on retail display in Parow on Friday. No doubt parts of him will be eaten today, roasted tomorrow and become dog's bones by Monday.

Larry the Lamb will never know that he eventually went on display at a huge retail outlet, neatly packaged in cellophane, a sprig of parsley adorning every clinical package of his flesh.

He will also not be aware that, chopped up, he made about 34 percent profit for the retailer.

Roast, braai

Weekend Argus followed Larry the Lamb from the time his harrowing journey began until he ended up on display for us to buy, possibly for Sunday roast or a braai with the family this weekend.

Following Larry around gave us a better understanding of how the mark-up on meat happens.

Let's follow Larry through the whole process — from the time he was slaughtered until he ended up in a supermarket — and count the costs.

Larry's journey through the abattoir was handled by the Vleissentraal Livestock Co-operative, one of the major agents for farmers selling livestock at the slaughterhouse.

Vleissentraal protects the interests of the farmer and pays him his eventual profit for Larry after auction.

At the auction, held on abattoir



Larry the lamb and friends.

... and what he costs — cut up

● Legs.....	4,605kg @ R9,88/kg =	R45,50
● Ribs.....	2,099kg @ R7,98/kg =	R16,75
● Neck.....	0,699kg @ R7,98/kg =	R5,57
● Loin chops.....	4,96kg @ R13,98/kg =	R69,34
● Braai chops.....	2,148kg @ R11,98/kg =	R25,73
● Stewing lamb.....	0,925kg @ R6,98/kg =	R6,45
● Trimmings.....	0,86kg @ R3,00/kg =	R2,58
● Kidneys.....	0,105kg @	?
● Suet.....	0,237kg @	?
● Bones.....	0,414kg @	?
TOTAL: 17,052kg		R171,93

premises on Wednesday, Larry was part of Rotation Lot Number 44 which consisted of seven lamb carcasses graded as Super Lamb.

The Meat Board had set the floor price that day for Larry's ilk at R5 37 per kilogram. Several wholesale agents bid for Larry and his six brothers. He was eventually sold to a wholesale agent from a wholesale

meat company who sell to most of the major retail supermarket chains in the Peninsula.

He was bought for R5 78 per kilogram, taken to a waiting truck and stored at the wholesaler's depot not far from the abattoir.

The wholesaler pays three cents a kilogram extra to the municipality (who own the abattoir) for slaughter

costs. So the wholesaler paid R5 81 per kilogram.

His mass was about 17kg, so he cost the wholesaler R98 77.

The wholesaler decided Larry the Lamb's eventual destination the big retail outlet's meat counter.

This branch of the retail company does not process or work out the eventual retail price of the meat they sell, the retail price structuring and processing is done by the wholesaler.

Yesterday the wholesaler decided, through careful calculations, that Larry should be sold as follows:

- Loin chops — R13,98/kg
 - Braai chops — R11,98/kg
 - Stewing lamb — R6,98/kg
 - Neck, knuckles — R7,98/kg
 - Leg chops — R10,28/kg
 - Flank — R7,98/kg
 - Leg roast — R9,88/kg
- OR he could be sold whole or half at R6,99/kg.

Larry was chopped up.

A spokesman for the wholesaler said Larry, at 17kg, could be cut into the following pieces and, sold this way, could realise R171,93.

Suet, bones

Larry was processed, and this does not take into account the income the company would derive from selling his kidneys, suet and bones.

The wholesaler's spokesman said unavoidable costs in handling Larry (packaging, labour, rental, etc) were about 20 percent.

So, Larry cost R98,77 at auction and we buy him for R171,93 (if we bought all the pieces into which Larry was processed).

Deduct the 20 percent it cost the company to get Larry displayed and it still makes R58,33 on one lamb carcass.

That's a profit of 33,92 percent or an average of R10,11/kg for a lamb which cost R5,81/kg on auction.

Tea and coffee prices will rise on Saturday

27/9/88

By Caroline Mehrliss

244

SM

Consumers should stock up with tea and coffee before prices rise on Saturday.

Tea prices will go up by 12 to 15 percent, and coffee prices by 7,5 to 15 percent, depending on whether it is a chicory blend or pure.

Mr B B Pienaar, secretary of the SA Tea, Coffee and Chicory Association, says the higher price is the result of the 15 percent import surcharge, the falling value of the rand against the dollar, and other factors

By law, all packers must have 50 percent South African tea in their products. But South African tea is twice the world price.

The world price of Arabica coffee, used for pure coffees, has increased only marginally this year.

Robusta coffee, used for soluble coffees, has come down slightly in price. This has allowed price increases to be contained to 7,5 percent for a 50/50 coffee/chicory blend, and 15 percent for pure coffee.

244 ~~244~~ 29/9/88

Weak exchange rate, inflation blamed

Vehicle prices set to rocket in 1989

Own Correspondent

DURBAN — Motor vehicle prices can be expected to increase by a staggering 20 percent next year, according to South Africa's major motor vehicle manufacturers.

This means that by the end of next year the lowest-priced new motor car in South Africa will cost about R24 000 excluding GST.

Mr Brand Pretorius, Toyota Marketing MD, says rocketing prices can be blamed basically on the deteriorating value of the rand, which has fallen from a value of 74 Japanese yen at the end of last year to a current level of 54.

This has affected 55 percent of the cost of a Japanese-based vehicle — for although local content is a lot higher by weight, 55 percent is the amount on a cost basis, he says.

Secondly, local inflation is still having a drastic impact, with the vehicle production index currently increasing by 17 percent a year.

Other factors that have pushed up wholesale prices include the import surcharge levied earlier this month.

Mr Pretorius says Toyota will be increasing prices by between 4,5 percent and 6 percent from Saturday. A breakdown of this increase reveals that 1,5 percent is to cover the import surcharge, 2,5 percent to cover the exchange rate and 1 percent for local inflation.

Nissan marketing director Mr Stephanus Loubser says Nissan is working on an 18 percent price increase for the industry next year. Although the rand yen rate is expected to fall further, Nissan has made provision to counter higher costs with increased productivity.

He expects a smaller market in 1989, which should increase pressure on manufacturers.

A BMW spokesman says a 20 percent price rise "sounds reasonable" but there are so many imponderables that it is impossible to predict.

"You are talking about something which is almost impossible to control. Car sales have suddenly gone unpredictably high and everyone seems to be rushing out to buy a car for fear that prices will go higher. Prices have gone crazy."

VW marketing director Mr Clive Warrilow says: "You tell me the exchange rate and I'll tell you the car prices."

"The key factors are local inflation to determine the cost of local wages and components, and the imported factor determined by the exchange rate of the rand against the dollar, German mark and yen."

"Professor Brian Cantor of the University of Cape Town reckons the inflation rate would be between 14 and 16 percent. If this is so, then sadly a 20 percent increase in car prices could be true. Everyone I talk to believes the rand will continue to devalue," says Mr Warrilow.

Tighten belts, warn experts

by KAREN STANDER
Weekend Argus Reporter
BRACE yourself! Soaring inflation and grim times are being forecast by consumer watchdogs in the wake of mushrooming price increases and the plummeting gold price and exchange rate.

Professor Geoff Everingham, head of the department of accounting at the University of Cape Town and former opposition (PFP) spokesman on finance in the provincial council, said: "The economy is in a total mess. There is a failure to get sensible priorities in government expenditure.

He said increases in the fuel

price, interest rates, import surcharges and decreases in the exchange rate and the gold price would all push up the consumer price index.

Hard budgeting

Mrs Lyn Morris, national president of the Housewives League, said "We have been pulling in our belts for a very long time now. Consumers will have to do some hard budgeting and cut back even further."

Professor Everingham said there was no indication where the promised 15 percent increase for civil servants was going to come from.

"But a third of the 15 percent is going to disappear into taxes and another third will probably

be eaten by inflation before January when the increase is to be paid, so this is not going to keep the civil service quiet for long."

Mrs Morris said it would be "catastrophic" if GST exemptions on food were removed to pay for the civil service increase.

Mr Paul Roos, spokesman for the National Consumer Council, predicted a sharp rise in the inflation rate to at least 17 percent, if not higher.

"The economic outlook in South Africa today as far as the consumer goes is bleak.

"At Christmas consumers will definitely feel the pinch and many will be unable to afford luxury items," he said.

Grocery prices set to reach new highs

TURN the kitchen cupboard into a tuna store, stock the pantry with pasta and fill the shelves with coffee and tea.

For battling consumers will find that these and many other everyday foodstuffs have shot up suddenly by more than the present year's inflation rate of 12,3 percent when they go to the supermarket this month.

Tins of imported fish such as tuna will jump at least 30 percent, pasta will go up 14 percent, many soaps and soap powders 12 to 15 percent, rice by 10 percent, coffee by 12 to 13 percent depending on the coffee content, tea by 15 percent, Gillette razor blades by 15 percent, Baker's biscuits by nine percent and toilet paper by 10 percent.

Tinned pet food (10%), milk blends (8,5%) and mealie meal (about 8c on a 5kg packet), cooking oil (10%), vinegar (10%), some furniture polishes (10%), and a popular brand of porridge oats (12%) are just some of the other basics which will

By GWEN GILL

rise in October

Even the kids' pocket money will have to be stretched as most sweets and chocolates rise by 7,5 to nine percent, if they haven't already, and Willards chips by seven percent.

These are just the hikes expected in October. Consumers will be hit again in November by 10 percent rises on chickens and chicken portions, cheese, cold meats and some breakfast cereals, and five percent on milk.

Criticism

Come January, expect to pay 10 percent more for eggs, milk by-products and fruit juices, and 25 percent more for butter.

Retailers and consumer organisations hit out at the increases yesterday, saying that many were not justified.

Pick 'n Pay marketing director Martin Rosen said: "Support cheaper brands.

The only way to get prices down is to refuse to buy expensive products."

OK Bazaars director Allan Fabig said South African manufacturers did not have enough competition.

"When petrol prices went down a couple of years back, suppliers said the effect on prices would be minute. But they're quick to put goods up overnight when the petrol price rises."

Housewives' League vice-president Jean Tatham echoed Mr Fabig's comments about the petrol price and added: "With such a broad spectrum of increases, it's difficult to believe they can all be justified."

Consumer Council director Mr Jan Cronje called on suppliers to keep prices down as much as possible.

As cooks' cheap standbys like spaghetti bolognese and macaroni cheese race into the "can-we-afford-it" bracket, Mr Colin Kretzmann, managing director of Fattis and Monis, explained the 14 percent pasta hike by saying all "input costs had increased".

"The durum wheat we use is imported, so suffers from the low exchange rate, labour costs have gone up, and the import surcharge will affect the price of machinery and spares."

Mr Don McCartan, managing director of Nampak, makers of Twinsaver and Twinsoft toilet rolls, said paper costs had risen nearly 20 percent on October 1.

Imported-food wholesalers said the new surcharge and the rand exchange rate were to blame for their price increases.

He wasn't home when king called

The Star's Africa News Service

MBABANE — King Mswati summoned on Friday a farmer who was at the centre of a controversial land wrangle, but was told he was not at home

Mr Hans Steffen last year refused to sell his farm to Swazi tycoon Mr Dumisa Dlamini despite, he said in an affidavit before the High Court, pressure from high places, including the Prime Minister Mr Sotsha Dlamini

Last month he agreed, but was asking R4 million, while Mr Dlamini was offering only R2,5 million

Early this month King Mswati issued a royal decree authorising his Justice Minister to intervene in the sale of any

Star 31/10/84
property and rule on who should buy, at what price

Lawyers, businessmen and bankers have expressed horror about the implications of the decree

Mr Stephen Potter, managing director of the Swaziland Industrial Development Company, which was set up to encourage foreign investment, was very concerned about the long-term implications.

Top level meetings of lawyers, bankers and businessmen have been taking place continuously since the decree was announced early in October, and it is understood that some of those involved are seeking an audience with the 20-year-old head of state this week.

More shocks for consumers (244)

By Caroline Mehliiss

Star 31/10/84
Soap powders, detergents, flour, tuna and pasta will cost more next month

Lever Bros has announced a 12 percent increase for soap powders and detergents from November 1. A spokesman for the company said the reason for the increase was the higher price of raw materials due to the falling value of the rand against other currencies

In February the prices of soap powders and detergents went up by about 12 percent

Millers have announced that the price of flour is to go up by 5 percent on November 1 even though the producer price of wheat has dropped by R45 a ton this year

The new price means an extra 10 c on a 2,5 kg bag of flour and 30 c on a 5 kg pack

The price of tuna, which has been up and down since September when the 60 percent import surcharge was applied and then removed, is due to go up again.

Apparently the surcharge was incorrectly removed — it should have been reduced to 15 percent. A notice in the Government Gazette reimposing an import duty of 15 percent is expected after which the price of tuna will increase from about R1,79 to R1,99 a tin

Pasta manufacturers are asking for a 15 percent increase in their products next month

MEAT PRICES

Ceiling the gap

Meat Board (MB) attempts to restrict surges in red meat prices by placing a 10% ceiling on weekly auction price movements at controlled meat markets haven't met unanimous approval.

While some applaud the decision, others argue that only increased imports will bring prices down. They say structural defects in the meat scheme must be rectified before prices find "natural" levels.

The sincerity of red meat producers' support for attempts to increase supplies and bring down prices must also be questioned.

In a recent address to farmers, Red Meat Producers' Organisation president Manie Schoeman criticised government support for increasing red meat production in maize crop-growing areas. Schoeman says higher red meat production will bring down prices — and harm existing producers.

Symond Fiske, editor of *Effective Farming*, says prices will not come down by putting a ceiling on movements, but rather by allowing sufficient stocks to reach the market.

Past executive director of the Organisation for Livestock Producers, Roy van der Westhuizen, says. "We need a red meat futures market. Until then, the MB should allow forward buying between buyers and sellers. This will underpin the price-forming

FINANCIAL MAIL OCTOBER 7 1988

mechanism and could act as a precursor to a futures market."

But MB GM Pieter Coetzee says US experience shows big buyers can force out smaller ones on futures markets. He also denies that red meat prices, in the long run, show "excessive" increases.

"Statistics show prices tend to move very gradually for four to five years — and the consumer has no complaints. Then, in a strange, inexplicable way, prices suddenly surge. Taken over a number of years, red meat price increases are below the Consumer Price Index. Our new 10% ceiling should help reduce these sudden price surges."

Consumer Council (CC) member Tobias van Rhijn says the main problem is lack of supplies and that imports should be stepped up. The 10% ceiling could keep excessive surges in check, but "increased imports of the right quality red meat is the only way to stabilise prices at this stage."

The MB has imported 60 000 t (mostly factory meat) this year. Coetzee says only 50% of imported beef hindquarters offered at City Deep last week were taken up by the trade. Trade spokesmen retort that meat is "dumped" in large volumes and cannot always be absorbed by the market as offered by the MB.

The CC is monitoring the new system — but chairman Leon Weyers is also a member of the MB and supports its latest moves. He says prices could be brought down by large imports of cheaper meat, "but this will not be in the interest of producers" ■

'Rapid rise in SA food prices must be stopped'

Star 13/10/88
(244)

Staff Reporter

The South African National Consumer Union and the Women's Bureau of South Africa marked international World Food Day yesterday with a joint call to the Government to consider appointing a Ministry of Food.

While welcoming the Government decision to establish a committee for the formulation of a food and nutrition strategy, the two organisations stressed the need for a Ministry "to bring farmers, industry and consumers together in one whole feeding chain".

"Today's agricultural policy stopped at the farm gate," said a statement from the Women's Bureau of SA.

"Non-governmental organisations and international women's networks in 150 countries around the world hold Food Day to encourage people of all nations to eat the food

they produce themselves for a healthier, happier and cheaper lifestyle.

"We are looking to the end of the very rapidly escalating cost of food, which is a major contributor to inflation.

"Inflation today is 12,4 percent and 15,6 percent of that is food inflation, down from a 22,5 percent food inflation figure two months ago, but still cause for alarm at its fluctuation.

"Neither consumer nor processor of food is comfortable with the ever present shortages and surpluses in food. We feel a Ministry of Food could co-ordinate all the facts of food production — supply, health, nutrition, packaging, additives and price.

"All these matters, which forever confront consumers, should be the ultimate aim.

"Creating an awareness of the aims of World Food Day seems a good place to begin"



'Rapid rise in SA food prices must be stopped'

→ for 13/10/88

244

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PRODUCTION PRICE INDEX

244

Heading higher?

Producer prices — which rose just 11,3% in 1987 — will increase 15% this year if they keep up the January-August pace. The production price index (PPI) jumped 1,1% in August, after more modest rises of 0,8% the previous two months. Imported commodities — which make up about a quarter of the index — surged 2,2%

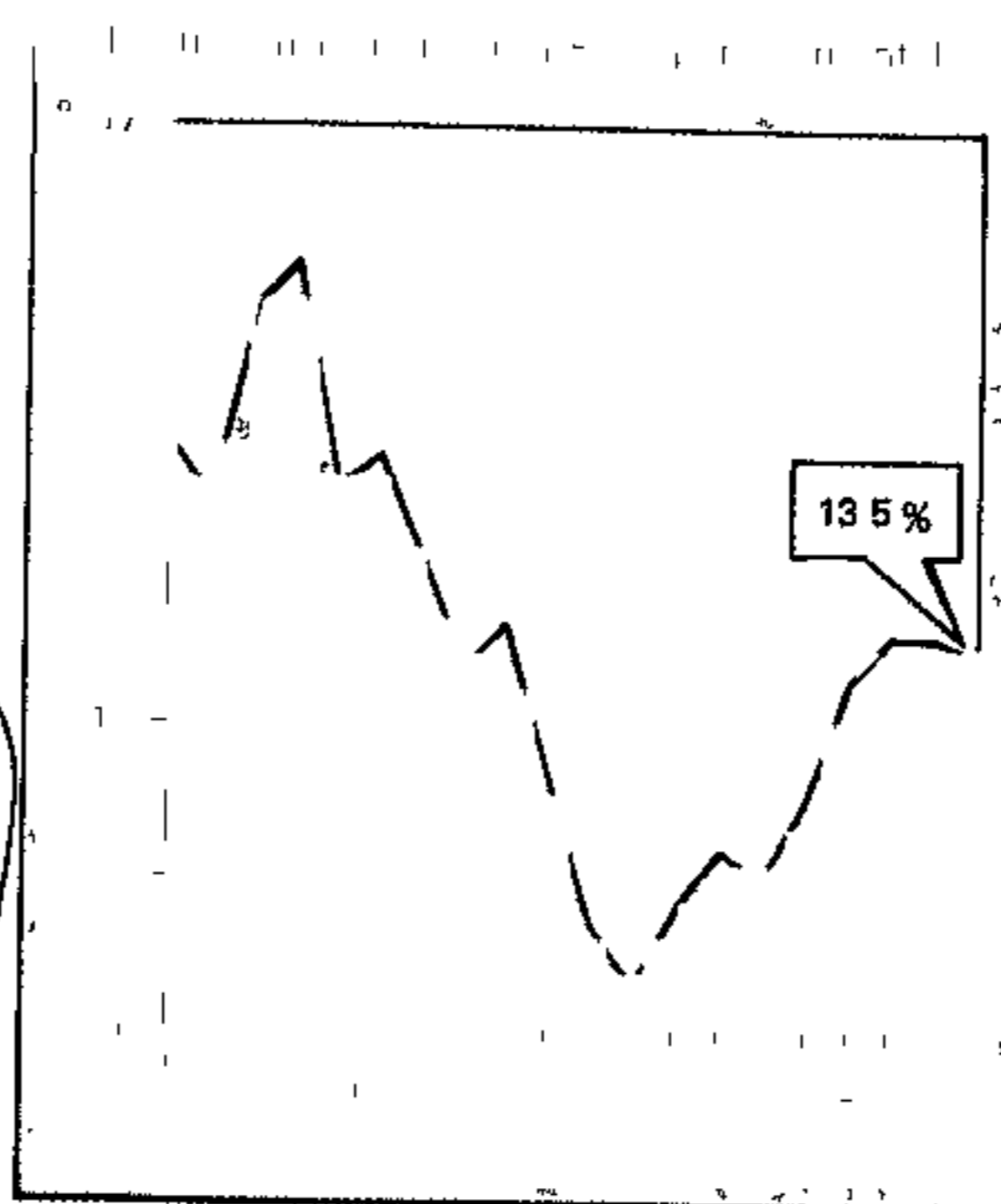
Large monthly increases were in natural stone (16,2%), non-ferrous metals (5,7%), copper (4,9%), non-electrical machinery (4,4%), transport equipment (4%), ceiling insulation (3,7%), wall and floor tiles (3,2%), and trucks (2,7%)

The latest increase brings the index to 283,6 (1980=100). That's 13,5% above last August (see graph), and follows 12-month increases of 13,6% (July and June), 13,3% (May), and 12,5% (April)

This official PPI rate, however, reflects small increases in late 1987. Since January, producer prices have risen more strongly. In

14/10/88 fmj

Expected to rise



244 Pp 14/10/88

the first eight months of the year, PPI rose 9,8% — a 15% annualised rate. With runaway money supply pushing up local prices and the collapsing rand pushing up imports, it is likely to continue at this pace.

Even if monthly increases slow to 1% in each of the final four months, the year-end figure would be 14,2%

But other issues are relevant. The auction price system is under attack (*Leaders* September 9) and a more competitive system should bring down prices. Alleged manipulation of the existing "Dutch clock" auction method (which forces unnaturally high opening bids) and agency cartels may be creating hidden profits for middlemen.

The huge impact of meat prices on the consumer price index was discussed at ministerial level at the recent Cape congress of the National Party. Government support could, therefore, lead to structural changes in SA's R4,5bn red meat industry — and lower retail



Red meat ...
bleeding the consumer

should also be allowed to import freely, so the consumer can afford to put meat back on his table."

Checkers meat marketing director Ernie Smit complains: "To move meat from one area to another, we have to apply for a MB permit, which can lead to costly delays — for ourselves, consumers and eventually also producers. Traders should be free to move meat to where it is needed, as long as it is properly graded. The board should set specifications for quality and hygiene — not control movement."

President of the SA Federation of Meat Traders (operating in controlled urban markets) and MB member Eddie Bielowitz welcomes the investigation. "We have nothing to hide in the meat industry," he says. ■

MEAT PRICES (244)

Only a first step

The appointment of a committee of inquiry into the price-forming process in the red meat industry could lead to lower meat prices — but only if the structure of the system operated by the Meat Board (MB) is properly addressed.

The brief of the committee (chaired by former Sats GM Bart Grové) is to make findings on:

- The effectiveness of the MB auction system in controlled areas — that is, the major urban markets — where prices are normally higher;
- The application of the floor price system (which protects sellers when prices fall) and the ceiling price system (which protects buyers), and
- The likely influence on prices of a freer flow of meat between controlled areas and outside areas.

The floor price issue is largely academic at the moment, as auction prices are above floor price levels.

prices.

OK Bazaars fresh produce manager Norman Laboff supports the investigation, particularly into the free movement of meat. "It is ludicrous that cheaper meat is available in country areas, but the board will not allow the transport of these stocks into controlled areas. If fruit and vegetables can be freely moved, why not meat? There are no restrictions on the transport of game meat, which is selling more cheaply than beef."

Laboff adds that, though the MB imports cheaper frozen stock, it doesn't help the consumer. The price is the same and the MB pockets the difference. "If the MB is importing cheaply, the benefit must be passed on to the consumer — or the trade must also be allowed to import. In the interests of consumers and producers, we must encourage volume sales. But MB control does not allow cheaper imported stock to bring down prices — and consumers are forced to buy other protein products."

Laboff says the auction system is due for proper investigation, as prices shoot up "inexplicably" (the MB's word).

Consumer Council member Tobias van Rhijn says if a meat shortage exists, sufficient stocks should be imported to meet demand. "Surely the MB does not want consumers to switch over to white meat? In the interests of competition, large retail groups

PM 14/10/88

Inflation rate stable despite higher petrol and bread prices

By Sven Lunsche

The official rate of inflation continues to confound economists. September's annual increase in the Consumer Price Index was 12,4 percent, the third consecutive month the annual rate had remained virtually constant.

The rate for June and July was 12,4 percent and inflation hit a three-year low of 12,3 percent in August.

The sideways trend in the annual rate has astounded economists, who had generally forecast a rise by July this year. Last month in particular a sharp increase was anticipated, as the full effect of petrol price increases and import surcharges was expected to hit consumer prices.

And, according to the Central Statistical Services (CSS), half of the monthly increase of 1,3 percent from August to September

was attributable to the increase in the price of fuel, with a further fifth coming from the rise in the price of bread during September.

But it was largely due to technical factors that the high monthly 1,3 percent increase, (annualised at 16,8 percent) did not work itself through to the year-on-year rise.

The CSS explains "In the light of these increases, the question of why the annual inflation rate is not considerably higher, arises.

"The answer is contained in the fact that the monthly rate of increase is of the same magnitude as that of a year ago, in other words, certain price increases occurred from August to September 1987 which were not repeated this year and were virtually replaced mainly by the higher bread and fuel prices.

"More specifically, for example, the vegetable price in-

creases were responsible for almost 40 percent of the rate of increase from August to September 1987, while a general decrease in these prices was observed for September 1988, similarly significant increases occurred in the price of furniture in September 1987. In general it is not notable that food provides a constantly decreasing driving force to the increase in the CPI," the CSS says.

The large monthly increase, however, remains a worrying factor, since it follows on August's 1,4 percent rise, the highest in 18 months.

Says Southern Life's economist Mike Daley. "In August shorter term measures of price pressures, for example over three months, mirror the downward trend of conventionally measured inflation, but it looks as though a change in this trend is imminent."

Writing in the group's latest

edition of *Economic Comment*, Mr Daley adds "The petrol price rise will be a major cost raising factor, import price and general producer price inflation are rising already, higher mortgage bond and rates and general borrowing rates will have an adverse effect on the CPI and certain administered prices, kept in tight rein in March, will be increased at the next budget reading."

He expects a year-end inflation of around 13,5 percent, but adds that inflation "will not run away in 1989, if only because of the expected slowing of the economy in that period, during which profit margins will have to be reduced."

"Food price inflation will also continue to fall from its current level of 16 percent and at this stage a tentative forecast of inflation at the end of next year is 15 to 16 percent," Mr Daley concludes.

Private patients are being forced to pay for state discounts

Medicine costs a bitter pill to swallow

BY DAWN BARKHUIZEN
Why do we need so many tranquilisers? One reason is that paying for medicine is a traumatic experience

The private sector is paying vastly inflated prices for medicines because the State purchases medicines at unrealistically low rates

This was stated yesterday by Mr Jack Bloom, chairman of the Southern Transvaal Pharmaceutical Society, who said that private patients are paying an average of five times as much as state patients for medicines

He accused the Government of deliberately refusing to address and resolve the issue, saying it is "endlessly procrastinating by commission".

"The last 50 years are strewn with commissions of inquiry, a Browne Report and a White Paper, the recommendations of which simply withered on the vine," he said.

Discrepancy

The discrepancy in prices arose because the State, the Province and quasi-government medical schemes like Iscor and Transmed purchase about two-thirds of manufactured medicine at one-third of the total cost of all medicines produced

To ensure adequate production volumes, manufacturers are forced to negotiate at near-cost prices on large provincial and State tenders, he said

Manufacturers have no option but to then inflate prices charged to the private sector to maintain overall profit margins

The "knock on" effect had been felt most by private sector users. Medical scheme subscriptions had been pitched at unnecessarily high levels to recover such inflated costs.

Private patients and medical scheme members are severely penalised as a result of multi-level pricing structures, he said. They have to carry State patients three times over

Not only did they have to pay taxes that the State uses to purchase medicine for hospitals, but they have to buy their own medicine at inflated prices so that the State can buy more cheaply. In addition, they have to pay GST on already inflated prices

Unrealistic

The tender system, which was now centralised, forces manufacturers to tender to the State and province at unrealistically low prices in an effort to beat competition

Pharmacists are appalled at the impact on the man-in-the-street but have no option but to pass on the prices

They maintain that prices of medicine should be determined according to a sliding scale based on quantity, thereby permitting private sector distributors to negotiate on an equal basis and so benefit the consumer.

Mr Bloom said his organisation had long maintained that the price of medicines could be reduced by as much as a third if the Government accepted a standard ex-factory price from the manufacturers based only on quantity sold

Members of his organisation, infuriated at the State's failure to address and resolve the issue, had instructed him to write to all MPs within the branch's area of influence to determine their standpoint on the matter

Big rise in truck licence fees

The licence fees of trucks in the Transvaal will be increased by between 60 and 80 percent from today.

The member of the Executive Committee in charge of general provincial services, Mr Ahmed Arbee, said in Pretoria yesterday that the percentage increases would differ from province to province, depending on the current fees, and were meant to effect uniformity.

The increases meant that the licence of a five-ton vehicle would increase from R558 in the Transvaal to a uniform R888 in all four provinces.

Mr Arbee rejected accusations that the increases were designed to improve the South African Transport Services' (Sats) market position, pointing out that increased revenue from Sats trucks would total about R30 million.

He said it could be argued that the consumer would eventually pay for the increases, but this should be seen against the increase in the road accident rate.

The funds would be used to improve roads.

He added that the Transvaal had budgeted R200 million for this. — Sapa

Haggie Rand strike ends after pay deal

By Adele Baleta

More than 1 800 labourers locked out by Haggie Rand six weeks ago returned to work yesterday after a wage settlement between the National Union of Metalworkers of SA and the company.

The agreement, reached on Friday, guarantees a new minimum increase of 50 c an hour at the bottom rate and 88 c at the top.

Haggie Rand managing director Mr John Milburn said the company had withdrawn dismissals of workers at Jupiter and Germiston plants.

The union hailed the settlement as a "major victory" for its members as it "comes at a time when an increasing number of bosses feel confident they can use the lock-out to force workers into accepting poverty wages".

89/11/11 Sapa

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(244)

11/11/88

CONSUMER PRICE INDEX (244)

What's it doing? FMAIL

Confusion reigns over inflation 4/11/88.
Consumer prices have been surging: up 1,4% in September, 1,4% in August and 1,1% in July; up 1,3% in each month, seasonally adjusted. If the pace keeps up, CPI would increase nearly 17% in a year.

Yet some reports suggest inflation hasn't hotted up at all. "CPI at 12,4% 'surprising'," says the headline of a *Business Day* story which begins "The consumer price index (CPI), at 12,4% for September, remained virtually unchanged from 12,3% in August, surprising some economists."

Adds *The Star*: "The official rate of inflation continues to confound economists. September's annual increase in CPI was 12,4%, the third consecutive month the annual rate remained virtually constant."

Confusion stems from two issues:

- The difference between the index itself and its rate of increase, and
- What the official rate Central Statistical Service announces monthly means

Business Day stumbles on the first issue. CPI — the index — was not "virtually unchanged," as reported. It jumped 1,4% in the month: to 159,6 in September from 157,4 in August (1985=100). The cost of a basket of goods and services, worth R100 in mid-1985, was R2,20 more in September than August.

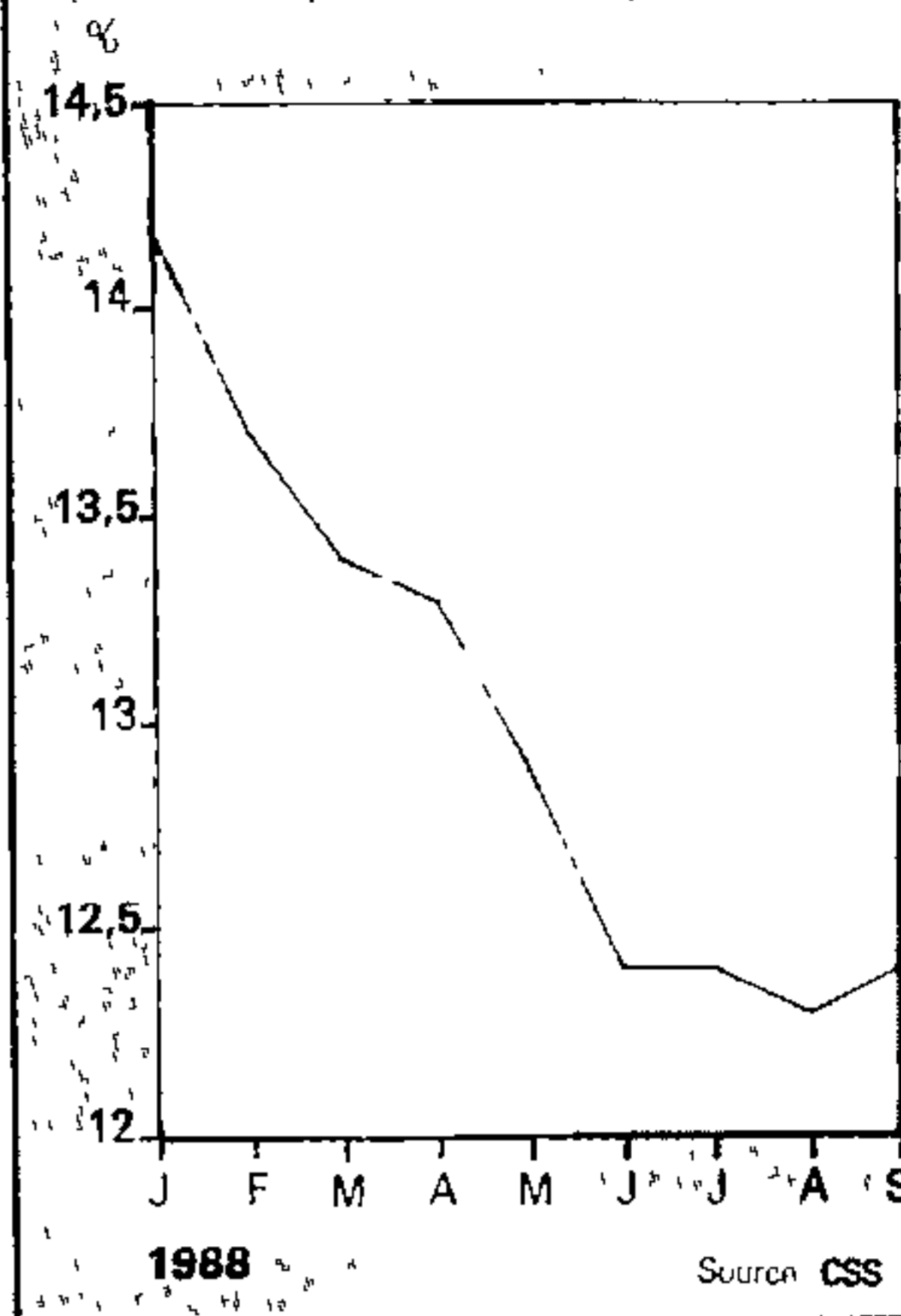
One economist was reported to be "astounded" the figures had not shown a rise. This is unlikely to be what he meant, given the significant hikes in the past three months.

What was "virtually unchanged" is the official inflation rate — the percentage increase in prices over the previous 12 months. It was 12,4% (in September), 12,3% (August) and 12,4% (July and June).

But this describes the percentage increase in the index over one year; it doesn't necessarily say whether prices have jumped recently. And we shouldn't be surprised that

Going up

12-month increase in CPI,
reported monthly



September's inflation rate was not high. The monthly increase would have had to have been much greater than 1,4% to have moved up the 12-month rate strongly.

The same thing could happen in October. Last year, the index was 142 in September and 143,6 in October. Suppose this October's increase is 1% — pushing the index to 161,2.

A monthly increase of 1% is 12,7% annualised. And the rise would make July-October's seasonally adjusted, annualised rate 15,5%: inflation would still be strong.

Yet the 1% rise would push down the inflation rate to 12,3% — because 161,2 is just 12,3% greater than last October's 143,6. That shouldn't "confound" or "surprise" economists.

Obviously, price rises can't be hidden forever: the official rate will eventually reflect them. But for the latest news, look at recent monthly, seasonally adjusted figures. They can be quite volatile, so one month's figure won't show much. But when there are several consecutive months of big increases — as we've had — it's fair to report that inflation has picked up quite strongly. ■

240
swain
1/11/8

DELTA Motor Corporation, formerly known as General Motors South Africa, is to "drastically" reduce prices of its motor spares, the company announced recently.

Commenting on Delta's decision, Mr Jan Cronje, director of the South African Co-ordinating Consumer Council, said it was a praiseworthy step and expressed the hope that other motor manufacturers would follow suit.

Mr Cronje said the decrease in the price of spares would enable the consumer to keep a vehicle on the road for a longer period. He appealed to motor repair services to pass on the decrease to the consumer and not to increase labour costs.

"Delta, through this initiative, is making a large contribution towards the curbing of inflation. It will put the South African consumer in a better negotiable position," Mr Cronje said.

Worshipful sacrifices will be made, but the benefits may doubt

ORDINARY South African are being asked to make considerable sacrifices for the good of the country. Soon they will start feeling the effect of the 20 percent to 60 percent tariffs imposed a little while ago on imports.

If they are repaying mortgages, monthly repayments will be 30 percent higher than at the start of the year.

Should they want to buy a new house, they will have to lower their sights on what is affordable.

Borrowing money for other purchases too, will be more costly. All told, life is getting tougher for the man in the street.

All these measures have a common purpose. They are to curb consumer spending and increase savings so as to strengthen the rand and lessen the risk of another steep bout of inflation.

The aims are worth making sacrifices for. Unhappily, there are fears these sacrifices could be in vain. If past history is any guide, South Africa is heading for a series of inflationary wage increases that will completely

undo the good now being achieved

DEREK TOMMEY

Soon the effects of the surcharge and higher interest rates will start showing up in a significant increase in the consumer price index (CPI). This will lead to both workers and employers seeking pay and profit increases to offset these "inflationary" rises.

As things are at the moment, they are likely to get them. Don't be surprised if you see people getting a pay rise to compensate for the 60 percent increase in surcharges on imports, which they don't buy and which was aimed at curbing consumer spending.

Some people will get increases to offset the rise in mortgage rates, even if they are not buying a house, and despite the rise in interest rates being intended to reduce consumer spending.

Because of this crazy system, it seems likely that by this time next year people will have even more money to spend. It's possible that hou-

sebuyers then will be able to afford an 18 percent mortgage as easily as they could a 12.5 percent one this year — and be able to buy even more imports.

As for the Government, the only results of its efforts to strengthen the economy will probably be an increase in inflation, a further reduction in the buying power of the rand and another crisis on the way.

The reason for this pessimistic forecast is that most people believe, erroneously, that the consumer price index is a standard of living index. There is a strong belief that wages, salaries, company profits, share prices, dividends, professional fees — in fact, virtually all costs — should at least keep pace with the CPI. This is a fallacious view, but one that unfortunately dominates public and private sector thinking.

The CPI is an excellent index of expenditure, but it is far from being a standard of living index. As Dr. Treurnicht du Toit, head of Central Statistical Services, said this week, the

index is often abused by being used for the wrong purposes

One reason why the CPI cannot be a standard of living index is that it does not take into account changes in income. Why should anyone be compensated for an increase in, say, mortgage rates, when they are also benefiting from it? With 80 percent of building societies' funds provided by "institutions" — the pension funds and life insurance companies — much of the R1,2 billion increase in mortgage payments this year will go towards increasing pension provisions and insurance bonuses.

A second reason is that spending habits change. For example, if the price of hi-fis is to rise 60 percent because of the surcharge, the number of people buying them will drop sharply. But until the index is re-weighted, it will continue to reflect the expenditure on hi-fis that prevailed when prices were much lower. Consequently, it will indicate a much higher individual expenditure than is taking place

However, the main reason why the CPI cannot be regarded as a wage indicator is that it covers changes in tax rates. Taxes are an individual's responsibility, not the employer's. If wages are linked to the CPI, it means the employer is paying his workers' GST, his import surcharges and his excise duties on liquor and cigarettes.

So linking wages to the CPI has the effect of negating much of the economic effects of the Government's fiscal policy. Instead of taxes being deflationary, they are inflationary. And it is probable that much of South Africa's high rate of inflation is the result of this.

For the sake of long-term economic health, it does seem the public and the Government should be educated to place less reliance on the CPI as an indicator of what their living standards should be. Otherwise South Africans must be prepared to face even greater inflation

Pick 'n Pay 'not always cheapest'

JOHANNESBURG. — TV1 should get suppliers to state their side of the retail pricing argument, the president of the Housewives' League, Mrs Lyn Morris, said yesterday. She denied that League surveys had shown Pick 'n Pay to be consistently cheapest.

Mrs Morris was reacting to Thursday's "Network" TV debate between Mr Clive Weil of Checkers and Mr

Raymond Ackerman of Pick 'n Pay about pricing in the retail sector.

Mrs Morris denied a claim by Mr Ackerman that League surveys showed "Pick 'n Pay prices were always the cheapest".

"Checkers has been challenging strongly and it and the other chains have in fact beaten Pick 'n Pay on occasions," she said — Sapa

while | firework

Modest increase in producer prices

24%
SJV 9/11/88

By Sven Lünsche
Conflicting signals are emerging on the course of inflation over the next few months.

While import surcharges, the petrol price rise and the weaker rand exchange rate are expected to put upward pressure on the consumer price index, producer price rises are increasing at only a modest pace.

The Central Statistical Services (CSS) reported yesterday that the increase for the September on September period was 13,3 percent, two percentage points lower than the August 1988 on August 1987 figure of 13,5 percent.

On a monthly basis the August/September increase was 0,8 percent.

Reflecting the introduction of the import surcharges and the weaker

rand, CSS says that the monthly rise for imported commodities was a high 1,9 percent, which was, however, 0,3 percentage points down on August's monthly figure of 2,2 percent.

Nevertheless, imported prices are increasing by about 24 percent on an annualised basis and will certainly impact on consumer prices shortly.

The annual rate of increase for locally produced commodities was 13,5 percent, which shows a constantly decreasing trend and is 0,3 percentage points lower than for the year to August 1988.

● The Registrar of Financial Institutions, Theo van Wyk announced yesterday that the maximum finance charges under the Usury Act will be adjusted on November 11.

GDP growth prospects improving

sta 10/11/88

Finance Staff

In spite of gloomy predictions earlier in the year, it would now seem that the real growth in gross domestic product for 1988 should be about 2,7 percent.

The Central Statistical Services states that GDP fell from 3,6 percent in the first quarter of 1988 to 2,5 percent in the third, which, it says, was three percent higher than the third quarter of 1987.

The CSS comments: "Even if no further increase in the seasonally adjusted real GDP should occur in the fourth quarter of 1988, relative to the third quarter, the growth rate for 1988 would still be 2,7 percent".

The economic growth rate for the non-agricultural sector for the second and third quarter was 2,3 percent and 2,6 percent.

"It will be noted that the economic growth rate for the second quarter of 1988 has been revised upwards from 1,5 percent to 2,2 percent.

"The lower growth rate in the second quarter can be attributed to a decline in manufacturing production, in which strikes played no small part".

Even more belt tightening for SA as interest rates increase

11/11/88
244
By Michael Chester

Consumers are preparing today for a new round of price shocks in the wake of a steep increase in interest rates on credit.

The increases come into effect with a Government Gazette notice by the Registrar of Financial Institutions.

It lifts the ceiling of maximum rates allowed under the Usury Act from 24 percent to 28 percent on all transactions over R6 000, and from 27 percent to 31 percent on credit transactions below R6 000.

The new squeeze on spending comes as homeowners already face the prospect of new rises in the cost of mortgage bonds

Sales of cars and expensive household goods such as furniture, and large domestic appliances such as fridges and stoves, are likely to be hit hardest, says Assocom (Association of Chambers of Commerce and Industry), though the full impact might be delayed a few weeks

Assocom economist Mr Ed Verburg said the full impact of higher rates looks set to come in the New Year.

"Many retailers are likely to postpone big rises in interest rate charges until the Christmas spree is over. But a severe crunch now looks likely in 1989."

Mr Gutch Vickers, managing director of Stannic, forecast little immediate impact on hire-purchase rates for cars.

"Competition is far too intense for anyone to risk losing market share," he said.

These examples show the phenomenal rise in the cost of credit since the start of the year when the prime rate — and most home bonds — were at 12,5 percent.

HOME LOANS: The monthly repayment on a R50 000 mortgage spread over 20 years was R568 in January at 12,5 percent. It now jumps to R770 at 18 percent.

NEW CARS: Based on a price tag of R30 000 plus 12 percent GST and an initial payment of a R4 032 deposit, monthly repayments at 16 percent — the average rate at the start of the year — were R837 spread over 48 months.

Now the monthly bill stands at R868 at the lowest prime rate of 18 percent for only top customers; R963 at 24 percent, and a staggering R1 030 at the 28 percent now allowed as the ceiling.

FURNITURE: With the balance to be paid off standing at R2 000 on a suite of furniture, as an example, to be settled over 12 months: monthly bills move from R187 at 12,5 percent in January to R196 at the current rock bottom 18 percent — but up to R218 at the new 31 percent maximum.

BANK LOANS: An overdraft of R50 000 taken out by the average bank client involved costs of R520 a month in interest at the start of the year

Now, allowing for charges of the current 18 percent prime rate, plus 5 percent, they climb to R750 a month.

THE SUNDAY STAR

Manufacturers are to blame for inflationary prices, says local wholesaler

Patients 'overcharged' for drugs

By Caroline Mehliss
 Drug manufacturers are selling medicines to wholesalers for up to 40 times the price they sell the identical product to the State Tender Board. Once the retail pharmacist buys the drug from the wholesaler with a 17,5 percent markup, and adds his own 50 percent markup and R1,30 dispensing fee, the final price the private patient pays can be up to 80 times the price paid by the State.

An example of this is the tranquilliser Valium. The State pays the equivalent of R8,5c for 100 2 mg tablets (it actually buys packs of 500 tablets for R2c), the wholesaler is charged R8,35 for 100 tablets, and the consumer R15,18, plus a R1,30 dispensing fee.

SURVEY

Another example of gross price inflation is the drug Zylprim, used to treat gout. The tender price for 30 300 mg tablets is 95c, the price to the wholesalers is R21,97, and the retail price is R39,95 (plus dispensing fee).

A survey of 14 well known drugs showed the difference between what the State pays and the wholesalers pay for identical drugs ranging from 1,5 to 40 times, with the average being about eight times.

This price differentiation between State and drug wholesalers has been roundly condemned by pharmaceutical associations throughout the country.

Mr Jack Bloom, chairman of the Southern Transvaal Pharmaceutical Society, says the private sector is paying vastly inflated prices for medicines because the Government is buying drugs at ridiculously low rates.

"The State, provinces, and quasi-government medical schemes like Iscor and Transmed purchase about two-thirds of manufactured medicine at one-third the total cost of all medicines produced.

"Drugs bought by the Government are purchased through the State Tender Board, and in order to beat competi-

tion, manufacturers are forced to tender at unrealistically low prices. They then have no option but to inflate prices charged to the private sector to maintain overall profit margins."

Mr Bloom says the private patient gets hammered all the way down the line. His taxes are used in part to buy medicines for the State, he pays vastly inflated prices for his own medicine and he pays GST on top of that.

Pharmacists often bear the brunt of the consumers' anger at high drug prices. They are accused of over-inflating prices, but the inflation begins long before the drugs reach the pharmacist and he has no option but to pass it on to the man-in-the-street.

Mr Bloom says pharmacists and wholesalers want drug prices to be determined according to a sliding scale, based on quantity, applicable to everyone.

This would allow wholesalers who served the private sector to negotiate on an equal basis with the Government if they bought similar quantities of drugs.

Mr Bloom says the price of medicines could be cut by up to one-third if the Government accepted a standard ex-factory price from manufacturers based on quantity of sales.

Mr Sid Hurwitz, executive director and director of pharmaceutical affairs of SA Druggists Ltd, a large pharmaceutical wholesaler, agrees there would be substantial savings for the consumer if there was one exit price for medicines based on amount purchased.

He says the root of the inflationary drug price problem lies with the manufacturers, not the State or pharmacists.

"The high starting price set by manufacturers is where the trouble begins. Also, manufacturers have no single pricing structure in the private sector — there are different rates for dispensing doctors, and varying rates for wholesalers. If something was done to level prices in this sector, prices should come down

"I don't think one can lay the blame for high drug prices at the State's door. If they have to pay too high a price, our taxes will go up to pay for them. And I don't think one can say the retail pharmacy markup of 50 percent is too high."

"Does anyone ever question the markups in the retail clothing industry or other areas where markups are just as high if not higher?" asks Mr Hurwitz.

Dr Hugo Snyckers, president of the Pharmaceutical Manufacturers Association (PMA), says a single exit price for the State and the private sector would not be feasible.

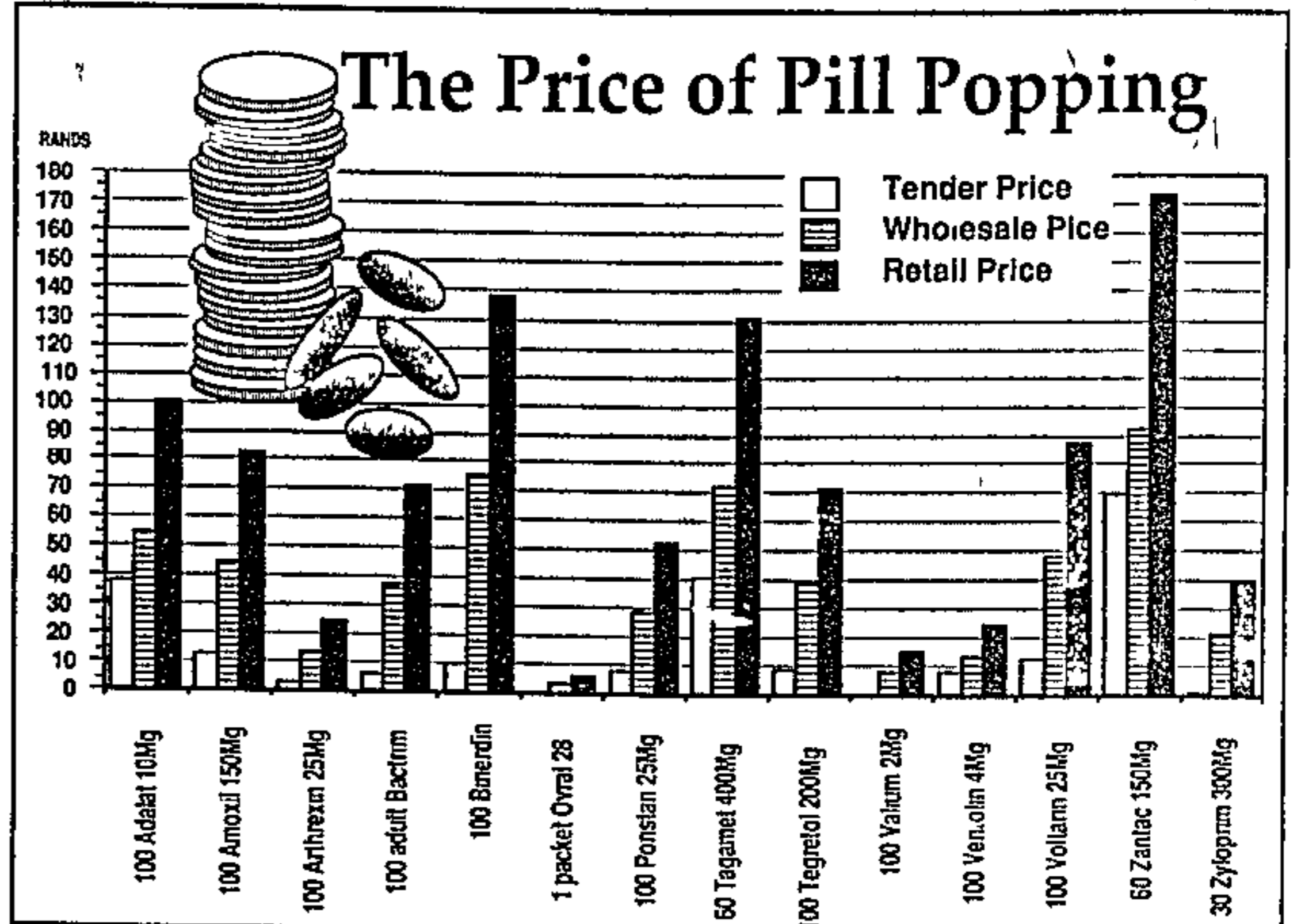
"There is a large section of the population in South Africa that cannot pay for its medicines, so the State has to use taxpayers' money to buy medicines for these less privileged people. The State obviously must buy as cheaply as possible to make the taxpayers' money go as far as possible."

FACTORY

"The PMA is, however, busy drawing up a Government Purchasing List of between 200 and 300 drugs that we consider to be essential."

"We propose that State continues to buy these on tender, but all other drugs should be channelled through the private sector at a single ex-factory price. If the State wants to buy these drugs, it will have to pay the same as the private sector."

"This idea is still in the planning stages, but the Government seems quite receptive to it."



The table shows the price difference between what the Government pays for drugs, what the wholesaler pays, and finally what the private patient pays. The tender prices were those ruling at the beginning of the year, and the wholesale and retail prices are for the same period.



Miss Fiona McKenzie, a Johannesburg chemist assistant, holds a handful of pills. A survey of 14 well-known drugs shows the State pays from 1,5 to 40 times less than wholesalers for the identical drug.

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Pharmacists urge consumer protest

State system sends medicine prices soaring

Star 14/11/88

By Toni Younghusband, Medical Reporter

Private patients could be paying up to 80 times more for medicines than the State pays, a survey reveals.

More than seven years ago there were warnings that the State's tender system of buying drugs would place medicines beyond the reach of the average South African

While medicine prices continue to soar for the consumer — a 33 percent increase is forecast for next year — the State still buys from manufacturers under the highly controversial tender method

Govt not to blame, says
Van Niekerk

By Bruce Cameron, Political Staff

CAPE TOWN — The Minister of Health, Dr Willie van Niekerk, has rejected accusations by the Pharmaceutical Society of South Africa that the Government is responsible for the high price of medicine

At the same time he levelled an accusation at the society that it wanted "protected free enterprise"

In an interview he challenged the society to tell the public why its members were objecting to a pharmacy in Pretoria that had dropped its prices by 25 percent

Another pharmacy in Durban had been able to offer a 12 percent discount without affecting its profits

In its advertising campaign, the society says the high price being paid by the consumer is a result of the "present inequitable pricing structure".

"The pharmaceutical manufacturing industry enjoys three separate water tight markets the tender market, the dispensing doctor market and the private sector pharmacy market"

The society wants a standard ex-factory price imposed by the Government Dr van Niekerk said at the weekend that the Government, in calling for tenders for medicines, was obviously attempting to keep prices down

"It is no use trying to blame the Government — it is a private sector problem Why must the Government pay more for medicine?"

"Bulk buying is also available to private pharmacies, but they can't agree among themselves"

"They are looking for an artificial situation"

Dr van Niekerk said, however, that the basic problem was the cost of medicines and this issue was subject to a Government investigation at the

Because of the competition caused by the system, manufacturers slash their prices to rock-bottom

Then, in an attempt to balance this, they push up the prices they charge wholesalers

In turn, the wholesalers pass on their profit mark-up, and so do the pharmacists At the end, the consumer can pay up to 80 times more than the State would have — and the pharmacists are blamed

Mr Jack Bloom, chairman of the Southern Transvaal branch of the Pharmaceutical Society of South Africa, says he is tired of being insulted for no fault of his own

"We, the pharmacists, are the scapegoats We are the ones the public buys from, and we have to deal with the insults"

"I don't blame the public, I understand how they feel"

Now, in a last ditch attempt to force the Government to revise the tender system, Mr Bloom and other society members have called for a concerted consumer protest.

'Rash of rises'

They have placed an advertisement in The Star pointing out that the price of medicine can be reduced — but "only if the Government acts immediately"

"We are genuinely concerned about the price of medicine"

"There have been a whole rash of price increases Some went up last week," said Mr Bloom

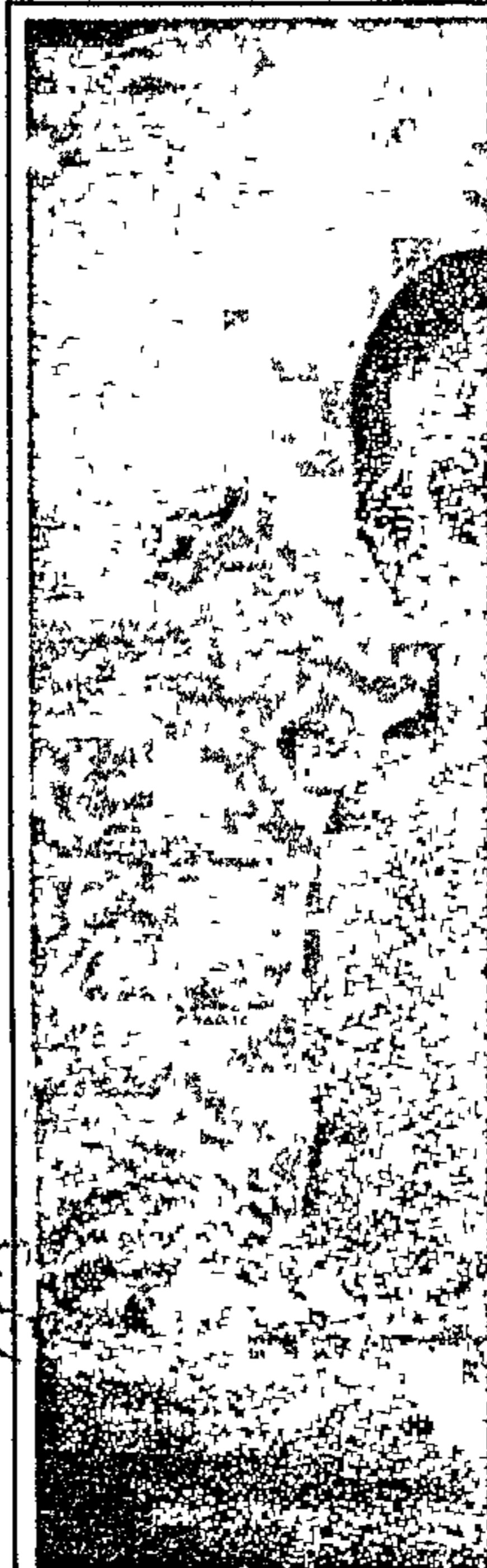
In a survey by The Star, one medicine costing the State 95 c has a retail price of R39,95 (before the dispensing fee)

Medical aid scheme members do not escape unscathed

To compensate for increasing prices, the schemes are pushing up members' contributions

"We now believe that the only way to get some reaction from the Government is through a powerful consumer protest"

"A concerted consumer protest may well force the issue and bring the price of medicine down significantly," says the pharmaceutical society.



Surf — for clean administration

Tembisa intimidates matric e

Star 14/11/88 East Rand Bo

The regional director of the Department of Training on the Highveld, Mr J.H.E. of intimidation fewer pupils than writing matric examinations in Te

He said 1 200 pupils had registered at the beginning of the year but when the examinations started last month many pupils feared for their lives

A secondary school principal, identified, estimated the number of matric examinations at between 70

Several pupils said they withdrew because they had been threatened

In the Kempton Park area school principal appealed to parents to accompany their children when they start writing their matric examinations and fetch them again afterwards

Pamphlets distributed in the town

244
CPE Trans 16/11/88

Govt blames trade for medicine costs

PRETORIA. — The public should not point fingers at the government for the high price of medicines, because the pharmaceutical trade controlled the "whole chain" and put 50% mark-ups on wholesale prices, the Minister of National Health, Dr Wilhe van Niekerk, said yesterday.

Addressing the Transvaal National Party congress, he said figures for last year showed that the pharmacy trade had paid R650 million for medicines while the consumer had in the end paid R1 316 billion, or R1 175 billion without general sales tax.

The government was committed to the lowest possible prices for medicines to the public, he said.

The pharmaceutical trade controlled the entire industry, from the beginning of the price structure through to the consumer, he said.

People pointed fingers at the state tender system for drugs, but suppliers admitted "frankly" that they made profits on sales to the state.

Instead of pointing fingers at the state tender system, the pharmaceutical industry should "get its house in order".

The message from the public was clear that it could not pay the high prices for medicines and "the chemists must answer the public". — Sapa

● More reports on Nat congress, Page 2



Call for united front to cut the cost of food

AKG 608
16/11/88
244

By TOM HOOD,
Business Editor

EVERYONE in the country's food industry — from farmers to supermarkets — should use their skills to reduce food prices, says Mr Mike Getz, president of the Cape Chamber of Industries.

This was essential to restore balance to a wavering economy, he said in Cape Town last night.

Food prices took up about 22 percent of people's disposable income compared with only 14 percent in Britain — "an almost unprecedented proportion".

The emerging consumer, with modest disposable income, now symbolised the character of growth opportunities in South Africa, said Mr Getz in his presidential address to the Cape Chamber of Industries last night.

"Our commercial and industrial establishment has suc-

ceeded in consistently pricing its output, durable and semi-durable, beyond the consumer's reach. We can no longer market to an image in the mirror."

The wildly skewed economies that South Africans suffered remained a serious and ongoing problem bedevelling living standards, wage structures and the development of domestic markets generally.

"Hopefully, this complex area is among the last of the favoured political outposts

Confront suppliers

"As buyers of services, components and commodities, the manufacturing sector must first resist and only then negotiate with toughness the price hikes suppliers seem to inflict regularly at will.

"We need to confront suppliers whose performance is best characterised as a franchise to inflict inflation on its downstream sector."

It was time to review the cost-plus syndrome, said Mr Getz.

"The creation of cost structures in the comfortable knowledge than an ongoing series of price hikes will redeem them is no longer a viable option.

"It is matching products and services to affordability that creates markets, not the reverse.

"We should critically review the enthusiasm for conquering foreign markets when we have so signally failed to develop our own, particularly in the area of manufactured goods."

Taxation policies of a self-indulgent government, artificially low costs of capital and rampant money supply did not preclude self-examination and appropriate change.

"Sensitivity to costs, market realities and the management of assets are important elements in returning to the pattern of viable growth we have almost forgotten," he added.

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Private patients suffer

SA medicine

at 'crisis point'

STW 16/11/88

244

South Africa's medical system is in a "crisis situation" and urgently needs to be investigated, the past president of the Housewives League, Mrs Joy Hurwitz, said yesterday.

Mrs Hurwitz, who is conducting an investigation into medical costs for the league, was responding to the disclosure on Monday of the State tender system of purchasing medicine. By purchasing on tender, the State was buying its medicine as much as 80 times cheaper than the private patient

Sales tax criticised

Mrs Hurwitz said it was "absolutely alarming" to see how much the price of medicine had gone up in the last year.

"The cost to the private patient is astronomical. The more the price of medicine goes up, the higher the medical aid fees until eventually you won't have anyone able to afford medical aid," Mrs Hurwitz pointed out.

She also slammed sales tax and import duty on medicines.

"Why should we have 12 percent GST

**By Toni Younghusband,
Medical Reporter**

on medicine or, for that matter, why is there import duty? Medicines are not luxury items, you cannot avoid being ill," Mrs Hurwitz said.

The Minister of Health, Dr Willie van Niekerk, on Monday rejected accusations by the Pharmaceutical Society of South Africa that the Government was responsible for the high prices.

He said the society wanted "protected free enterprise".

Mr Jack Bloom, chairman of the southern Transvaal branch of the society, said Dr Van Niekerk had failed to address the real issues.

But manufacturers of generic medicines have pointed out that replacing brand name products with their goods would also substantially decrease prices.

But they said pharmacists were standing in the way of this. One manufacturer said pharmacists were reluctant to recommend generics because lower prices meant lower profits for the pharmacy.

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Stv 17/11/85

244

Drug manufacturer urges use of generics

Call to cut medicine costs

By Toni Younghusband,
Medical Reporter

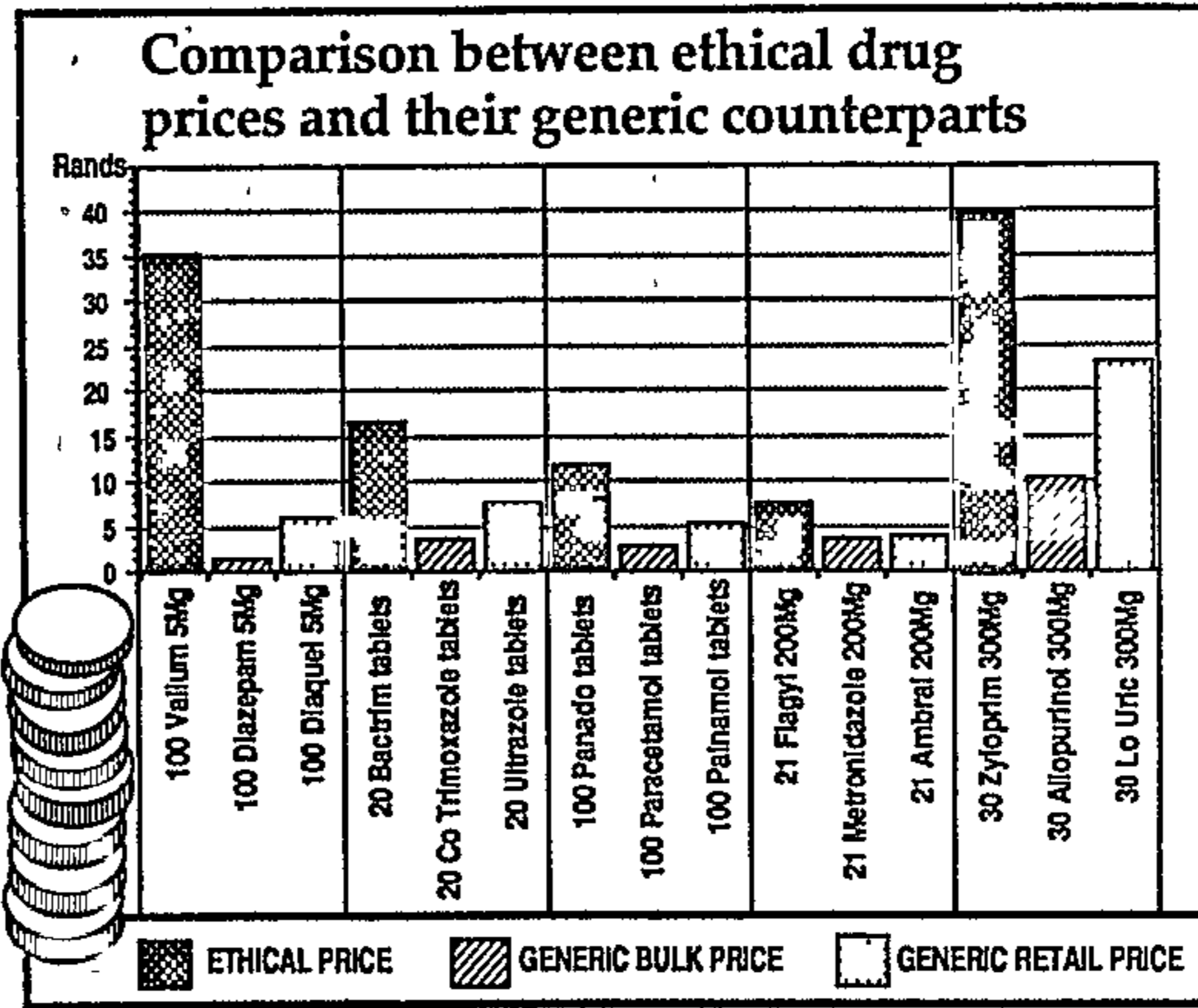
Medical aid societies could effectively "force down" the price of medicine by recommending the use of generics rather than ethical drugs, a Johannesburg drug manufacturer has pointed out.

Generics, which are copies of an ethical drug for which the patent has run out, can cost up to 60 percent less than their ethical counterparts.

"If medical aid societies insisted on paying only as much as the generics cost, the price of medicine would come down considerably," said Mr Norman Fleminger, a director of the Safimed Group. Medical aid schemes should tell their members they would pay generic medicine rates only and any extra charges brought by using ethical drugs would have to be borne by the patient, he advised. Mr Fleminger said some societies had already taken this stand.

Spiralling medicine costs are effectively pushing drug prices beyond the reach of the private patient and a further 33 percent increase is expected next year.

Mr Fleminger said unfortunately pharmacists were reluctant



to dispense generics because the markup on a generic was less than on an ethical. Legislation in any case, Mr Fleminger pointed out, prevented them from recommending generic substitution. They were forced to follow a doctor's prescription.

Doctors too have had a negative attitude to generics. Many of the older doctors are suspicious of generics while others are easily

persuaded to stick to ethical by ethical manufacturers

General practitioners interviewed by The Star said they were "more comfortable" with ethical companies and "had known them for a long time".

It has been suggested that many doctors are "persuaded" to stay with an ethical manufacturer "in exchange for favours".

Star 2/11/88



266

Pharmacists want to buy stock at the same price as State'

Medical Reporter

Pharmacists demanded the right to buy stock at the same price as the State and these prices should be governed purely by quantity, Mr Boet van der Merwe, the Executive Director of the Pharmaceutical Society of South Africa has said.

Commenting on a nationwide pharmacists' protest against rising medicine prices, Mr Van der Merwe said the single most important factor which would dramatically lower prices was the reduction of the artificially high ex-factory price to the private sector.

Because of the competition enforced by the State's tender system of pur-

chasing drugs, manufacturers slash their prices drastically and, in an attempt to recoup their costs, increase their mark-ups to the private sector

"If prices are not reduced, medical scheme membership costs will continue to rise and members will run out of benefits," Mr Van der Merwe said

He said it would not help much for pharmacists to lower their mark-ups

"You can lower them only so far before you go out of business. Many pharmacists do keep mark-ups much lower than others as it is and this is their right"

Mr Van der Merwe said health authorities had been "warned" that a pharmacists' protest was imminent

Kei buses empty after fares increase

Staff Reporter

BUSES from Cape Town's black townships to Transkei and Ciskei are running empty because residents feel a recent R10 fare increase is too high, a representative of the commuters said yesterday.

Fares to Transkei were increased from R60 to R70 and to Ciskei from R45 to R55 in October, after residents and the bus companies had failed to reach agreement on increases.

Township residents — and especially hostel dwellers — who regularly use the buses are angered at the increases and about 300 people protested against them in Guguletu on Sunday.

The representative, who is connected to the Township Transport Coordinating Committee and asked not to be named, said people felt the increases were unfair because the bus companies had increased fares last year.

A spokesman for the Bus Runners' Association said they had been involved in negotiations since mid-August. He said commuters had pushed a R5 rise, while the association wanted a R15 increase, since the price of diesel and spare parts had gone up.

Too late for classification

No sign of retail sales slowdown

By Michael Chester

Retail trade sales in November are expected to be above R4,5 billion, more than 24 per cent higher than a year ago.

The forecast has been made by Central Statistical Services (CSS) on the basis of a mid-month nationwide survey of spending trends.

The buying boom indicates that there is still no firm evidence of any dramatic slowdown in consumer spending, despite Government moves to squeeze credit with stricter purchase terms, higher interest rates and stiff import charges.

The Association of Chambers of Commerce and Industry is convinced that total spending in the full Christmas shopping season, November and December combined, will break all records at above R10 billion.

Assocom economist Mr Ed Verburg believes that the impact of the Government squeeze will not be felt until the New Year.

For the moment, he says, many consumers are still determined to buy now to beat higher inflation and steep price increases expected early next year.

The CSS predicts that retail sales in the three months from September to the end of November will now reach an unprecedented R13 227 million at the final count compared with R10 642 million a year ago.

That means a jump of 24,3 per cent measured at current prices and a 9,3 per cent climb even in terms of constant 1985 prices. This strips away the impact of inflation and measures the increase in sales by actual volume.

Many economists now forecast that spending in December, at the height of the Christmas spending spree, will surge far above the R5 276 million reached last year.

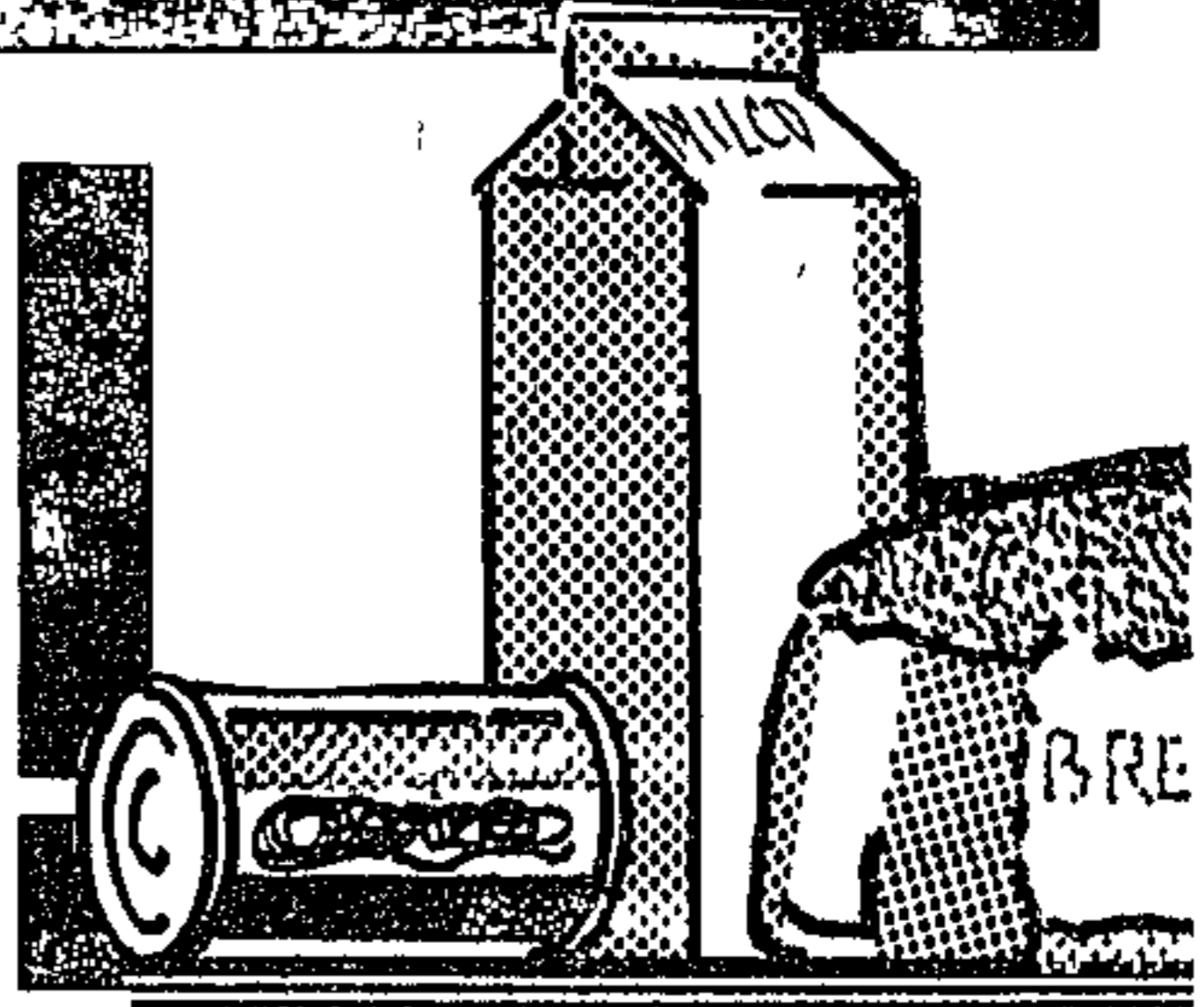
● See Page 13.

'The poor consumer can't take much more'

W/E ARGUS
22/11/8
244

FOOD PRICE

OUTCRY



ROCKETING food prices and the rand's weakening buying power have outraged consumer organisations and put charities in a desperate situation — and are threatening the lives of children.

The Peninsula School Feeding Fund, which provides a meal a day to 150 000 primary-school children, says it will have to close in two years without a massive cash injection. They say the price of the milk powder they use has increased by 31 percent since February.

Operation Hunger says it is seeing more and more chronic malnutrition in children in the urban areas.

And Sheila Baillie, vice-president of the Housewives' League, says: "The poor consumer can't take much more."

But Pick 'n Pay spokesman Alan Baxter warned of further increases in January.

This week the Central Statistics Office said food prices accelerated by 1,6 percent last month, equal to an annual rate of more than 19 percent. The Statistics Office figures showed food-price inflation had been running at 13,4 percent since October last year.

by VIVIEN HORLER, Weekend Argus Reporter

Mr Mike Getz, president of the Chamber of Industries, has called on everyone in the food industry, from farmers to supermarkets, to use their skills to reduce food prices. He said food prices took up about 22 percent of people's disposable income compared to 14 percent in Britain.

His call was echoed by Mrs Baillie. "We feel industry must look at the figures and see if it can control increases."

We're very worried. The producer has to be kept on the land and has to make a profit, and input can be staggering," she said.

"I don't know where we're going from here. We're desperate to find a way of curbing increases."

Mr Alan Baxter, general manager of food-buying for Pick'n Pay, says the stores' prices have increased by 11,7 percent since October last year, but are set for "traditional" increases in January.

Most commodities will go up about 12 and 13 percent, but tea will soar about 20 percent, and coffee about 14 percent. The tea price, which has been not gone up in two years, is, like coffee, affected by this year's import surcharge and the weakening rand.

The good news from Pick

'n Pay came from Guy Hawthorn, managing director of Blue Ribbon Meat Corporation, the chain's meat division. Meat prices had been stable since March, he said, adding, "I am adamant they will not increase for Christmas."

He saw no reason for meat prices to increase in the next three months. "We had our period of inflation between November and March this year."

Miss Roselle Frasca, regional director of Operation Hunger, which provides 40 000 children a day in the Western Cape with what is often their only meal, said they were "desperately concerned" at the rising price of food, especially protein.

"Obviously basics should be subsidised in some way, at least for the lower-income

groups. And one of the most expensive basic foods is milk.

"We are seeing more and more people whose food intake is below survival level. This means they are inadequately fed, which has serious implications in children."

"Protein deficiency can lead to physical stunting and irreversible mental retardation. These are the people who are our tomorrow and they are seriously at risk."

Miss Frasca said that with more people flooding into Cape Town from rural areas, particularly Transkei, Operation Hunger was seeing an increasing number of cases of malnutrition.

In the Western Cape's rural areas Operation Hunger was finding a 30 to 40 percent stunting rate among coloured children. "This indicates chronic underfeeding, with children of about five years old never having had the right food. It's horrific."

LIQUOR STORE

Cap
2/12/88

244

THE petrol price is to go up by 10c a litre from January 16 next year.

This means that from early next year motorists will be paying R1,02 a litre for 98-octane and 97c a litre for 93-octane in Greater Cape Town.

Prices in other parts of the Cape will vary according to delivery zones set by the oil companies. The latest rise comes after a 16,5% increase in September.

The latest shock increase is to "reduce the national budget deficit before borrowing and to encourage domestic expenditure", a joint statement by the Minister of Economic Affairs and Technology, Mr Danie Steyn, and the Minister of Finance, Mr Barend du Plessis, said yesterday.

Nine cents of the increase will go towards financing additional state spending — mainly on salaries and wages — and slowing down economic activity.

The extra 1c is to be added to the price to cover the increased costs of rail and pipeline tariffs which went into effect yesterday.

Reacting to the announcement, the Automobile Association says it is disappointing that the petrol price increased at a time when the crude oil price has been decreasing and the rand has been gaining strength.

Increased by R900m

It said, however, that a large petrol price deficit had built up before the September price increase.

The statement said the deficit had been budgeted at R12,5 billion in the current financial year and the figure had now increased by R900 million.

More than R600 million had been expected from the sale of Iscor shares to the Industrial Development Corporation, which was to be used to finance certain capital expenditure.

This left R300 million to be financed. The higher fuel levy is estimated to yield an additional R260 million for the fiscus in the current financial year and to add R1,3 billion to total state revenue in fiscal 1989/90," the statement said.

The ministers also said that the government was "perturbed" at the 8% annual increase in fuel used in South Africa, which, it said, was "disquieting" because the country has to import all its crude oil.

Apart from the goal of a lower and more affordable level of fuel consumption — which should lead to the better utilisation of a product that must be imported — at a high rand price and with scarce dollars — the levy will mean that "motorists and other users of fuel will make a greater contribution to general state revenue", the statement added. — Sapa, Staff Reporters

Impact on consumers will be heavy

Star 2/12/88

Petrol price shock 'just the start'

Political Correspondent and Staff Reporters

The Government's bombshell announcement of a further 10c a litre increase in the petrol price has been made mainly to fund the extraordinary increase in salaries for public servants and social and other government pensions

While the Government says the good news is that a rise in general sales tax in the remaining part of this fiscal year is now highly unlikely, Opposition politicians say the bad news is that the latest petrol tax is likely to be permanent

The Consumer Council has warned that the worst is not over for motorists. Another increase of about 10 percent is expected "soon" to offset exchange rate losses

The January increase was going straight into the Government coffers and would not cope with the exchange rate loss said Consumer Council chairman Professor Leon Weyers

According to the South African Agricultural Union (SAAU), the total impact on the agricultural sector would be a R100 million rise in fuel costs alone

Struggle

Dr Koos du Toit, chief economist of the SAAU, said this was unwelcome news which could delay or even prevent economic recovery in certain sectors, where many farmers were already involved in a desperate struggle

The fuel increase followed other increases which hit the agricultural sector recently and would mean greater costs to the consumer

Mr Roy Gershow, managing director of Road Transportation Services said the fuel price increase would have a serious effect on the road carrier sector

"The consumer will have to pay for it eventually although we will, of course, try to contain it. This is an inflationary move — and a total shock," he said

Finance Minister Mr Barend du Plessis said in an interview last night that part of the rationale for the latest levy on fuel prices was the need to dampen the excessive growth in consumption of petrol

"This country's petrol consumption is growing by about 8 percent in terms of volume each year. People have to realise we are in a country that is under boycotts and we have balance of payment problems," he said

Mr du Plessis said South African petrol prices remained one of the cheapest in the world

Mr du Plessis said in a press statement last night the latest fuel levy (9c of the increase is a tax, the remaining cent is for increased transport costs) was necessary to reduce the national budget deficit before borrowing and to discipline consumer spending

Permanent

Progressive Federal Party finance spokesman Mr Harry Schwarz said today that the Government had totally wrecked this year's Budget

He said that while the PFP had supported the Government's economic plans as formulated by the State President, Mr P W Botha at the beginning of the year, the party did not support what was now being done to the economy

Mr Schwarz predicted the Government would not merely use the new petrol tax as a temporary measure to get itself out of a tight spot. He said the levy was likely to be a permanent burden on motorists

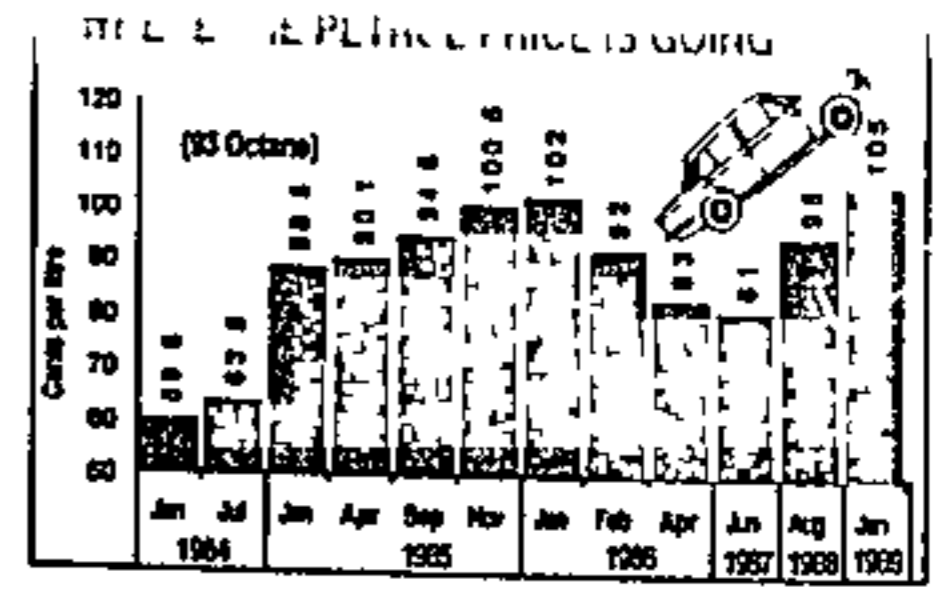
He said that, until this year, petrol levies were used for the benefit of road users. It was wrong in principle for these levies to become part of general taxation

Mr Schwarz warned that the latest increase would be inflationary and highly undesirable

Conservative Party spokesman Mr Frank le Roux said the country had already had to shoulder a terrible burden when petrol prices were increased in September

It was even worse that it should now be asked to pay more because of Government financial problems quite unrelated to the cost of petrol or other fuel

He said "This is typical of the G-



Prescriptions stolen to obtain drugs

Star 2/12/88 By Craig Kotze, Crime Reporter

Police are investigating hundreds of thefts of prescriptions and forgeries used to obtain dangerous and addictive drugs

And pharmacists have been asked to contact the John Vorster Square Narcotics Bureau immediately if they are handed or know of false prescriptions

A spokesman for the Johannesburg Hospital confirmed that a number of prescriptions had recently been stolen there

Other hospitals and private clinics across the Reef could be involved

Police said the major problem centred on doctors' waiting rooms

"A number of fraudulent pre-

scriptions have been picked up by conscientious pharmacies. These have been handed to the narcotics bureau," a Johannesburg Hospital spokesman said

A spokesman for the JG Strijdom Hospital confirmed that prescription thefts occurred "from time to time on an ongoing basis"

"We take precautions such as locking up our prescriptions, but some still manage to slip through. Some of the forgeries are very authentic," said the superintendent, Dr Anette van der Merwe

Police say the problem is widespread. The most common drug

obtained by fraudulent prescriptions is Wellconal — often used by addicts to spike themselves with syringes.

Addicts had even used Ietrasetts to fill in false prescriptions

A nursing sister said yesterday that she was contacted by a Malvern pharmacy on Tuesday and asked for payment for 30 Wellconal tablets

Someone must have got hold of a prescription pad at the Johannesburg Hospital and some stickers with my personal information on it

The fraudulent prescription even mentioned the date I was discharged from hospital

See Page 15



Hats off to newspaper columnists Francois Woolfaardt and Jani Allan and Mr Jimmy McKenzie of First National Bank as they pose with Cloud High

Coastal raiders fancied

Cape and Natal challengers dominate the betting on the R300 000 First National to be run over 1 600 m at Turffontein tomorrow

The First National is one of the major races on the South African coast

This was a birdie not welcomed by Bernard

By Joe Openshaw

Bernard Langer shot a birdie on the first hole in the Million Dollar Challenge at Sun City yesterday which returned with a vengeance in the shape of a scrawny stork which sat malevolently on the green as the golfer's approach shot landed in the water

And the jaundiced eyed Pitanesberg bird — like the fateful albatross which haunts mariners — was unperturbed while Langer had heated words with Mr Jimmy Hemphill over whether his shot had landed out of bounds or in a water hazard

Under the circumstances it was on the cards for him to drop two shots on the ninth, after which the stork took its evil presence off

The incident was part of the excitement at Sun City yesterday watched by 4 595 golfing fans who braved the rain in the hope of seeing American Don Pooley better the course record 65 set by Fuzzy Zoeller in 1983 and equalled by Seve Ballesteros in 1984

SWINGING IN THE RAIN

After that it was swinging in the rain for the golfers as it drizzled in the heat and humidity at the start

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Petrol price going up

9 Sowetan 2/12/88
PETROL will go up by 10 cents per litre as from January 16, next year, SABC TV News reported last night. *(244)*

It pointed out, however, that at a large petrol price deficit had built up prior to the September price increases

The Automobile Association says it is disappointing that the petrol price is increased at a time when the crude oil price has been decreasing and the rand has been gaining strength

The AA also said that it was pleased to notice that the Minister of Mineral and Energy Affairs appeared to be taking notice of requests to introduce increases gradually rather than in one major jump — Sapa

Slight rise in price index

2/12/88

Finance Staff

244

The consumer price index (CPI) rose by a seasonally adjusted 0,8 percent from October to November, Central Statistical Services (CSS) said yesterday.

The relatively low increase helped the November inflation rate — the year-on-year percentage increase in the CPI — to remain virtually unchanged at 12,4 percent.

The rate was 12,3 percent in October and has been either 12,3 or 12,4 percent since July.

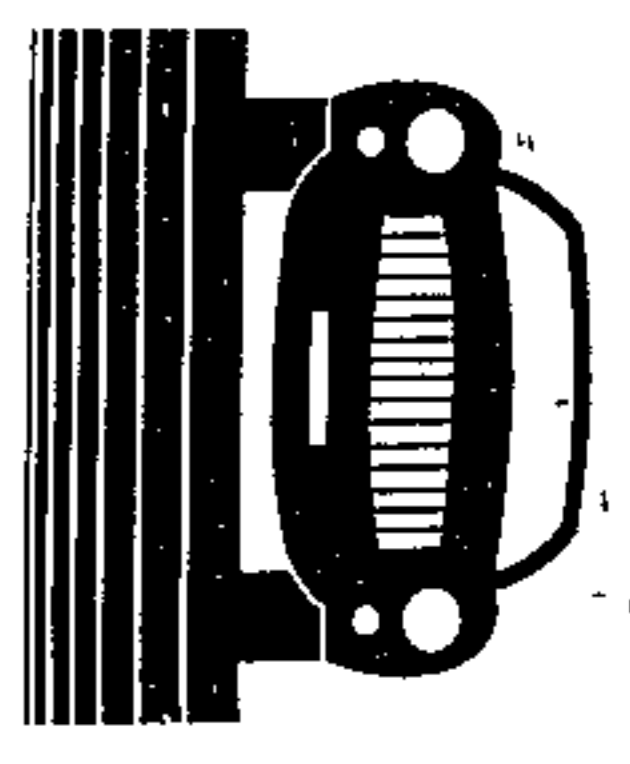
However, indications are that the rate will rise slightly over the next few months. Judging by the last five seasonally adjusted monthly increases, the rate will be 13,7 percent next July.

This is well below forecasts of an average rate of 15 to 16 percent next year, a development which CSS ascribes to lower increases in food prices.

"It is encouraging that the annual rate of increase in the price index for food still shows a decreasing trend," it says. "The price index for food for November 1988, compared with November 1987, is 13,2 percent, which is the lowest annual increase for the past three years (for October 1985 it was 12,8 percent).

"The annual rate of increase — November this year, compared with November 1987 — in the food index is 12,8 percent for the lower-income group, 13,5 percent for the middle-income group and 13,5 percent for the higher-income group."

Meat (1,3 percent), fish and other seafood (2,6 percent) and milk, cheese and eggs (2,9 percent) reflect relatively large monthly price increases. Vegetable prices fell by seven percent.



Petrol prices: It goes up and up...

*Pass
2/2/88
244*

Staff Reporters

THE government's bombshell announcement of a further 10c-a-litre increase in the petrol price to pay for its runaway spending has caused shock and anger over a wide front.

A leading economist predicted today that the rise — to R1,02 a litre for 98 octane and 97c for lower-grade at the coast — would add about one percent to the inflation rate, which had yet to see the effect of the September increase.

The latest rise means motorists' petrol bills will have risen by 27 percent in less than five months.

Mr Mike Daly, chief economist at Southern Life, said it was a revenue-raising measure and effectively an indirect tax on the wealthier and corporate sectors.

"The cost will fall on richer individuals — who do more travelling — and companies with car schemes, avoiding the political hashpoint it would become if it fell on the poorer people, as a GST rise would."

The increase is necessary mainly to fund the extraordinary increases in salaries for public servants and in social and other government pensions.

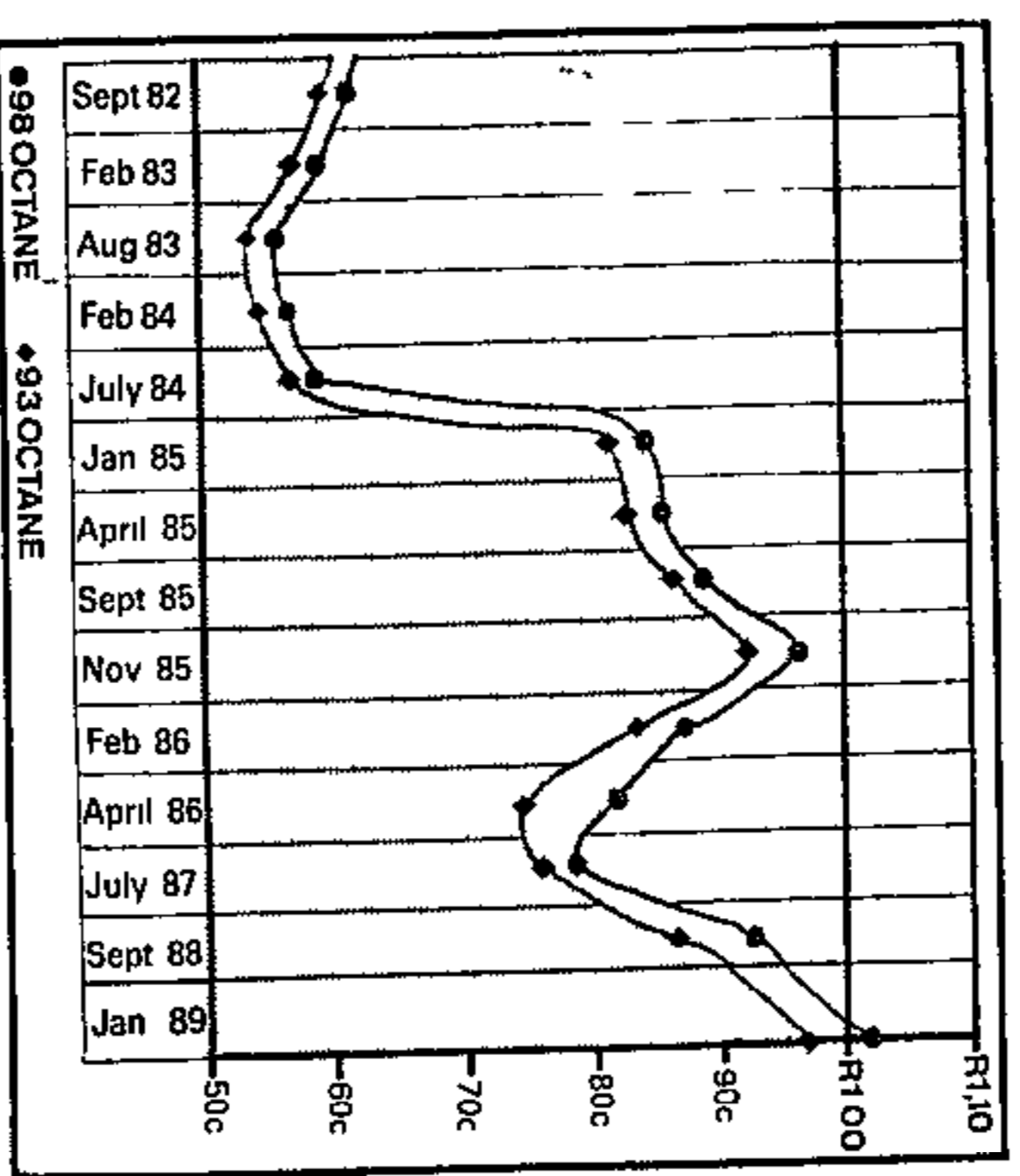
The government says the good news is that a rise in general sales tax during the remaining part of this fiscal year is now highly unlikely.

But opposition politicians say the bad news is that the latest petrol tax is likely to be permanent.

Excessive

Finance Minister Mr Barend du Plessis confirmed this last night when he said that part of the rationale for the latest levy on fuel was to dampen the excessive growth in consumption of petrol.

"This country's petrol consumption is growing by about eight percent in terms of volume each year



A tankful to cost R14 more

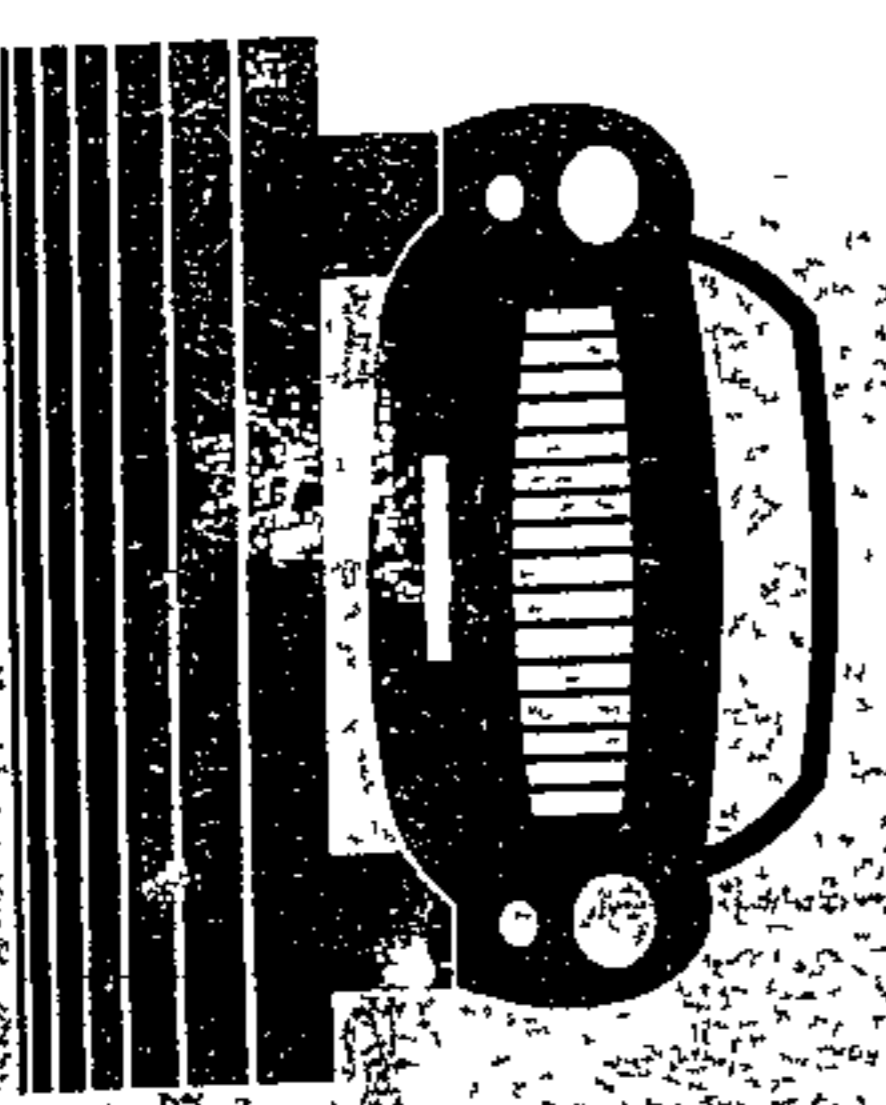
Staff Reporter

AN Automobile Association spokesman said the increase would push up the cost of an average tankful of petrol by R13,80 since August.

Most consumers used about two tankfuls a month, so the two increases would add about R27,60 to the average household's expenses.

Before the last price increase in September, the cost of an average tankful of 60 litres was R44,40 for 93 octane and R47,40 for 98 octane.

Now it is R52,20 (93) and R55,20 (98). After January 16 the same tankful will cost R58,20 for 93 octane and R61,20 for 98 octane. The latest increase will add R6 to the cost of a tank filled with either 93 or 98 octane.



The AA spokesman could not say what effect the increases would have on the AA mileage rate because many things other than the petrol price were taken into account. The new operating schedules were due to be released in February.

"People have to realise we are in a country that is under boycotts and we have balance-of-payment problems," he said. Mr du Plessis said South African petrol prices remained one of the cheapest in the world.

Wrecked

The latest fuel levy (9c of the increase is a tax; the remaining cost) was necessary to reduce the national budget deficit before borrowing and to discipline consumer spending, he said. Progressive Federal Party spokesman on finance Mr Harry Schwarz said the government had wrecked this year's Budget.

Benefit

Whereas the PFP had supported the government's economic plans as formulated by President Botha at the beginning of this year, the party most certainly did not support what was being done to the economy now. Mr Schwarz predicted the government would not use the new petrol tax as a temporary measure to get itself out of a tight spot. He said the levy was likely to be a permanent burden on motorists.

Until this year petrol levies were used for the benefit of road-users. It was wrong in principle for these levies to become part of general taxation. Mr Schwarz warned that the increase would be inflationary and highly undesirable in the present brittle state of the economy.

Conservative Party spokesman Mr Frank le Roux said the country already had to shoulder a terrible burden when petrol prices were increased in September. It was even worse that it should now be asked to pay more because of government financial problems unrelated to the cost of petrol or other fuel.

(Turn to page 3, col 1)

Petrol

(Continued from page 1)

He said. "This is typical of the government's arrogance and total disinterest in the plight of the man in the street."

The Automobile Association said it was disappointing that the petrol price was increased at a time when crude oil prices had decreased and the rand had at last gained against the dollar.

At the time of the across-the-board September increases, the rapid decline in the dollar value of the rand had been given as an excuse.

The AA pointed out, however, that a large petrol price deficit had built up before the September increases.

But the AA said it was pleased to notice the government seemed to be taking notice of requests to introduce increases gradually rather than in one quantum leap.

The Housewives' League said the increase was "wicked and totally indefensible".

League president Mrs. Lynn Morris said the increase had nothing to do with international fuel prices or the rand exchange rate but was just a "plain, straight tax, the same as an increase in GST".

RIPPLE

"This is a wicked tax, which is just so easy to slam on the consumer. It entails absolutely no effort on the part of government because the private sector does all the work."

Mrs Morris said the increase would have a "ripple" effect on the prices of every service and all goods because everything had elements of transport.

"The government is a lousy housekeeper. It is incapable of budgeting and managing the funds which our country entrusts to it."

"It seems bent on bankrupting all of us. I really believe Cabinet ministers do not live in the real world — but then I suppose you don't have to worry about price increases when you're earning R140 000 a year."

OBSTACLES

Mr. Phillip Fingleson, president of the Commercial Travellers' Association, said the increase would slow the economy, which would create more obstacles for the self-employed.

The total costs to the agricultural sector would rise by R100-million for fuel alone, according to the Agricultural Union.

Dr. Koos du Toit, chief economist of union, said this could delay or even prevent economic recovery in sectors where many farmers were already involved in a desperate struggle.

Facts behind the new fuel price increase

This is an edited version of the joint statement by Minister of Economic Affairs and Technology Mr D W Steyn and Minister of Finance Mr Barend du Plessis on the forthcoming petrol price increase.

"Earlier this week the Cabinet held exhaustive discussions on the overall economic situation and, in particular, on the course of State finance in the current financial year and on the 1989/90 Budget.

"Concern was expressed at wild and often unfounded surmise, in the financial markets and the media, on the possible course of State finance

"Extraordinary estimates are doing the rounds as to the supposed dimensions of the deficit before borrowing and the total financing requirement in both the current and the coming fiscal year

"The wrong deductions being drawn in this regard create uncertainty and prompt speculation in the financial markets, which in turn puts pressure on interest rates and can lead to faulty investment decisions.

"It is therefore considered necessary now to release the following data on the course of State finance so far this year, so that those concerned may base their decisions on better information

"It needs to be emphasised, however, that these figures are only estimates, albeit being based on the best information now available and are thus naturally subject to change in the remainder of the fiscal year.

"Expenditure. The main Budget of March 16 1988 provided for expenditure of R53,9 billion. The gross additional expenditure to be added to this is at present estimated at R3,3 billion. But some R800 million will be financed through rearrangements and savings within the approved departmental budgets, leaving a net additional expenditure of R2,5 billion to be met by additional financing.

"Salary and pension increases of about R1 billion, and higher interest payments of R400 million on the public debt, are included in this amount

"Revenue. The main Budget estimated revenue at R44,0 billion. The best estimate at this stage indicates about R45,6 billion, or some R1,6 billion more

"The deficit before borrowing, which was estimated in the main Budget at R9,9 billion, is now estimated to rise by R900 million to R10,8 billion. The Government judges this to be too high in present circumstances and has therefore requested departments wherever feasible to bring about savings in their approved expenditures, over and above those already achieved

Limited savings

"The Government regards it as of the highest importance that the deficit before borrowing gradually be reduced, to ensure that the authorities' claims on the country's limited savings be held to the minimum

"The financing of the deficit. In the main Budget, provision was made for a gross financing requirement of R12,5 billion in fiscal 1988/89. To this now would have been added the increase of R900 million in the deficit before borrowing

"It was recently announced that the Government would receive R600 million in the current fiscal year from the sale of Iscor shares to the Industrial Development Corporation and that this would be used to finance certain capital expenditures.

velopment Corporation and that this would be used to finance certain capital expenditures

"Since this sum is included in the foregoing estimate of total expenditure, it must be deducted from the financing for which provision has now to be made. This leaves R300 million of the additional deficit before borrowing of R900 million still to be financed

"Against this background, the Cabinet has given attention to such further fiscal measures as may be needed at this stage for budgetary purposes

"It will be apparent that such measures should mesh with both the current economic situation and the Government's overall economic objectives

"The Cabinet has therefore noted recent encouraging signs of a levelling-off in the exceptionally large increase in domestic expenditure over the past year, and also the relative improvement in the balance of payments, chiefly as a result of increased exports in the third quarter of 1988

"It is, however, imperative that the trend towards a return to a more sustainable rate of increase in domestic demand would continue

"In order at one and the same time to reduce the deficit before borrowing and to encourage domestic expenditure and imports further in the desired direction, the Government has decided to levy an additional 9 cents a litre on all domestic fuel sales, as from Monday January 16 1989

"Provision will also have to be made for the increase in the rail and pipeline tariffs that take effect from today, December 1 1988

"The Government has decided to finance these increased transport costs from the Equalisation Fund until January 15 1989, but to adjust fuel prices on January 16 1989 to cover them, by a further 1 cent a litre

Consumption increasing

The fuel price will thus rise by 10 cents a litre as from the latter date

"It will be clear that in the determination of the commencing date for the price increase both the closing of the planting season and the ending of the Christmas holiday have been borne in mind

"It is, moreover, the case that the volume of fuel consumption has for some time now been growing at no less than 8 percent per annum, a disquieting state of affairs, since South Africa must import all its crude oil

"With regard to the costs arising from higher transport tariffs, the net increase for consumers in the PWV area would be 0,7 cents a litre. But as fuel pumps can cope with full cents only, the increase will be rounded off to 1 cent a litre at the pump. The rounding-off factor of 0,3 cents a litre will be credited to the cumulative over and under recovery account (the "slate")

"Other parts of the interior affected by the higher transport costs will also face an increase of 1 cent a litre, except for areas in the north-west Cape, where the increase will range from 1c to 3 cents a litre as a result of the higher transport cost, over and above the 9 cent increase in the fuel levy

"These increases will be implemented simultaneously with the increased fuel levy and the new prices of petrol will be gazetted on January 13 1989

"The higher fuel levy is estimated to yield an additional R260 million for the fiscus in the current financial year and to add R1,3 billion to total state revenue in fiscal 1989/90

"In the light of this proposed additional revenue and of further possible savings on approved expenditure during the remainder of the fiscal year, the deficit before borrowing should exceed the original estimated of R9,9 billion by R700 million at most. Taking into account the R600 million emanating from the IDC-Iscoor share transaction, the state's financing requirement for fiscal 1988/89 should therefore not be much greater than was estimated in the main Budget. Indeed, it would even be lower" — Sapa

Fuming Over the fuel rise

Angry housewife telegraphs Barend du Plessis: Resign

SHIRLEY WOODGATE, CORRESPONDENTS and SAPA

FIGHTING-MAD Mrs Racke Miller of Highlands North in Johannesburg was so enraged by the announced 10-cent increase in the price of petrol that she sent a telegram to the Minister of Finance Mr Barend du Plessis demanding his resignation.

I am sick and tired of covering up for all his shortfalls, because that is what it means when he explains that the increase was necessary to reduce the national budget before borrowing, and to discipline consumer spending.

ly aggrieved that once again the motorist is being forced to bear the brunt of Government's inefficient tax collection and civil servants' salary increases

privatisation, deregulation and the development of the informal sector in the interests of job creation and the economy, ways must be found to extract tax from those involved without resorting yet again to the overburdened motorist."

method of keeping state financing on a sound basis," it said.

"However, whatever the financial motivation for this step, an increase in fuel prices will have an unavoidable impact on the consumer price index, bearing in mind that the total announced increases in the petrol price so far this year amount to 28 percent.

And it's about time all South Africans started doing the same," she said.

Government mismanagement. If the housewife has to cut down on luxuries when the money runs short, the Government had better start doing the same."

"Much has been made in the press of the informal sector, such as the taxis, spaza shops and shebeens, whose huge turnover goes largely untaxed

The Association of Chambers of Commerce (Assocom) said the increase in fuel prices would have an unavoidable impact on prices

"An increase in the fuel levy has been imposed despite the fact that general tax revenues are apparently running well above expectations, and in addition to the import surcharge and the minimum company tax introduced earlier this year

"In any case, the decision to raise fuel prices does not obviate the need for a supportive monetary policy. Assocom regrets that there was no consultation with

She said her telegram to Mr du Plessis read "I have to balance my household budget. If you cannot do your job, resign."

Automobile Association director-general Mr Peter Elliott has reacted strongly to the announcement of the 9c-a-litre tax on fuel

"Retailers who are supplied by the informal sector are thereby able to offer competitive prices since the supplier does not build in taxation to his costs

"The Association of Chambers of Commerce (Assocom) said the increase in fuel prices would have an unavoidable impact on prices

"The cost will fall on richer individuals - who do more travelling - and companies with car schemes, avoiding the political flashpoint it would become if it fell on the poorer people, as a GST rise would

Mr Mike Daly, chief economist at Southern Life, said "The Government is apparently trying to avoid a GST increase in March

She told Saturday Star "It's the first time I have done anything like this, but at some stage you become so enraged that you reach the last straw"

September the AA expressed its opposition, and now feels total-

"With the previous increase in September the AA expressed its opposition, and now feels total-

"The politicians were sensitive about increasing the prime overdraft rate, and they are even more sensitive about increasing GST

"The cost will fall on richer individuals - who do more travelling - and companies with car schemes, avoiding the political flashpoint it would become if it fell on the poorer people, as a GST rise would

Mr Mike Daly, chief economist at Southern Life, said "The Government is apparently trying to avoid a GST increase in March

Eventually all these increases come down to the housewife, and

the private sector (before the rise announcement).

An economist has said that the increase is a revenue-raising measure, and effectively an indirect tax on the wealthier and corporate sectors, he said

It was effectively an indirect tax on the wealthier and corporate sectors, he said

It was effectively an indirect tax on the wealthier and corporate sectors, he said

It was effectively an indirect tax on the wealthier and corporate sectors, he said

Blame fuel price on govt spending

Staff Reporter

THE government has drawn wide condemnation for the latest petrol price increase and critics called the rise a ploy to fund next year's pay rise for civil servants.

According to economists and consumer bodies, the 10c/litre increase is a result of government overspending and will have a ripple effect throughout the economy, adversely affecting the inflation rate.

More money had to be found for civil servants, whose numbers increased by 42 572 in the past financial year and who will be paid 20% more next year.

A Trust Bank economic report published in July said notch increases and promotions would mean a total increase of 20% and not the 15% across-the-board increase announced earlier.

Mr Louis Fourie, economist at Boland bank, said "the basic reason for the higher petrol price

is government overspending, and so the minister has to look for sources of revenue"

The National Democratic Movement said the increase was a highly unusual way of circumventing Parliament.

"Instead of increasing state expenditure, and making the ordinary man pay for this, government should look to the lowering of such expenditure. This can best be done by eliminating the duplication of state services to which the government is committed in terms of its group-based approach," the NDM said.

Mr Harry Schwarz, PFP spokesman on finance, said the increase would have a "serious effect on the rate of inflation"

"The shock decision by the cabinet to tax the motorist by an additional 9c/l is entirely unacceptable," said Mr Peter Elliott, Director General of the AA.

"The AA feels totally aggrieved that once again the motorist is being forced to bear the brunt of government's inefficient tax col-

lection and civil servants' salary increases"

Mrs Lynn Morris, national president of the Housewives' League, said the increase was "totally and utterly indefensible"

An increase in fuel prices would have an unavoidable impact on the consumer price index in 1989, the Associated Chambers of Commerce and Industry (Asso-com) said.

It said the increases in the petrol price this year amounted to 28%

Given the problematic nature of the economy at present, it was absolutely essential that government spending be curbed if South Africa wished to survive economically and financially, according to the Afrikaanse Handelsinstituut.

The increase was bad news for many farmers who were battling to recover economically, said Dr Koos du Toit, chief economist of the South African Agricultural Union.

Chemist's mark-up (97) (244) 'an average 97 pc'

Consumers pay almost 100 percent more for drugs than pharmacists once all the pharmacists' various markets, fees and charges have been taken into account.

A study into the mark-up in the retail chain of ethical drugs by International Marketing Survey (IMS) found that SA pharmacists bought drugs worth R819 million from wholesalers.

They got an average 10 percent discount and paid R737 million Pharma-

By Caroline Mehliiss

cists then sold the drugs to consumers for a total R1 456 million — a mark-up of R719 million or 97 percent.

Pharmacists have four separate "add on" charges

- A 50 percent mark-up on the wholesale selling price. This amounted last year to R409,5 million on the R819 million worth of drugs bought

- A broken bulk charge of 10 percent which can be charged when a pharmacist has to break a large pack to make up a prescription. This is usually charged on 80 percent of products dispensed, and came to an amount of R98 million

- A dispensing fee of R130 per R100 prescribed items. On the R93 million prescribed items, this added up to R121 million.

- A 15c charge for photostats of scrips for medical aid claims. On the 54 million prescriptions issued last year, this amounted to R8 million.

Mr Boet van der Merwe, executive director of the SA Pharmaceutical Society, said some pharmacists were cutting down their mark-ups by charging less than the usual 50 percent. He also said the 15c photostat fee was simply recovering costs of the photostat service.

Fuel hike: Tough New Year ahead?

CAF Texts

6/12/88

Staff Reporter

244

The latest petrol price increase contributes to an evil cycle, says the director of the Consumer Council, Mr Jan Cronje

"The implications of this increase — and specially the ripple effect on virtually all other prices — sketch an ominous picture for consumers," he said, adding the council was shocked by the news of "a second drastic fuel price increase within four months".

Mr Cronje said consumers already felt over-taxed, and would probably increase their pressure for higher salaries

"It is clear that consumers are in for a tough New Year," he said, appealing to transport firms to absorb the increase as far as possible — as a series of price increases could seriously damage the already ailing economy

"Although the council understands the government's dilemma of a shortage of funds caused by expensive reform and development projects, sanctions and problems with foreign debt, consumers would rather have seen a different form of taxation"

man

committee chair-

Administrator of the Transvaal to invite the Townships Board to study proposals. For-

to allow it to run a customs unit to handle import and export business," Mr Becker said

Price of hotel accommodation likely to soar

The cost of staying a night in a top-class South African hotel could be as high as R300, without breakfast, before the end of next year.

That's the prediction of Protea Hotels chairman, Mr Otto Stehlik, who spoke at the group's press conference in Johannesburg.

Mr Stehlik pointed out, however, that with refurbishment of existing hotels, rather than newly-built units, his company could accommodate people for R35 a night.

Another key issue which was tackled at the conference was the question of a more balanced holiday season spread

87
7/12/88

By Frank Jeans

244

during the year.

Mr Spencer Thomas, executive director of the South African Tourism Board (Satour) said an in-depth investigation would be launched to determine the percentage of the South African population affected by the present school holiday structure and the effect this had on the holiday pattern, the economy and road safety.

"Satour will focus its activities on the out-of-season period and encourage those not directly involved with school holidays to have their vacation out of

season," said Mr Thomas.

Hotel accommodation during the school holiday periods is said to be under tremendous pressure and the sudden rise in road traffic, with its annual toll of increasing road fatalities, is another major problem.

"The burden on the infrastructure during peak periods is aggravated by the fact that most overseas visitors are in South Africa during these months, while increasing numbers of South Africans are also exploring the local market," said Mr Thomas.

Food, wine prices up in new year

8 for 21/2 & Y
By Caroline Mehliiss

Consumers can expect to pay more for tinned foods, toiletries and wine in the new year.

A spokesman for Langeberg Co-operative said the price of All Gold and Langeberg canned fruit and jam products would increase by up to 15 percent on January 1. This was the usual new season's price hike due to inflationary trends — particularly higher transport, labour, sugar and fruit costs

A spokesman for Gants said his company's New Year budget had not yet been finalised, but a Pick 'n Pay spokesman said the supermarket chain had been told to expect a 12 percent increase in fruit and jam products and 9,5 percent boost on meat products

Several toiletry manufacturers increased prices this month, but retailers are hoping to hold the higher prices back until the new year

CHE Times 8/12/88
244

City bus fares set to rise

Municipal Reporter

BUS fares in the city seem set to rise in the near future, now that a 10c-a-litre increase in the price of diesel from January 16 has been announced.

Fares last went up by 12.2% early in September, almost immediately after the September 1 fuel price increase.

At the time, City Tramways managing director Mr Barry Gie said that commuters could expect "yet another rise" when September's 11c-a-litre increase had to be passed on, but he added the company would delay upping the price for

as long as possible.

None of the senior managers of City Tramways were yesterday available for comment.

City has rest beat in food cost spiral

W/C ARGUS 10/12/88

244

by TOM HOOD
Business Editor

FOOD prices in Cape Town rose 2,7% in October — which means a R200 shopping basket cost R8,10 more at the end of the month than at the beginning

This was disclosed by the Central Statistical Service with its consumer price index

The increase is equal to an annual rate of 32% — well above the average for the rest of the country and more than double the official year-on-year figure of 14,4% for food-price inflation in the Peninsula

Already food prices have jumped almost 84% since 1985 and, if the trend continues until January, food bills will have doubled in three years.

Food prices are set to get an extra boost next month, when many manufacturers and suppliers make annual price adjustments and supermarkets are forced to re-mark their prices.

Food inflation was running at 19,2% for the whole country in October.

Converted into annual rates meat rose at 19%, fish at 17, fruit and nuts at 48, and coffee, tea and cocoa 75.

It also poses significant threat to food prices

Star 12/12/84 (244) (184)

By Sven Forssman

The introduction of VAT poses a new and significant threat to food prices, Tiger Oats executive chairman Robbie Williams says in the annual report.

He says approximately 70 percent of food turnover is at present exempt from GST, but there are indications that, unlike in the UK, food will not be exempt from VAT.

"Since the proportion of income that must be allocated to food purchase is far greater for the less affluent sections of our population, it follows that they will be the hardest hit.

"If, as is also indicated, this is then coupled with a removal of the subsidies on bread, their position will become even more parlous.

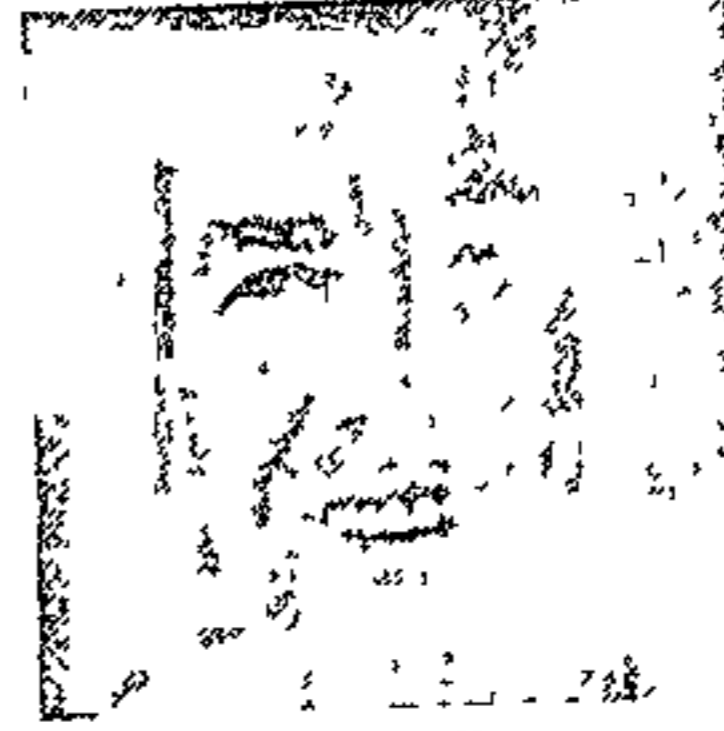
"It is essential that these aspects are carefully considered in terms of their impact on the present social situation before any definite moves

are made or further policy statements issued."

Looking at the agricultural scene Mr Williams says farmers still had to contend with a notoriously fickle climate and face world markets distorted by the protectionist agricultural policies of wealthy areas like the United States and European communities.

"Ironically," he says, "a wheat or maize surplus in South Africa could become an embarrassment instead of a blessing, as the true value cannot be realised on world markets affected by the dumping of surpluses of the wealthy nations."

"Even industrialised nations are not able to afford the expensive inefficiency of subsidising products their consumers do not need, but the consequences for farmers in developing nations such as our own are severe when substantial surpluses are sold into world markets."



Robbie Williams

Extra cash 'disappoints' Sasol

8/2/88
2/12/88

Finance Staff

100 244

The 2,4c increase in tariff protection to 6c a litre did not fully meet the needs of the synthetic fuel industry, Sasol said in an announcement to shareholders today

Earlier this year Sasol had requested the Government to increase tariff protection for the local petrol industry.

"Your directors have now been advised by Government that Cabinet approval was given on November 30 1988 to increase the present tariff protection by 2,4c/l to 6c/l, and that this would also be effective for 1988," Sasol told its shareholders.

The increase will not affect the current pump price of petrol and will be funded from the Equalisation Fund

"The increased protection now granted does not fully meet the needs of the synthetic fuel industry and your directors are disappointed with the outcome of the application," Sasol stated.

However, the Government had proposed further discussions

"Because the information on liquid fuels production is classified, the effect of the increase of 2,4c/l in the tariff protection on profit cannot be stated," Sasol said

FP 10/10/77

Pick 'n Pay tops in price survey

Cap & Times 14/12/88

By BRUCE WILLAN

PICK 'n PAY came out tops in a price survey carried out recently by the SA co-ordinating Consumer Council and its regional offices in conjunction with Beeld.

The survey covered 98 products in each of 57 stores in Cape Town, Pretoria, Johannesburg, Durban and Bloemfontein

Although the survey differentiated between Hyperstores and Supermarkets, Pick 'n Pay emerged as the cheapest in both categories when the national average was calculated

On a regional scale, Cape Town surprisingly was cheaper for the 98 products priced in the survey coming in at between R257,98 to R264,56 for the hyperstores and R264,66 to R270,90 for the supermarkets

While the survey does not intend to establish which group of stores is the cheapest or which region is more cost effective it does help to reflect price tendencies over a period of time

"No name" brands are not taken into account and in some cases averages have to be taken due to temporary unavailability of stock.

The national average price for a trolley of goods increased by 1,7% from R266,17 in October 1988 to R270,67 in November this year.

244

Producer costs rise

as rand declines

By Sven Lunsche

The weakening rand is pushing up the cost of imported goods and helping the authorities to curb imports, which have been pressuring foreign exchange reserves.

The production price index (PPI) figures for October, released by Central Statistical Services (CSS) yesterday, show the annual rate of increase of imported goods was 1,4 percentage points higher than in September

The increase of 13,9 percent for October was the highest since November 1986 when the rate was 14,2 percent

The wholesale price index for imported goods, which has a weighting of 22,5 percent in the PPI, is an important indicator of the weakness of the rand exchange rate.

Because the rand has declined steadily since the beginning of the year, so the cost of imported goods has risen.

The import content of the PPI reflects, inter alia, price changes in respect of capital goods (including production equipment).

The extent to which prices of imported goods give rise to a higher PPI and higher producer cost structures could, in the long run, lead to significantly higher consumer prices

The rise comes at a time when local producer costs are showing a slight decline.

The annual rate of increase of locally produced consumer goods was 12,9 percent for October — 0,7 percentage points lower than the corresponding rate for September.

The index for total output of South African industrial groups increased at an annual rate of change of 13,9 percent

The two indices combined pushed up the overall PPI by one percent, compared with September

Furniture to cost more

15/12/88
244
CONSUMERS will be expected to dig deeper into their pockets for wooden and upholstered furniture early in the new year.

This prediction was made recently by Dr Winston Smith, director of the Federation of Furniture Manufacturers of South Africa

Dr Smith said the cost of timber, which represented a substantial proportion of raw material inputs, would be increased by between 10 percent and 23 percent sometime in the new year

He said this depended on the grade of the timber.

He added that minimum wages in the Transvaal would go up by R15 a week with effect from January.

1. He said products such as foam, paints and finishes would be affected by the increase in the price of oil

"In the face of these inevitable increases, the consumers must make use of the current favourable hire purchase terms. They must buy articles they need before the end of the year," Dr Smith said.

Imported turkeys beat SA's high prices

By Caroline Mehliiss

Star 16/12/88
Consumers can buy imported turkeys for less than locally produced chickens and turkeys.

OK Bazaars is selling frozen French turkeys for R4,29/kg and local fresh chickens for between R4,79 and R4,89/kg

Checkers and Pick 'n Pay are selling frozen North American turkeys for R4,59/kg, while fresh chickens cost between R4,69 and R4,99/kg.

The turkeys are being sold at cost price.

PAID EARLY

Supermarket spokesmen say turkeys are available at a favourable price because they placed orders and paid for the birds early in the year when the rand was stronger against other currencies than it is now

The imported turkeys sell for less than locally produced turkeys because production costs overseas are far lower than local costs. This is because overseas feed costs are lower and the

overseas turkey market is much bigger

The few local turkeys available are selling for between 30c and 50c/kg more than the imported turkeys

Mr Zach Coetzee, secretary of the SA Poultry Association, says the increase in local chicken prices is seasonal and is caused by the high demand over Christmas

"The poultry industry is capital-intensive and it is impossible to boost supplies just for a short time of the year. But we are expanding."

He says chicken prices should drop after the festive season.

Stev 19/12/88 (244)

Medicine costs talks disappointing, says Housewives' League

Staff Reporter

The Housewives' League of South Africa says it was most disappointed with discussions it held recently with the Minister of Health, Dr Willie van Niekerk, about the high cost of medicines to the private sector.

According to the December issue of *Rands and Sense*, the league's official newsletter, Dr Van Niekerk's attitude was that he was mainly concerned about the plight of those who are dependent on the State for their medical care.

While the league acknowledged this to be essential, it said the ex-

tremely high cost of medicines and drugs to the private sector was also a matter which demanded the Minister's attention.

Dr Van Niekerk, however, claimed the high costs were attributable to the pharmaceutical industry's cumulative mark-up from the manufacturers to wholesalers to retailers and finally to consumers.

The League said it would call a meeting early next year between heads of the pharmaceutical manufacturing industry, the wholesalers, pharmacists and medical aid schemes to "establish the facts".

Plain Christmas meal for six will cost R80

By Sue Olswang

(246) *steve 19/12/88*
An average Christmas meal consisting of a snack, starter, main course, desert and liquid refreshments for six people will cost anything from about R80 upwards this year

And, that's just for the bare "essentials". This is the menu upon which the calculations were based

- Snack with sparkling wine before the meal — 500 g packet of nuts and raisins (R2,49).
- Starter — "leafy" salad consisting of one lettuce (79c), one 250 g packet of fresh mushrooms (R1,99) and one 250 ml bottle of ready-made French salad dressing (R1,99)
- Main course — 4 kg turkey (R18,36), 2 kg fresh potatoes (R2,39), one 410 g tin peas (R1,29), 1 kg frozen baby carrots (R4,79), packet of onions for stuffing (about R2), packet of beef or pork sausages for stuffing (about R3), 250 g packet bread crumbs for stuffing (R2,09) and eggs for stuffing (96c for six large ones).
- Desert — Christmas pudding (R18 for a large one — enough for six people) and custard (R3,19 for one ready-to-serve litre).
- Liquid refreshments — two bottles sparkling wine (R4 each), two litres of softdrinks (R1,14 per litre) and two bottles of white wine (R3 each).

The total cost of the above meal is R79,61 or R13,27 per person (excluding GST)

These costs will obviously climb if you plan to serve a more extravagant menu. For example, it will cost you about R6,79 more if you decide to serve just one kilogram of gammon with your turkey. And, if you decide to serve mince pies with coffee after the meal, it will cost you about 56c for each pie.

244

22/12/88

Christmas spree likely to exceed 1987 by R1 000-m

By Michael Chester

Santa Claus will be carrying his biggest load on record when he arrives in South Africa at the weekend to pack the Christmas stockings.

The official forecast of the Central Statistical Service is that the Christmas shopping spree will push total December retail sales to an unprecedented R6 247 million.

From trends shown in a nationwide survey of spending patterns, it predicts that cash tills will be bulging with almost R1 000 million more than 1987 when the buying binge ends.

INFLATION ADJUSTMENT

December retail sales, according to CSS estimates, will close the season 18,5 percent higher than last year when counted in current prices.

Even allowing for inflation and adjusting sales to constant 1985 price levels, the actual volume of goodies going into shop-

ping baskets will be almost 6 percent higher.

Counting the retail business turnover for both November and December, to measure the Christmas buying season as a whole, the total climbs to R10 700 million — precisely in line with the initial forecast made by the Association of Chambers of Commerce and Industry.

That in turns boosts the overall scale of Christmas spending to 19,6 percent more than 1987.

If the CSS predictions prove accurate — and they usually come within a Santa Claus whisker of the final count — overall retail sales for the whole of 1988 will reach a record R50 billion, compared with R41 billion last year and R35 billion in 1986.

However, Assocom joins most economists in forecasting a general slowdown in consumer spending next year.

'No reason' for 9% mutton price hike

City Times 23/12/81

Own Correspondent

JOHANNESBURG — The price of lamb and mutton has increased 9% in the space of a week, despite the fact that supply has exceeded demand, according to the general manager (production and operations) of the Meat Board, Mr Pieter Kempen

This week super lamb was selling at an auction price of R7,40/kg, as against R6,73 last week. Prime mutton was selling at R6,70/kg against R6,09

This is a substantial increase over prices last year, which rose a mere 34c in the week before Christmas

"There's no reason for the price hike. There is an ample supply of lamb and mutton," said Mr Kempen

"It's difficult to say why the price has gone up, but it could be because traders are taking advantage of the Christmas period, when consumers generally receive salary bonuses"

Prices of beef, pork and bacon have tended to remain stable this month, he said

SA consumers lose out in medicine price war

Star 27/12/88

244

South Africa has been left standing on the sidelines in the medicine price war and unfortunately consumers have yet to benefit from the pharmaceutical revolution

The issues that started the debate internationally were simple. Drug companies were selling dangerous medicines for trivial complaints without warning consumers of the risks. Many of their products were ineffective, and most were overpriced

Dangerous steroids

Repeated investigations of these charges revealed that in general, they were accurate

In Bangladesh, anabolic steroids were sold to put weight on malnourished children. Latin Americans were prescribed dangerous antibiotics like chloramphenicol (which should only be used in serious diseases like typhoid) for just about any minor infection

Sledgehammer painkillers with well known and often fatal side effects were sold for minor headaches

South Africa escaped the worst of that. But as we know to our cost, the accusations of excessive prices have also proved well founded. Here, as in other countries, numerous examples have been published of consumers paying tens and even hundreds of times more than they needed to for their medicines

The World Health Organisation recommended that if countries wanted to get best value for their medicines, but they should

BY MIKE MANO
The medicine price battle has, in many countries, been fought and won. The good news is that it has been the consumers who have come out on top.

● Adopt a limited list of essential drugs.
● Not allow potentially dangerous drugs on the market if these were not authorised for sale in their countries of origin.
● Buy generics, that is aspirin, not Aspro, paracetamol, not Dolorol, tetracycline, not Terramycin, and diazepam instead of Valium

The pharmaceutical companies were not happy with these recommendations. They lobbied their governments to stop the WHO from promoting such ideas. The US government is widely believed to have warned WHO in 1982 that it would cut its contribution to the organisation's budget if it did not stop preaching such anti-free-market ideas

Generics promoted

In many other countries, essential drugs lists have been introduced, generic products promoted and the sale of ineffective products curtailed

The international pharmaceutical industry has responded aggressively. They have seen that their battle is to keep the value of the market growing. "We have to aim at those — politicians, administrators, journalists — who have their hands on the levers of health policy which make the value of the market rise or fall," a Ciba-Geigy adviser told me

This is really what the debate in South Africa is about. The industry is offering cheap and effective ge-

neric medicines to the state sector in exchange for an informal licence to carry on selling high-cost (and high profit) brand-name drugs to the private medical-aid-assisted consumers

The industry is also trying to bypass the medical profession and the regulators by selling products direct to the consumer. Listeners to black radio stations will have heard the ad

"You were going to get some medicine — haven't you gone yet?"

"Yes, I have been and come back I went to the chemist — there are no queues there like at the clinic and they have good medicine and good advice"

The value of over-the-counter medicine is another issue. The companies are interested in selling basic medicines at high prices through chemists rather than at low price through state health services. That is where their profits lie

Policies needed

South African consumers would score if they were able to enjoy the low prices now widely available on the world market. To do this however, they need policies to promote good cheap medicine in both state and private sectors

The obstacles the vested interest of doctors, chemists and the medical aid schemes. As much to blame, however, is the confusion which results from having so many separate health authorities all trying to hoe their own rows

Sugar price rise 'a big blow'

Star 30/12/85 (S) Sugar (244)

The new year's sugar price increase will force up the prices of a wide range of foods and beverages but retailers have promised to absorb these increases for as long as possible

The South African Sugar Association announced yesterday that sugar would go up by 7 percent on February 1 and a further 4 percent in August, a move which retailers and consumer organisations say is "regrettable" particularly as the increases will have a ripple effect.

Mrs Lyn Morris, president of the Housewives' League, pointed out that many canned products

would go up in price as a result. "People tend to think only of the biscuits, sweets and jams that will be affected, but many canned foods contain sugar and these will go up in price too," she said.

Mr Richard Cohen, a director of the Pick 'n Pay supermarket group, said it was a pity consumers had to start the new year with an increase of such proportions.

A director of buying for Checkers, Mr Paul Susan, said the supermarket chain would be buying up as much stock as possible to keep the sugar price down.

244

Sugar price increase will hit many products

The Argus Correspondent

JOHANNESBURG. — The new year's sugar price increase will force up the prices of a wide range of foods and beverages but retailers have promised to absorb these increases for as long as possible

The South African Sugar Association announced yesterday that sugar would go up by 7 percent on February 1 and a further 4 percent in August — a move which retailers and consumer organisations say is "regrettable", particularly as the increases will have a ripple effect on many other food-stuffs

Mr Richard Cohen, a director of the Pick 'n Pay supermarket group, said it was a pity that consumers had to start the new year with an increase of such proportions.

"Every year we seem to go backwards. The whole thing is regrettable," he said.

His company had been aware of the expected price increase for some time. "We have built up stocks and will certainly not put up prices on February 1," he said.

Mr Cohen said the sugar industry had substantial increases in the past few years and with the international market improving one would have thought that a stabilisation fund could have been set up to protect consumers at times such as these

"Why should the consumer have to fork out the money all the time," he asked

Mrs Lyn Morris, president of the Housewives League, pointed out that the price of many canned products would go up as a result.

"People tend to think that only biscuits, sweets and jams are affected but many canned foods contain sugar and these will go up in price too."

Mr Cohen said the canning industry had already announced a 15-percent increase for next year, which he presumed was in reaction to the expected sugar increase.

Mr Paul Susan, a director of buying for Checkers, said the supermarket chain would buy as much stock as possible beforehand to keep the sugar price down as long as possible.

"The price increase will affect soft-drinks, jams, biscuits, canned foods and sweets, and when we hold talks with our suppliers we will ask them to keep down the prices for as long as possible and to give us the opportunity to buy as much stock as we can at the old prices," he said.

Mr Mike Bind, a divisional general manager of Amalgamated Beverage Industries, said sugar was a significant component of softdrinks. The industry was the biggest buyer of sugar on the domestic market

Whisky drinkers likely to pay more in '89

Star 20/12/88 ✓

Staff Reporter ~~288~~ 244

South African whisky drinkers will pay more for secondary brands next year and connoisseurs will have to fork out more for their favourite premium brands, according to spokesmen for major liquor stores.

The spokesmen say a possible increase of more than 20 percent in import prices could lead to large increases in retail prices.

One spokesman says there are a number of factors involved. The United Distillers Group (UDG) in Scotland, which controls a number of distilleries, is increasing the price of some premium brands.

In order to prevent whisky drinkers from switching from premium to secondary brands, the UDG is

also increasing the prices of secondary brands

The spokesman says that in the case of increased import prices, retailers who are also direct importers will have an advantage.

He says the solution for consumers would be for people to group together and buy their whisky in bulk, as it is cheaper by the case than by the bottle.

At present, the prices of secondary brands range from about R10,50 to R13 a bottle, with case prices from about R118. Premium brand prices start from about R18 a bottle, with the most expensive brands retailing at about R186 a case.

The spokesman says it is difficult to tell what the percentage increase will be as the rand sterling exchange rate also plays a part.

PRICES — 1989

JANUARY — JUNE

Wave of increases on the way

Star 2/1/89 (244)

Consumers face rising costs in 1989

By Jo-Anne Collinge and
Sven Forssman

Consumers will have little time to catch their breath after the festive spending spree before being hit by a wave of price and cost increases which will make 1989 an expensive year for everyone.

Within weeks consumers will see the petrol price go up 10c a litre, the sugar price increase by seven percent, tinned goods become more expensive — two major producers of tinned goods said recently their prices would go up by 15 percent from yesterday — and most banks and building societies bringing their bond interest rates up to 18 percent.

And motor vehicle prices are expected to increase by a staggering 20 percent this year, according to the country's major manufacturers. This means that by the end of the year, the lowest priced new motor car will cost about R24 000, excluding GST.

Spending squeeze

The new squeeze on spending started in August when the Government introduced import surcharges and tougher hire purchase restrictions. Sales of cars, household goods and large domestic appliances such as fridges and stoves were hit hardest.

Standard Bank economist Mr Nico Czynionka believes that living standards will continue to decline unless the Government restructures the economy, applies tough fiscal disciplines and introduces political reforms.

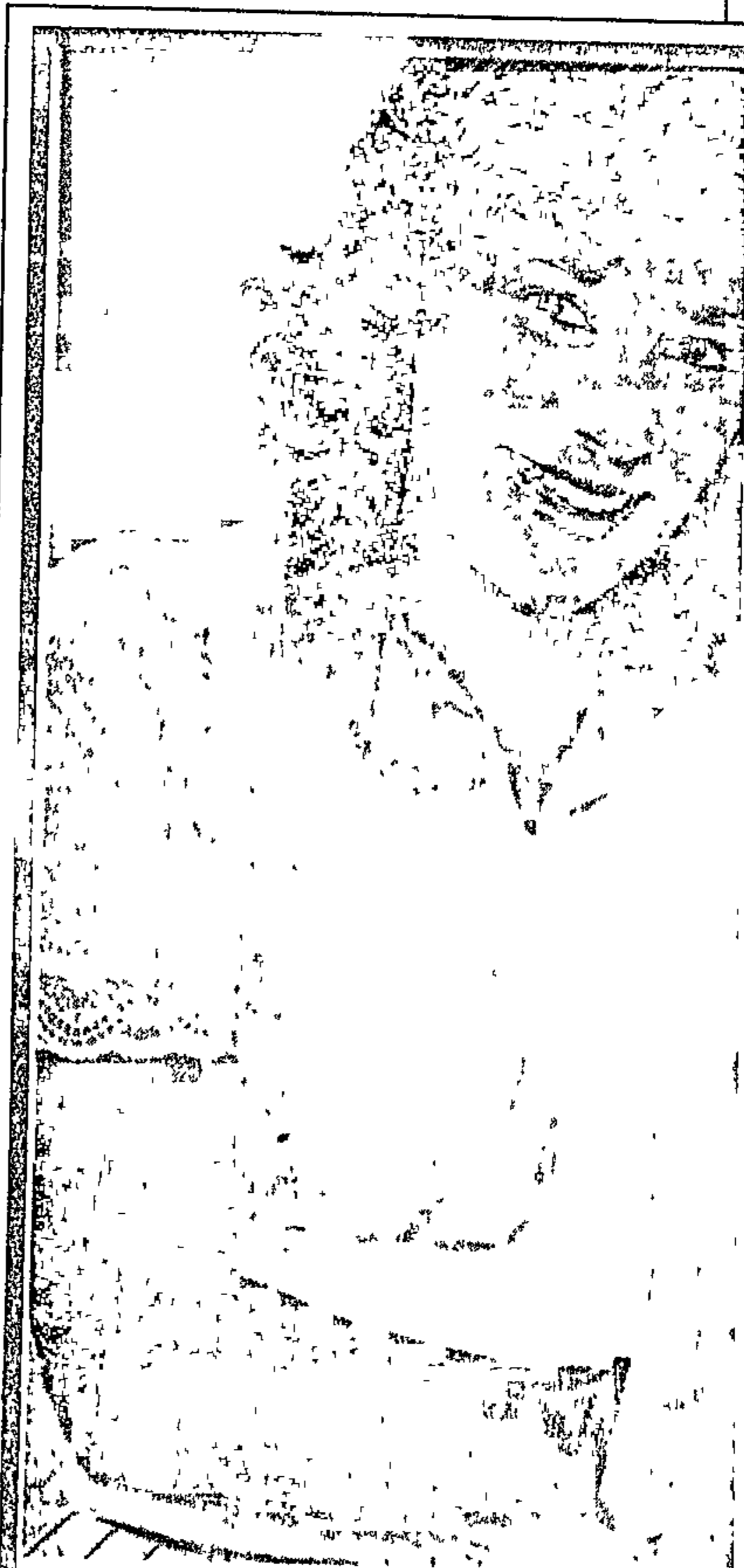
The hike in the petrol price, which will add R260 million to Government revenue in the current fiscal year, will have a ripple effect throughout the economy.

Economist Mr David Southey says the increase will be reflected in the Consumer Price Index in February and March and everyone will be a little poorer as it will reduce disposable income.

With the increases, motorists on the Witwatersrand will pay R1,05 per litre for 93 octane and R1,02 per litre for 87 octane — the highest price for petrol yet.

The previous increase was on September 1 last year when 98 and 93-octane petrol rose by 13c a litre.

The sugar price increase is scheduled for February 1 with a further four percent hike.



It was tinsel and a gold star for little Jean-Pierre Oosthuizen's bundle of joy came into the world at 7.

Heavy traffic expected Transvaalers return

Staff Reporter

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The sugar price increase is scheduled for February 1 with a further four percent hike due in August.

Soaring interest rates evoke memories of the economic recession of 1985/86 when the prime rate shot up to 25 percent.

It was described as the worst economic period in South Africa's post-war history and was preceded by a spending boom which showed an uncomfortable similarity with spending patterns over the past year.

The shock in the cost of mortgage bonds was led by a rise in First National Bank's rates to 18 percent last November, while Standard Bank was the most recent to give the required month's notice of its intention to increase home loan rates.

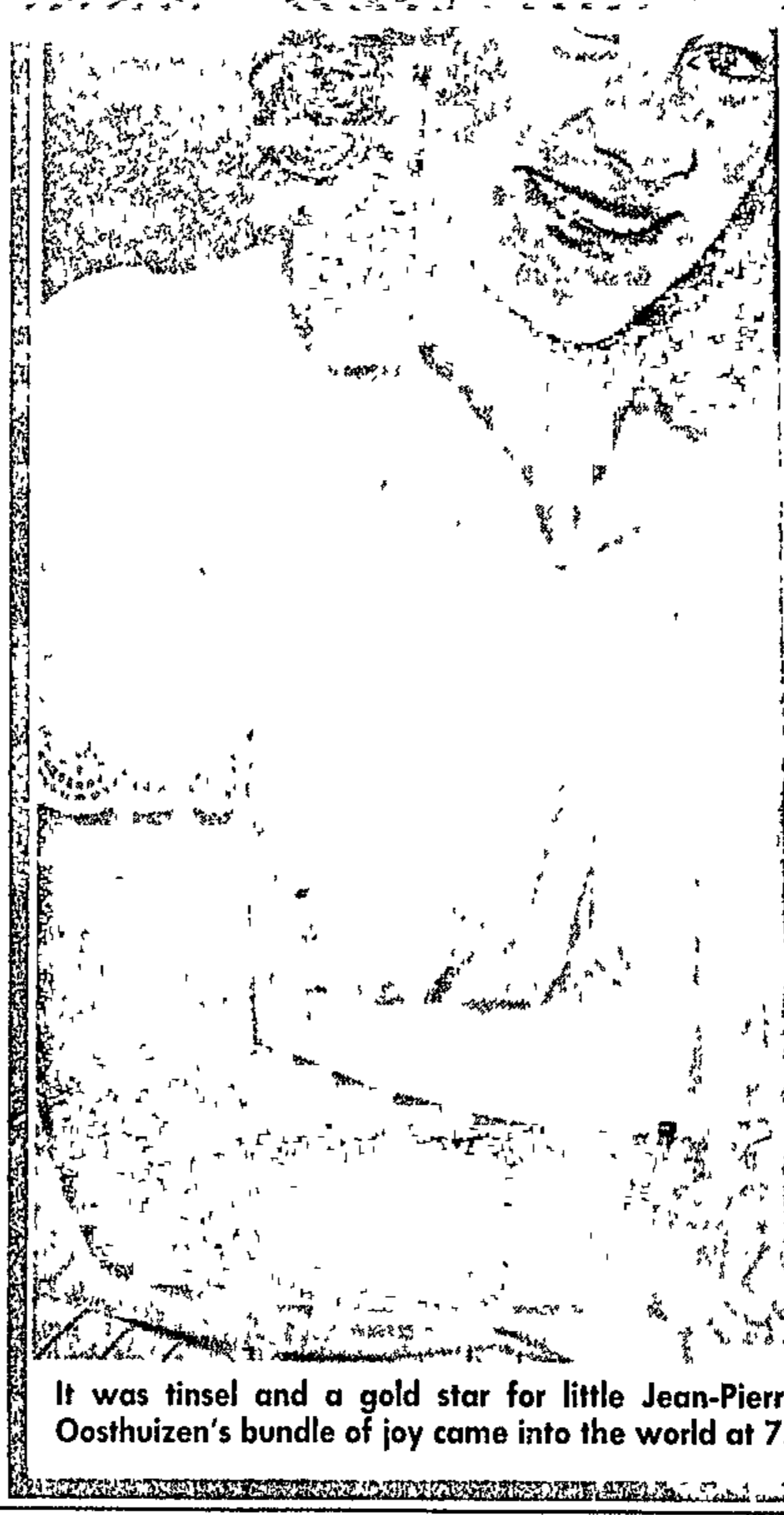
Consumer Price Index

It said last Friday that it is to increase its home loan interest rate by 0,75 percent to 17,75 percent from February 1. The bank's rate, however, remains below that charged by most major financial institutions.

The monthly repayment on a R50 000 mortgage spread over 20 years has jumped to R770 at 18 percent from R568 at 12,5 percent last January.

While economists do not think the 1985/86 scenario will repeat itself, they say the maintenance of strict fiscal discipline is an absolute necessity.

The Consumer Price Index, covering the period October to November last year, showed a modest increase of 0,8 percent and inflation for the year held steady at about 12,1 percent. But economists warn that rates and inflation are unlikely to remain as low in coming months.



It was tinsel and a gold star for little Jean-Pierre Oosthuizen's bundle of joy came into the world at 7.

Heavy traffic expected Transvaalers return

Staff Reporter

Although the country experienced a relatively quiet weekend as far as road accidents were concerned, traffic officials are expecting a rush from the coastal areas as thousands of Transvaalers return home from their annual vacations today.

Three road-related deaths were reported in the Boland, but Transvaal and Natal provincial traffic departments reported the weekend had been free of accidents.

Mr Pieter Barnard (30) of Vriesenhof, Stellenbosch, was killed when a motorcycle hit him on the Stellenbosch-Strand road on Saturday.

The motorcyclist, Mr Richard Pressiese, of Paarl, was injured.

Two men were killed at 12 30 am yesterday in a collision near Yzerfontein on the west coast. They were Mr Chris Wilsch (27) of Parow valley

near Cape Town, John (2).

Two other people were killed in the accident.

Meanwhile traffic has been heaviest on the Port Shepstone road where 15 cars were recorded in the 11 am traffic jam.

About 900 cars were recorded on the road towards Durban.

At Stanger, the traffic was moderate with 15 vehicles being counted in the 11 am traffic jam.

At 10 am, 1 000 cars were recorded on the Key Ridge heading towards Durban.

A spokesman for the Provincial Administration department said about 1 000 cars an hour were travelling towards Durban.

SA failure: Nobel man expects

By James Tomlins,
The Star's Foreign News Service

PARIS — Nobel Peace Prize winner Mr Elie Wiesel has criticised other award holders for refusing to join in his anti-South Africa campaign.

In an interview with the *Journal du Dimanche*, a French newspaper, he was asked "What happened to your plan to send Nobel Prize winners as members of human rights

delegations to counter the persecutions?"

He answered "No, because some of the Nobel Prize holders are very quiet. They do not want any kind of structure. They don't want to be involved."

"Others considered it too elitist, and said they should take part in the project."

Petrol increase likely to cause surge

S. wetan 4/11/89
THE increase of 10c a litre in the price of petrol and diesel on January 16 was likely to cause a surge in demand with which it would be very difficult for

suppliers to cope, the chairman of BP Southern Africa, Mr Brian Sims, warned yesterday. The price increase was announced by the Government in December.

"Customers will wish to fill their tanks before the price rises. We will do our best to meet the demand and we have contingency plans to increase deliveries."

Mr Sims said it would

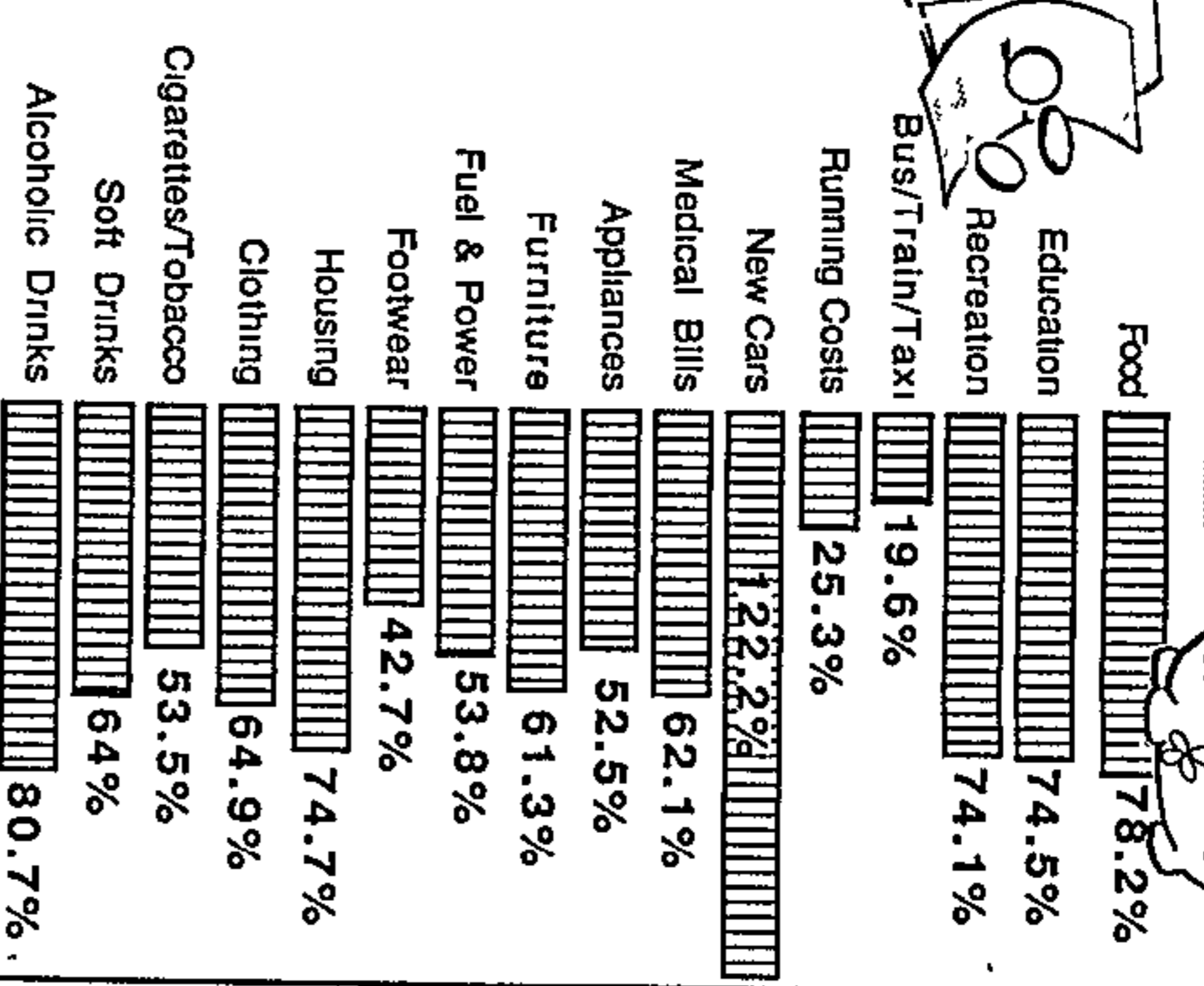
244
not be possible to cope with requests well above normal for a prolonged period.

He said motorists should beware of filling containers and storing them.

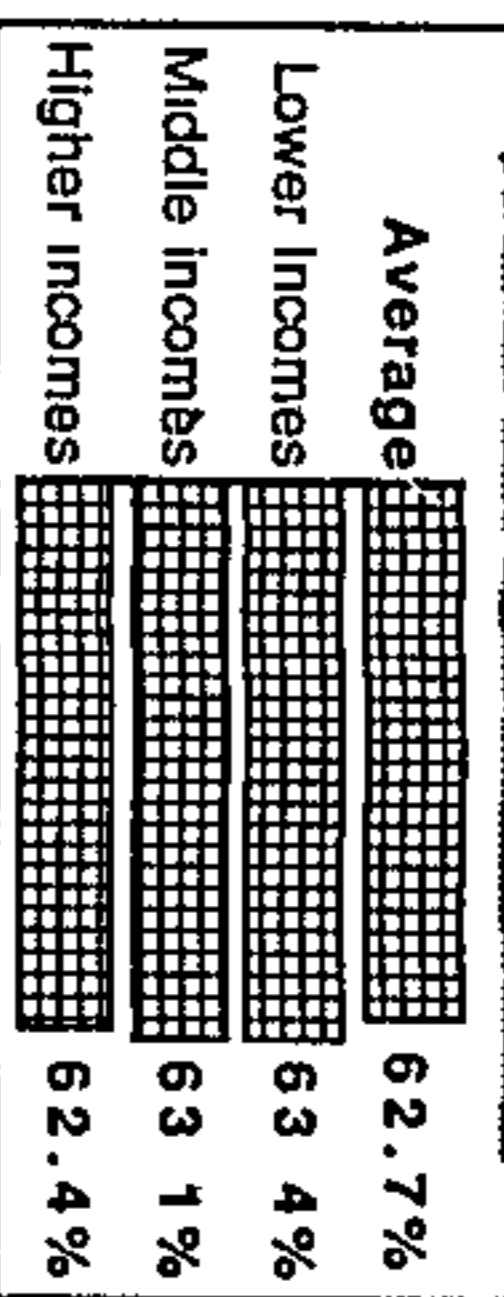
"Petrol is a highly dangerous and volatile liquid, particularly in summer temperatures and fires and explosions could result from such stockpiling," he said. Sapa.

PRICE INCREASES SINCE 1985

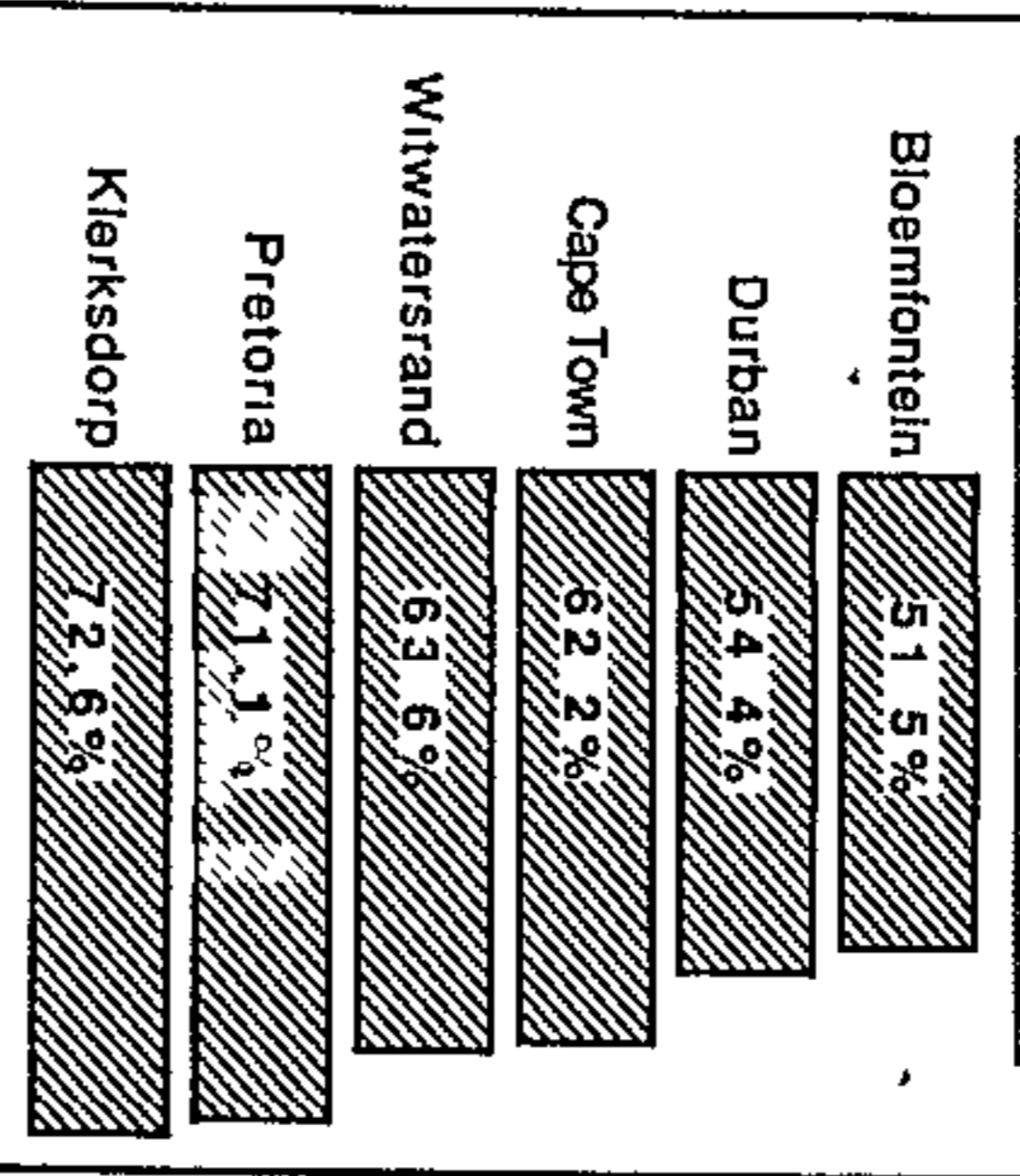
Where the Cash Goes



How Much Do You Earn?



Where do you live?



Smoke not, drink not — and avoid the inflation trap

The latest review of inflation trends shows that eating and drinking habits may have a lot to do with the steepness of increases in the cost of living. Teetotaler vegetarians, especially non-smokers and ones who use buses and trains rather than their own cars, have suffered least from the price spiral of the past year.

The roasting from inflation has also worsened in line with the fatness of the pay packets going into family budgets.

And the rate of inflation may also depend heavily on where you live. Many of the mysteries of why almost everybody has a different version of how rising prices batter their own family budgets are answered by a deep delve into the mass of graphs and tables compiled at regular intervals by the mandarins in the Central Statistical Service.

Worst culprits

First, the food basket, which has been one of the worst culprits of all since 1985, and which on average costs 13.2 percent more than a year ago. Families with a craving for meat — say bacon or boerewors for breakfast, pork or lamb for lunch, roast beef or steak for dinner — have paid dearly for their tastes.

If you're a teetotaler, vegetarian and non-smoker, there's a chance you're coping with inflation if not just suffer. MICHAEL CHESTER reports.

Meat prices, on average, have shot up as much as 18.4 percent. A change of pace to put fish dishes on the dining table has been no escape from inflation. Average fish prices have soared by 20 percent.

A far better idea at breakfast time has been cereal and toast. Grain product prices have gone up by only 11.3 percent. Better still, cheese or eggs only 9.5 percent dearer. This is where vegetarians have already started the day at an advantage — all the more so as vegetable prices on average have increased by only 11.4 percent.

And the really strict vegetarians have had a bonanza. Prices of fruit and nuts taken on average have actually dropped — by 1.6 percent. If inflation has made you down at heel, grin and bear it. Footwear costs 17.6 percent more. And if you want to save wear and tear on your shoes by buying a new car — beware. On average, vehicle prices have streaked no less than 23.5 percent this year.

All in all, though, if you are an average South African, your overall cost of living has gone up about 12.4 percent, say the CSS mandarins.

But that may vary a bit, depending on the size of your pay packet.

For example, if you belong to the lower income group, inflation has swiped a slightly more modest 11.5 percent.

For the middle-income group prices rose 12.2 percent. In the higher-income bracket, et, the inflation rate was 12.8 percent.

And recapping on all the damage wreaked by inflation, since the start of 1985 — the year used as the base of the current crop of statistics — the CSS finds that the extent of the devastation also depends on where you live.

Worst hit has been Klerksdorp, where the consumer price index has soared 72.6 percent.

Bloemfontein somehow found the best shelter, with the climb in prices held at 51.5 percent.

New Year price shock: Bread, basics set to soar

CM Times
6/1/89
244

By PETER DENNEHY

CONSUMERS, buoyed by modest salary increases, are now about to be buffeted by successive waves of massive price increases

Virtually every basic need will cost more — specially medicines and other medical expenses

Bread, groceries, petrol, home appliances, motor cars and home loans are all set to rise.

Mr Rob Speedie, a director of the Representative Association of Medical Schemes, estimated yesterday that most of the larger private medical aid schemes had raised their subscription rates by about 18% from January 1

Some schemes would only raise their rates from February or April, he said

One of the major costs for the schemes was medicines, which could rise as much as 33%. The rand had fallen badly against the Deutschmark and Swiss franc, he explained

Private doctors also raised their fees by 10% from January 1, according to a spokesman from the Medical Association of South Africa

In the middle of January — a bad

month for consumers — the petrol price is due to increase by 10c a litre and the resulting shock waves should be felt throughout the economy.

January is also the time when supermarket suppliers traditionally raise their prices, said Pick 'n Pay director Mr Alan Gardiner

He said the consumer could expect a wide range of increases on almost every product

Mr Terry Power, deputy general manager of the Standard Bank's home loans division, said his company's bond rates would rise from 17% to 17,75% from February 1

Homeowners who had anticipated paying off their bonds at 12,5% (the rate last June) were obviously struggling, but it did not make economic sense to extend the period of the bond if this could be avoided

South Africans also face the prospect of having to pay upwards of 20% more for a wide range of appliances, and even for motor cars, as old stocks run out and punishing import surcharges come into effect

At the lower end of the market, even bread is expected to rise sharply in price from April when the current R132 million-a-year subsidy runs out.

TANIA LEVY

TOY prices will rise dramatically this year, says toy and hobby distributor Josse Feldman.

A 50% price hike can be expected as the full effect of the 20% import surcharge is felt, in combination with the effects of a lower exchange rate and increased factory costs.

SA's 60% import duty on dolls is the highest in the world, says Feldman. The surcharge imposed over and above this means 80% of the price of a Barbie doll,

Toy prices are no longer child's play

By David 7/11/87

will tackle the issue of reducing duties with the Board of Trade and Industry during the year

Prima, which manufactures 60% of locally produced toys, expects a 40% increase in prices this year, says marketing director Trevor Kleu

A similar price hike was experienced in 1988 as a result of more expensive raw materials. Nevertheless, 1988 was

Prima's best year in 21 years of business, with sales increasing 42%, says joint-MD Saul Diamond.

Prima, which also distributes imported toys, will concentrate more on local manufacture, including stalwarts made under international licence like Snoopy, Pink Panther and My Little Pony

Feldman is confident increased prices will not harm business

Warning of a second fuel price rise ^{(244) Star} later this year ⁽²⁸⁾

Own Correspondent Jan. 1959

DURBAN — The price of petrol, which goes up 10c a litre on Monday, will jump another 15c a litre by March, Mr Roy Close, the national chairman of Samta, the South African Motor Traders' Association, predicted yesterday

Mr Close, who is also the Natal chairman of the Motor Industries' Federation, said this would mean the motorist would be paying R1,17 a litre for 97-octane fuel in Durban — and R1,20 up country

He said although the current world spot price for crude oil was low, current long-term contracts due to expire shortly had to be re-negotiated and these would be at higher price.

"The price of petrol goes up 10c a litre at midnight on Sunday/Monday when the motorist will be paying R1,02 a litre (R1,05 a litre up country) for 97 octane and 93c for 93 octane in Durban," he said

"But expect a further increase within two months. The future does not look bright. Our long-term contracts come up shortly for renewal when the current contracts come to an end and a big increase is on the cards. We have to buy crude oil in dollars and with the rand becoming almost worthless, a big price jump can be expected"

Mr Close emphasised that this was his personal feeling and said that if there was no united opposition to the present 10c/l increase, which was simply taxation, the Government would not hesitate to tax petrol still further

"At the moment more than half the price paid for petrol is taxation and this can be expected to increase even further," he said.

A shortage of animals caused high meat prices

~~By Clare Harper~~ By Clare Harper

Star 11/1/89.
244

The increase in the price of meat over the festive season was temporary. It was caused by a shortage of animals, the general manager of marketing and trade at the Meat Board, Mr Frans Pieterse, said today.

The traditional red meat auction prices moved upwards during the Christmas period and stabilised at a lower level from the New Year.

Supply of meat to the Johannesburg City Deep abattoir was 59 percent less than expected, he said, and, according to a spokesman for the abattoir, there would be no slaughtering today as a result of the shortage.

This was attributed to the good rains which prompted farmers to hold back their animals to fatten them and the poor maize crop in the Free State.

The Meat Board warned consumers to plan their meat purchases carefully this month as January was normally a month of fluctuating supply and auction prices.

Mr Pieterse said it was not clear at this stage how the supply position would develop, which made it difficult to predict meat price movements during the next three months.

Petrol price going up ²⁴⁴

THE PRICE of petrol, which goes up 10c a litre on Monday, will jump another 15c a litre by March, Mr Roy Close, the national chairman of Samta, the South African Motor Traders' Associ-

^{Sowetan 12/11/59} ation, predicted yesterday.

Mr Close, who is also the Motor Industries' Federation Natal chairman, said this would mean the motorist would be paying R1,17 a litre

for 97 octane fuel in Durban — and more up country

He said although the current world spot price for crude oil was low, it

• To page 2

Contracts ¹²

• From Page 1 ^{1/59}

^{Sowetan} was essential that current long-term contracts, which were due to expire shortly, be renegotiated, and these would be at a far higher price.

"The price of petrol goes up 10c a litre at midnight on Sunday/Monday when the motorist will be paying R1,02 a litre for 97 octane and 93c a litre for 93 octane in Durban," he said. (244/55)

"But expect a further increase within two months. The future does not look bright."

Price of school uniforms up by 12 pc this year

By Zenaide Vendeiro,
Education Reporter

The cost of school uniforms has gone up by about 12 percent this year in line with the inflation rate, according to one of the largest school-wear manufacturers in South Africa.

Mr Almero Oosthuizen, managing director of Veka in Newcastle, yesterday said input costs, such as prices of wool and polyester fabrics, went up by more than 12 percent, but the company was able to absorb some of the increases

Schoolwear outfitters in Johannesburg yesterday reported increases of between 8 percent and 15 percent

A manager at McCullagh and Bothwell in Hyde Park, which supplies uniforms for 30 schools, said some items of clothing had not gone

up at all while others had increased by about 15 percent.

Another Johannesburg stockist put the increase at between 8 percent and 10 percent.

It will cost parents about R135 this year to kit out a Grade One boy with a basic uniform consisting of grey flannel shorts, white shirt, socks, jersey, plain blazer and shoes.

Additional purchases such as a tracksuit, athletic shorts and vest and swimming trunks will cost another R82

A boy's basic high school uniform consisting of grey trousers, white shirt, striped blazer, jersey, socks and shoes will put parents back about R190, with extras such as tracksuit, swimming costume, athletics shorts and T-shirt costing an extra R100. Girls' uniforms are a little more expensive.

244

1/87

Star 1/11/87

BUS FARES TO RISE

13/1/89

Kreus

24/1/89

Staff Reporters

IN another blow to consumers, City Tramways announced today that bus fares in Cape Town would rise by between two and 15 cents a trip on Monday following increased fuel prices, which would come into effect at the same time.

The costs of many other services and commodities like food are also expected to rise in the wake of Monday's fuel price increase.

In a statement today, City Tramways said the new fares would affect both cash and clipcard passengers.

Cash fares on more than 95 percent of routes would rise by between two and 10 cents a trip. On longer routes the increase would be between 10 and 15 cents.

No change for pensioners

Clipcards used for routes up to 15km would increase between two and five cents a trip, for those up to 40km between five and 10 cents, for those up to 50km between 10 and 12 cents and those on trips longer than 50km between 13 and 15 cents. The R2,50 pensioners' concession clipcard will not be increased.

"When the company adjusted bus fares on September 4 last year, it was announced that the new fares did not allow for the increased fuel price that came into effect on September 1. It also promised to delay passing on the increased fuel price as long as possible, the statement said.

"At the time, however, it was made clear there could be no question of City Tramways being able to avoid eventually having to pass on the increased fuel costs.

"The increase in the fuel price coming into effect on January 16 brings the total increase to around 29 percent in four months, adding in excess of R4-million to the company's annual fuel bill."

Coastal cost lower

A glimmer on the bleak fuel price horizon for coastal motorists is that the cost at the coast will increase by nine cents instead of 10 cents a litre for 97 octane. Motorists upcountry will pay 10 cents more and 12 cents more in the north-west Cape.

From Monday, the price of a litre of 87 octane petrol on the Witwatersrand will be R1,01.

In coastal areas, a litre of 93 octane will cost 96 cents and a litre of 97 octane R1,01.

Diesel will cost 90 cents a litre in coastal areas and 97 cents a litre on the Witwatersrand.

Meanwhile, consumers are bracing themselves for a new wave of price increases following the fuel price increase.

Checkers marketing director Mr John Williams warned that manufacturers might look on the price increase as an opportunity to increase their own prices, but vowed that the supermarket chain would fight to keep prices down.

Pick 'n Pay marketing director Mr Martin Rosen said the effect on prices would not be as marked because the increase was limited to "commercial" fuel and did not affect diesel prices.

A recent survey by the supermarket chain showed there had been a large swing to diesel-powered transport.

"In the past we have had both fuels going up together. I believe it will be less felt this time round," Mr Rosen said, adding there had been no unusual movement among suppliers to increase prices.

● The Consumer Council has appealed to dealers and manufacturers to absorb the price increase as far as possible and not just pass it on to customers.

"A sudden spate of price increases would seriously damage the already depressed economy," director Mr Jan Cronje said.

● The government's tactics of extracting payment from the motorist by adding "exorbitant" taxes on fuel has been condemned by the Automobile Association's director-general, Mr Peter Elliott.

He said it was "totally unacceptable" that the new pump price included 9c a litre tax.

"When added to the three cents a litre increase of September 1988, the total of 12 cents a litre in tax increases in one year is proof that the Department of Finance has found

(Turn to page 3, col 5)

Appeal to motorists: Fill up in good time

(Cont from page 1)

an easy source of revenue the motorist," he said.

● Executive Director of the South African Motor Industry Federation, Mr Jannie van Huissteen, has appealed to motorists to fill up in time to avoid a last-minute rush before the price of petrol rises at mid-night on Sunday.

He said if motorists co-operated, much chaos on the roads would be avoided.

This time, petrol-pump meters will be able to record the actual price per litre, something which could not be done the last time new prices were introduced when meters could not record beyond R1 a litre.

POORER PEOPLE

Reacting to the bus fare increase, Mr W Hoon of the Consumer Council said it was generally the poorer people who used buses and their pockets would be hard hit.

Both Mr Hoon and Mr Den-

His Hendricks, vice-chairman of the Cape Areas Housing Action Committee (Cahac), said consumers were being hit by increases "from all angles".

Mr Hendricks said "Rent and food have also gone up

"We've been expecting this increase because of the petrol price hike, and for many already living on the breadline, it will probably simply mean less food.

"People have to use public transport to get to work."

MONDAY'S petrol price hike would increase passenger and haulage rates by anything from 4% to 30%, transport operators said yesterday.

Public transport rates will rise by up to 30%

244

13/1/89

B (Daw) 13/1/89

Public Carriers Association CE Ian Moss said members had reacted with extreme bitterness at government action which was using fuel as a "convenient milking cow".

He said the arbitrary manner in which fuel price increases were implemented would make it difficult for businesses to plan ahead effectively.

Operators could expect about a 4% increase in costs, although it was extremely difficult to estimate the increases which would arise from the hike.

SA Black Taxi Association president Thutane Mgcoya said no requests for fare increases had been received from members.

However, Sabta had approved a 30% fare increase after the fuel hike in September, which not everyone had imple-

RICHARD BARTLETT

mented. He expected this would now come into full effect.

SA Bus Operators' Association (Saboa) administration manager Eric Cornelius said most members would be likely to increase fares by around 5c a trip.

□ Sapa reports that AA director-general Peter Elliott condemned government's tactic to extract payment from the motorist by adding exorbitant taxes on fuel.

□ CHRIS CAIRNCROSS reports from Cape Town that a National Energy Council spokesman said there was no foundation to speculation that a second increase in the price of petrol was likely to follow soon on the heels of Monday's increase.

MAIZE CHIEF WARNS FARMS IN DANGER AS COSTS GROW

(244) GERALD REILLY (13/11/89)

PRETORIA — Survival of many farmers is seen as hazardous without a sizeable maize price rise this year.

Nampo GM Piet Gous added continually rising input costs were crippling this sector of agriculture.

His organisation had warned farmers repeatedly to trim production to local and international markets.

Gous said not all had heeded the warning. He listed, in a statement from Bothaville in the OFS, price rises in fertilisers, fuel, licence fees and transport among necessary inputs that had risen sharply during the past few months. (13/11/89)

Interest rates were among several factors that had also risen dramatically.

Gous said that in every case suppliers claimed the increases were made necessary because of general pay increases, higher transport and raw material costs and financing charges.

Against this background it was clearly necessary that urgent attention would have to be paid to the producer price of maize.

The Maize Board's pricing formula is related to the size of the crop — the bigger the crop the lower the price — but, if the crop is too big, production costs could far exceed the listed price.

Gous said the Maize Board's market-orientated approach to prices would meanwhile, however, be supported

Petrol fuels general price increases

v/k ARGUS 14/1/89 *244*

by VIVIEN HORLER
Weekend Argus Reporter

EVERYTHING is going to be more expensive when the price of petrol goes through the R1-a-litre barrier on Monday.

The 10c increase means the consumer price index will rise by half a percent immediately — and by an unknown amount when the indirect results of the increase filter through the economy.

A 0,5 percent increase in the CPI was described by Dr Ockie Stuart, director of the Bureau for Economic Research, as "pretty substantial".

"The increase means an approximately 10 percent hike in transport costs, so everyone who travels by car will have to pay 10 percent more than previously.

"It also means bus fares and taxi fares will have to go up, food will go up — everything can go up quite substantially."

Yesterday City Tramways announced an average increase in fares of seven percent. Cash fares on more than 95 percent of routes would rise by between two and 10 cents a trip. On longer routes the increase would

be between 10 and 15 cents.

Dr Stuart said the increase would hit the lower-income groups harder as lower earners spent proportionally more of their income on transport than higher-income earners.

The increase means you will now pay R1,02 for a litre of 98 octane petrol, up from 92c, and 97 cents for a litre of 93 octane.

The average inflation rate for 1988, which was about 13 percent, is expected to rise to an average of 15,8 percent for 1989, according to economic researcher Mr Adrian Mocke. This estimate takes the direct and indirect effects of the petrol price increase into account.

Mr Mocke said the average for 1990 was likely to drop to about 14,8 percent because by mid-year the economy would start moving downwards, demand would slacken, and there would be less pressure on price structures.

"I would think it's more correct to tax all the taxpayers rather than just those who rely on petrol-driven transport. Petrol is such an important commodity in the economy that when you increase that you make everything more expensive."

Motor industry chief slams fuel price rises

THE President of the Motor Industries Federation, Mr Alex Hawes, objected in the "strongest possible terms" to Monday's scheduled petrol price increase, and has appealed to the Minister of Finance not to proceed with the proposed fuel tax, because of the "ripple effect it would have on the economy".

In a statement issued yesterday, Mr Hawes pointed out that the 12 cents tax a litre (3 cents in September 1988 and 9 cents in January 1989) would generate some R1,3 billion per annum to the State.

"In addition, the Government decided early in 1988 that the entire fuel levy, which previously accrued to specific funds for specific purposes, should be paid to the fiscus who would administer the funds.

"It is alarming that 45 percent of the retail price of a litre of petrol will now find its way to the fiscus," Mr Hawes said.

"Because the strategic importance of fuel and the substantial component it forms in the structure of prices,

virtually all products will be affected.

"The industry had acted very responsibly in regard to fuel prices and resellers were operating on very small profit margins.

"The increase will fuel an already unacceptable high rate of inflation," Mr Hawes added.

And OK Bazaars Managing Director Gordon Hood has appealed to suppliers to minimise price increases following the introduction planned for Monday.

Mr Hood deplored the petrol price increases, which he said would come as a further blow to the already struggling consumer.

He hoped that those suppliers whose prices remained unchanged when the petrol price was lowered last year would do the same now.

"Prices were not reduced then, as suppliers claimed the move did not have much of an impact on their costs. It was expected that this remained true now," Mr Hood said. — Sapa.

Sugar stockpiled before price rise

s/Times 15/1/89

THE South African Sugar Association (Sasa) expects consumers and food industries to take advantage of the early announcement of a price increase and build up stockpiles

The price of sugar will be lifted by 11,3% in the next six months, adding fuel to inflation

The price will rise by 7% on February 1 and by 4% on August 1, but will probably be held at this level until August 1990. Sasa says the increases will be below the expected inflation rate for the next 18 months of 20%.

Sasa made the announce-

By Don Robertson

ment ahead of the dates of the increases, which it hopes will allow consumers a chance to stockpile

Storage

Before the price was raised by 12,5% in January last year, an additional 80 000 tons of sugar were sold

However, because the latest increase will be lower than at the beginning of last year, sales are expected to rise by about 40 000 tons this month

Frans Oosthuisen, national markets manager of Sasa, says industrial consumers,

such as the canning industry, will build up stocks by one to two months. Chain stores will probably not be able to carry additional stocks because of a lack of storage space

Dr Oosthuisen says the increase is necessary because of higher production costs brought about mainly by higher wages. Inflation has added to input costs. He says part of the additional costs will be absorbed by the industry

In June last year, Sugar Millers Association chairman Glyn Taylor said that an upturn in domestic and international markets was under way and with the current good crop, the market would emerge from the trough of the early 1980s

"While we may have entered the decade with a whimper, we could leave it with a roar," he said

Borrowings

Last season, SA sales rose by 5% and the international market improved. Sasa was able to reduce its loans, used as a buffer against fluctuating sugar prices, by R40-million to R207-million. It is expected that by July this year, the loans could be reduced by another 50%

It is expected that sales in the current season will rise by about 2,5%

Last season, Sasa earned an additional R40-million through hedging some of its crop on the futures market.

Sasa managing director Peter Sale says the association has continued this policy, again with success

The sugar industry is still keen to develop an ethanol project, but is waiting for Government approval. Mr Sale expects some positive response before the end of next month

The international market has shown considerable improvement in recent months. On the New York futures market, the price reached a peak of US12c a pound in December for March delivery, although it has come off

Tight

Expectations of a large offtake by either China or Russia did not materialise and speculators who have sold out. This took the price back to 10,11c a pound and it is expected that it will loose ground to 10c a pound. This compares with about 9c a pound in October

However, the supply-demand position remains tight, says Lindsay Williams, senior international trader at commodity broker Holcom

He says stocks are nearing an eight-year low and should one of the larger producers, such as Cuba or Brazil, experience any production problems, the position could worsen

However, in the short term, the market is expected to remain stable at present levels

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January 16 1989
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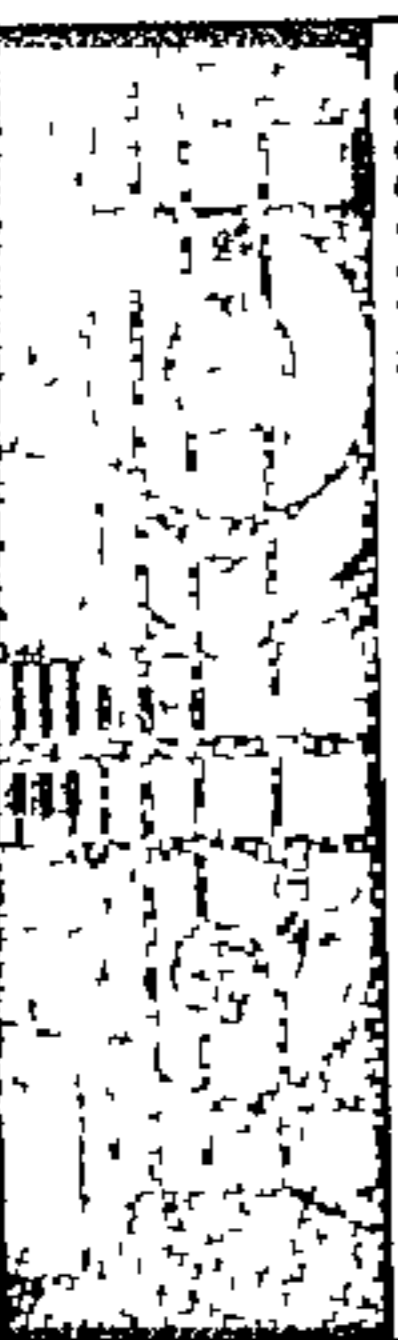
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952



The big squeeze considerable pressure was applied by Mr Morris Bouwer, of Randburg, to this petrol pump in an attempt to extract the very last drop of fuel at yesterday's prices. The expected rush to fill up failed to materialise on the Reef last night
● Picture by Ken Oosterbroek

Government spending is attacked

By Michael Chester and Peter Fabricus

The sharp increase in petrol prices today ran into a blistering new attack from the Witwatersrand Chamber of Commerce and Industry about Government over-spending

WCCI president Mr Hennie Viljoen said the increase was yet another example of how the Government was forcing the private sector to carry the burden of persistent excessive State expenditure by higher and higher tax bills

Business and consumers are again forced to foot the bill for profligate Government spending, now running at an unacceptably high 29 percent of the entire Gross Domestic Product, without any improvement in services," he said

Should this situation prevail, then it will be impossible to achieve the enormous growth potential of our economy

If the trend of steadily declining investment by the private sector is to be reversed, it is vital that the State cuts its spending and lowers the tax bur-

den. Sadly we are seeing the opposite"

The introduction of higher petrol prices, plus the threat of increases in the price of diesel in April, threatened to make 1989 a tough year for both business and the consumer, especially the transport industry and the road user

The increase in the fuel levies was bound to make a significant impact on business and consumer costs

Salary increases

We are especially disappointed that the Government is funding the 15 percent salary increases for the civil service from a source never used before for such purposes," Mr Viljoen added

Today's 10c petrol price hike has also been slammed by the Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, who said he would raise the matter urgently when Parliament resumes

Mr Schwarz said the price increase was an

'indirect form of taxation necessitated because the government budget had gone so badly wrong

It is quite clear that everything said when the Budget was presented last year about limiting government spending and taxation is now under review

The Government now regards petrol price increases as a normal form of taxation instead of using the petrol price levy to improve roads

This is one of the reasons why we are seeing so many toll roads. The Government is keeping the levy revenue for itself

This is a bad form of taxation which shows poor fiscal practice. What is significant about income tax is that although it reduces disposable income it does not have an inflationary effect, in fact, it has a counter-effect

By contrast increasing the petrol price will have a ripple inflationary effect throughout the economy. It will be felt by almost every manufacturer, distributor and retailer, and it will be passed on to the consumer."

Stew 16/1/89
244

Scotch set to soar in new round of liquor price rises

Staff Reporters

SPiRiT prices are expected to rocket by early next month, with a possible Scotch whisky increase of about R2 a bottle, and wine prices are set to rise after the KWV promised farmers an increase

Free-on-board (fob) Scotch prices at ports in Britain had gone up by between 7½ and 10 percent, and the increase would be greater when the whisky was imported to South Africa, according to Mr Bruce Anderson, regional director of the United Distillers Group in Cape Town.

LOWER-PRICED

South African spirit prices could be expected to go up from February 1, and whisky would probably be increased then, Mr Anderson, the director of one of the largest whisky suppliers to South Africa, said

"However, we pay less for Scotch than most other countries," he claimed, adding that the surcharge on imported goods did not apply to Scotch

South Africa was eighth in the world in Scotch consumption, and volume consumption had held in spite of price in-

creases But there had been a discernible movement to the lower-priced Scotches, he said

Meanwhile, primary producers KWV said wine farmers would receive 12 percent more for the major portion of their wine crop this year, representing an increase of 4,8c a bottle

Average price adjustments for wines have been kept below the inflation rate for many years and considering the wine's quality, the price in South Africa remains among the lowest in the world, according to KWV chairman Mr Pietman Hugo

Mr Hugo said the inflation index had increased by 13,4 percent a year since 1975, while the wine price had increased by only 10,6 percent a year over the same period.

Even after the increase, wine farmers would receive only about 50c a bottle for standard-priced wines

"The increase by the KWV — who determine the so-called 'good wine' price — will have a direct impact on the wholesalers' price," says Mr Blackie van Niekerk, Gilbeys' marketing director.

Scotch prices were increased five times last year, largely because of the depreciation of the rand against foreign currencies A case of Scotch that sold for about R136 at the end of 1987, now sold for about R214

With the petrol price up today, all liquor prices will be increased again, according to a bottlestore manager. The price of imported liquor was also affected by the dwindling exchange rate, she said

"People don't buy as many cases of whisky as they used to," she said "There's also a swing towards brandy"

HOTELS

There were indications that liquor suppliers to hotels would increase their prices by about 10 percent by the end of this month, according to Mr Stephen Dagg, group general manager of the Boulevard Hotel

Most hotels would not be able to absorb these increases and would pass them on to their customers, he said

Beer drinkers need not expect a price increase until figures are reviewed at the end of April, according to South African Breweries' public affairs manager, Mr Gary May.

Putco bus fares up

to welan 17/1/87

THE Putco bus company is to increase its cash and weekly fares by 5 cents a trip with immediate effect due to yesterday's 10-cent-a-litre fuel increase. The price of its monthly tickets will be increased from February 1. — Sapa.

'Quiet day' for petrol stations

Staff Reporter

FEW motorists patronised filling stations yesterday as the new petrol price increase of 9c per litre came into effect — and those who did were met with broad smiles.

The quiet day came as a welcome relief for pump attendants, many of whom had been extraordinarily busy over the weekend

Mr Leon Deacon, Western Cape chairman of the SA Motor Traders' Association, said a stampede and long queues at the pumps had been avoided this time, probably because the increase came into effect on a Monday.

"The load was spread over the entire weekend. Motorists had

plenty of spare time in which to fill up," he explained

Mr Keith Bewick, public relations officer for Caltex, said his firm had received no emergency calls from petrol stations which had run dry, so he doubted any of them had exhausted their supplies

Mr George Beckman, a garage owner, said he had been busy on Sunday but no queues had built up. Everything had gone off very smoothly

"There was an occasional altercation between customers. Most people who fill their tanks want their oil and water checked, some

want their windscreens wiped and some want their tyre pressures seen to. We have to oblige, of course, although this sometimes irritates the next customer who is waiting"

He had put extra staff on duty to cope with the increased custom and he knew of another filling station where the manager and his wife helped out for hours

• The National Energy Council said in a statement last week that the profit margins of the oil companies had been increased by 2c a litre. Bus companies throughout the country have already increased their tariffs as a result of the fuel price rise.

20% vehicle price hike likely

15/Day 18/1/84
TOYOTA says at least seven out of every 10 cars sold this year will be light cars — a complete reversal of the situation a few years ago

"The swing to light cars has been underway for some time, but the latest steep increase in the price of fuel is certain to give additional thrust to the move towards the light, economical car, said Toyota Marketing Company MD Brand Pretorius.

MARC HASENFUSS

Pretorius said. **244**
The SA motor industry was generally making a disproportionately high investment in improving the quality of its products and in the quality and excellence of after-sales service.

Good news

Pretorius forecast a 17%-20% price rise in vehicles this year, with a sales decline of about 20% on the 1983 total of 230 500

Good news is that while motorists can expect to pay more for their vehicles they will receive better quality, better value for money and better service than ever before.

He said the sagging value of the rand against Japanese and German currencies was chiefly responsible for car price increases, something manufacturers had no control over.

Pretorius said government's value-based local content programme had exciting prospects and offered challenges to manufacturers' creativity and efficiency, but could have a negative effect on pricing

B/Day 18/1/89 (244) (350)

GERALD REILLY

R1 loaf of bread looms

PRETORIA — Housewives can brace themselves for a big increase in the bread price soon

Sources say the hike can be avoided only if Finance Minister Barend du Plessis agrees to a subsidy of at least R175m in the 1989-90 fiscal year

With a smaller subsidy the R1 loaf is possible.

This, it is pointed out, is unlikely as the Cabinet has already decided to

phase out the bread subsidy over a three-year period

This year's subsidy of R132m will run out by the end of March

It accounts for 11c on each loaf on brown bread and 2,3c on white

it is also probable that with VAT — expected to replace GST in about a year's time — the tax will be levied on basic foods

This was a recommendation of the Margo Commission provided an acceptable means could be found to relieve the burden on the poor

VAT at 12% would add an additional 10c to the price of a standard loaf

Also to be added would be increased margins for bakers and millers to compensate for the 10c/l hike in fuel prices and other operating costs

SA a world-leader when it comes to spiraling prices

7/c
w/c
2/11/89
264

ish pound for R1,63. Today you pay R4,30 — a rand devaluation of 60 percent. In this period the rand has fallen 54 percent against the dollar, 70 percent against the German mark and 75 percent against the Japanese yen.

Many reasons have been put forward for the continued high level of inflation. Ultimately, here as anywhere else, the blame must rest squarely on the shoulders of the government.

The only time a government can be held blameless for inflation is when there is a huge and unexpected inflow of foreign capital. This excuse will not hold in South Africa. Since 1983 capital flow has been one way — out.

The answer seems to be that to tackle inflation the government would have to end its excessive generosity with the taxpayers' money and upset its power base.

Major pay rise

However, it has imposed huge inflationary import surcharges to try to improve the balance of payments and then used the money to give the public service a major pay rise, which will also help to boost inflation.

As even the hundreds of millions raised by the surcharge were not enough for this purpose, it was also decided to tax imports to finance the public sector payroll and to impose this week's 10c-a-litre tax on petrol.

Prices are set to rise again and continue to rise, for no doubt the public service will demand a further pay rise to offset the inflation caused by its present pay rises. And, if the government runs true to form, it will get it.

So we can look forward to another year of showing that when it comes to price increases none of the Western industrial countries can beat South Africa.

According to the latest International Monetary Fund figures, prices in the past five years have risen twice as fast as in New Zealand, the other worst-performing Western industrial state.

And they have risen almost four times faster than in Britain and 16 to 20 times faster than in Germany and Japan.

Since 1983 prices in South Africa have risen by 100 percent in New Zealand and the increase has been 48 percent, in Britain 27, West Germany six and Japan five, the figures show.

'Banana republics'

To find price increases comparable to those in South Africa one has to look at the South American "banana republics".

South Africans have grown so accustomed to rapidly rising prices that they have stopped asking why this is happening.

However, they should ask questions because the high rate of inflation is keeping them poor and, if continued, could possibly bankrupt them.

The IMF figures show that between 1980 and 1986 South Africa's economic growth averaged 0,8 percent a year. In contrast, the British and New Zealand growth rate was three times higher at 2,4 and 2,6 percent respectively, while Japan's was more than four times higher at 3,7.

Gold mines

If inflation continues a number of gold mines might have to close, causing greater unemployment, reduced demand for manufactured goods, a weaker balance of payments and a reduction in living standards.

Inflation also reduces competition between firms, deters new investment and reduces job creation.

In 1983 you could buy a Brit-

Weekend Argus Correspondent
by DEREK TOMMEY

The 'richer' we get, the poorer we become

Star 21/1/89
20/1/89

DEREK TOMMEY

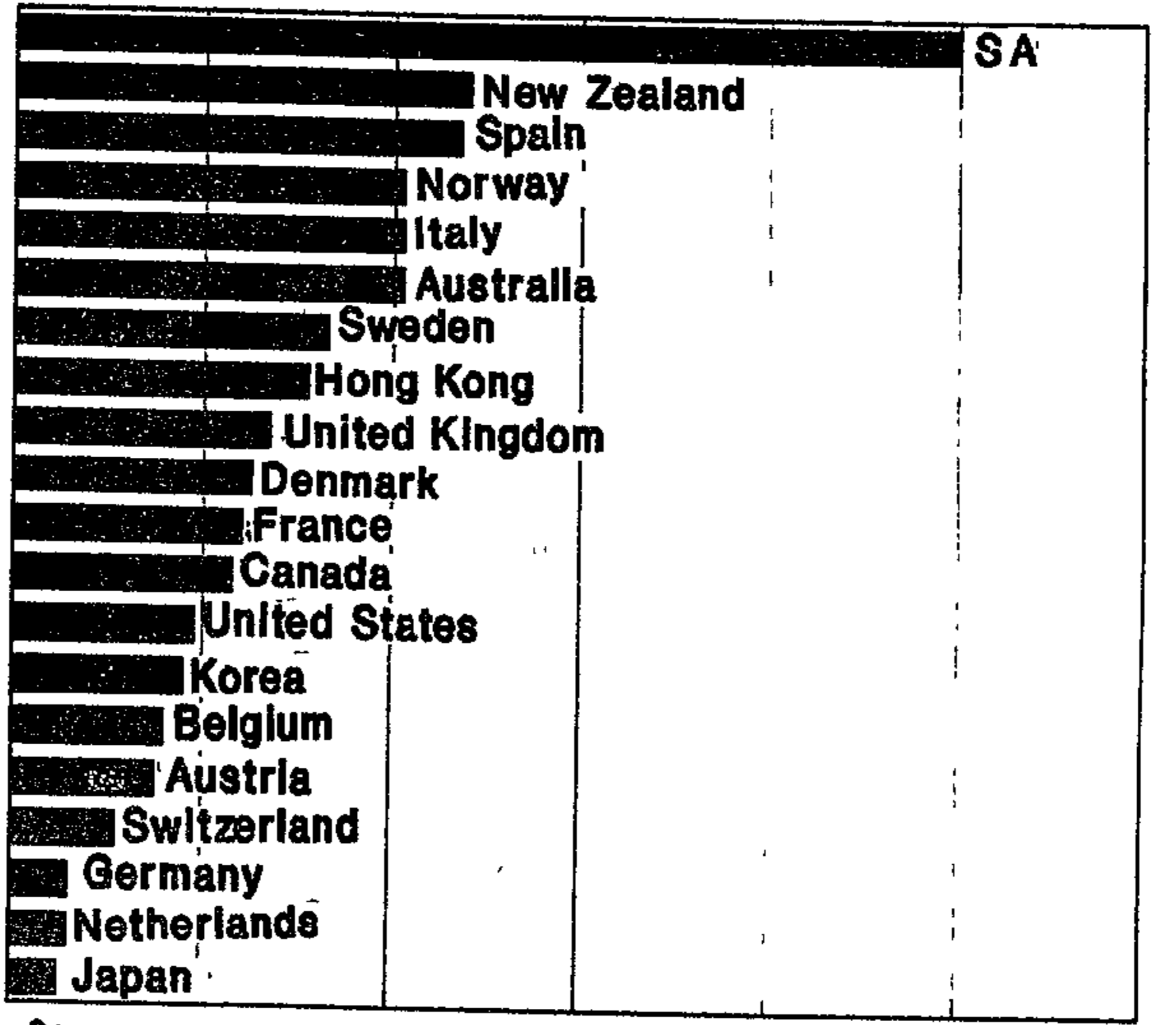
SOUTH AFRICA is a world leader in price rises. According to the latest IMF figures, prices in this country in the past five years have risen twice as fast as in New Zealand, the other worst-performing Western industrial state. And they have risen almost four times faster than in Britain, and 16 to 20 times faster than in Germany and Japan.

Since 1983 prices in South Africa have risen by 100 percent. In New Zealand the increase has been 48 percent, in Britain 27 percent, West Germany 6 percent and Japan 5 percent, the figures show. To find price increases comparable to those experienced by South Africa one has to start looking at the South American "banana republics".

South Africans have grown so accustomed to rapidly rising prices that they have stopped asking why this is happening to them. But they should start asking questions because the high rate of inflation is keeping them poor, and if continued could possibly bankrupt them.

Inflation is "public enemy number one" in most Western countries because it retards and even destroys industrial growth.

Inflation can certainly be blamed for much of this country's extremely poor economic performance. It has blurred the side with zones of poverty that have not been touched since the side of the harried rich sits by. The fevered growth in the zone never communicate. excluded may be side by side.



How the prices have risen between 1983 and 1988

It should be here too because this country has the highest inflation rate in the world. Inflation is the new technology of the rich side by side. In this zone, the new technology of carbonates, laptops, modems and Walkmans enables anyone with the money to do it. In the old days, the rich side by side by the harried rich sits by. The fevered growth in the zone never communicate. excluded may be side by side.

ance of payments and a reduction in living standards.

But it is not just the gold mining industry that is threatened by inflation. It is affecting every one in this country in many subtle ways. It is reducing work opportunities for unskilled people, which in South Africa means the blacks. In inflationary times employers tend to replace workers with machines which do not ask for a pay increase every 12 months. Usually it is the physical and simple tasks that are easily mechanised, so the unskilled worker is affected the most.

Inflation also reduces competition between firms. The steep rise in the price of assets makes it extremely costly and also risky for new companies to try to compete with the old-established ones, so they don't do it.

Inflation deters new investment and reduces job creation. Rising costs increase business risks which make entrepreneurs reluctant to undertake new investments that would have provided more jobs.

Impoverishment

Inflation destroys the value of money and impoverishes people. Money placed in a building society five years ago today buys only half what it did then.

Inflation leads to a lower exchange rate which also makes everyone poorer. In 1983 you could buy a British pound for R1.63. Today you pay R4.30 — a rand devaluation of 60 percent. In this period the rand has fallen 54 percent against the dollar, by 70 percent against the German mark and by 75 percent against the Japanese yen.

This means that American goods in South Africa costs more than double what they did five years ago, British goods two-and-a-half times more, German goods three times more and Japanese goods four times more. Although individuals may not buy goods from these countries, the fact remains that commerce, industry and the service industries still have to do so. This raises the country's costs which we all pay in the end.

Many reasons have been put forward

for the continued high level of inflation in South Africa. But ultimately here as anywhere else the blame must rest squarely on the shoulders of the Government. The only time a government can be held blameless for inflation is when there is a huge and unexpected inflow of foreign capital. This excuse will not hold in South Africa. Since 1983 the capital flow has been one way — out of the country.

So while governments elsewhere have killed off inflation and launched their countries into real economic growth why has our Government been so ineffective in its management of inflation?

The answer seems to be that to tackle inflation it would have to end its excessive generosity with the taxpayers' money and upset its power base.

Last year the rand depreciated by some 17 percent against the major world currencies. While making all of us poorer, this devaluation of the rand had one positive result — it helped to improve South Africa's competitive position overseas.

In this situation most Western governments would say "We must not let domestic inflation rob us of this important foreign trading advantage. We will squeeze prices at home so we will continue to remain competitive abroad. This will help us boost our exports and increase prosperity."

Such countries would be likely to be even more determined to maintain this advantage if they were faced with sanctions.

Surcharges

But your South African government is not your normal Western government. And it did not see the rand's devaluation in this light at all. Instead, it imposed huge inflationary import surcharges to try to improve the balance of payments and then used the huge sums flowing from the surcharge to give the public service a major pay rise, which will also help boost inflation.

If the Government had been determined to fight inflation it would have taken the surcharge receipts out of circulation by sterilising them. This would have reduced consumer demand and lessened inflationary pressures and helped keep our exports competitive.

But alas, the surcharges raised far more than expected. The politicians found it impossible to keep their hands off this money. They traded political expediency for economic management, grabbed the money and used it to give the public sector a 15 percent pay rise.

However, as even the hundreds of millions raised by the surcharge are not enough for this purpose, it was also decided to perpetuate the new game of taxing imports to finance the public sector payroll and to impose this week's 10c a litre tax on petrol.

So prices are set to rise again, and continue to rise, for no doubt the public service will demand a further pay rise to offset the inflation caused by its present pay rises. And if the Government runs true to form it will get it.

At the same time, South Africa's recently acquired competitive advantage in foreign markets is being sacrificed to the Government's desire to keep the bureaucracy sweet and voting for it.

So we can look forward to another year of showing that when it comes to price increases none of the Western industrial countries can beat South Africa.

SATS AND POST OFFICE TARIFF HIKES IN THE PIPELINE

PRETORIA — Sats and Post Office tariffs are certain to be raised in the new financial year, according to sources here.

Sats is heading for a deficit in excess of R100m and PO tariffs, not raised at all during the current financial year, will be forced up by inflated costs, including the 15% pay hike for its 100 000 workers.

The expected increases will, with last Monday's big fuel price hike and other administered price rises expected in the first half of the

GERALD REILLY

year, give a powerful punt to inflation, economists warn.

Transport Minister Eli Louw budgeted for a total deficit of R96m for the whole of the 1988/89 financial year, and the authorities say it will be at least that.

Sats tariffs were increased from December by an average of 7,5%, while SAA raised domestic tariffs by 8% in November.

Louw has indicated that the December tariff hikes will add only

R130m to total revenue for the current financial year — not even enough to cover the surprise R192m in salary increases.

The 1989/90 budget will have to make provision for an additional R400m for salary increases.

The 15% pay hike for postal workers will add R60,5m to expenditure this financial year, and another R250m for 1989/90.

Communications Minister Stoffel Botha budgeted R1,1bn for wages and salaries this financial year.

8/Day 23/1/89

244

247

IN BRIEF

Bush's hostage call

WASHINGTON — President George Bush, in a clear message to Iran, said at the weekend efforts to win the release of US hostages in Lebanon would ease the diplomatic strains that have dominated relations between Washington and Teheran.

Bush said the 10 Americans held captive in Lebanon would not be forgotten and he wanted his message "heard around the world".

Scrum over the ANC

CAPE TOWN — Sarb president Danie Craven paid a snap visit to Brig Roy Doring, Divisional Commissioner of Police for the

Students may test provision

LONDON — Conservative students may take their university to court in a test case of the freedom of speech provisions in the 1986 Education Act after a controversial visit by an SA diplomat was banned for the second time.

Liverpool University gave permission for SA Embassy second secretary Jan Casterlyn to speak to a meeting organised by Tory students on Friday, provided there was no advance publicity. However, anti-apartheid demonstrators planned a demonstration to greet his arrival, after news of the trip leaked out.

Worried by the threat of disturbances, university registrar Peter Gayward withdrew permission for the visit and his decision was upheld by vice-chancellor Professor Graeme Davies yesterday.

Two SA diplomats were originally due to attend a similar meeting last term,

but that was also called off amid fears of public order problems.

With financial backing from the right-wing Freedom Association, Tory students then proposed to use section 43 of the 1986 Education Act, which guarantees freedom of speech at institutions of higher education, to force the university to revoke its ban.

They did not go to court at that stage, after reaching the compromise that the meeting could go ahead if there was an embargo on advance publicity.

However, after receiving confirmation yesterday that the visit had been banned again, Liverpool University Conservative Association chairman Joe Baldwin said there was a "strong possibility" they would go to court this time.

8/Day 23/1/89

Own Correspondent

Liquor ²⁴⁴
Star 25/1/89
prices up
next week

There will be an across-the-board increase in liquor prices from Wednesday next week

Drinkers will have to swallow hard when the prices of wines and spirits rise on February 1

Mr Colin Tatham, commercial director of Stellenbosch Farmers' Winery, said yesterday a broad spectrum of increases, affecting liquor wholesalers had forced the price adjustments.

He said deposits on glass containers would be reduced at the same time

Popular wines will increase in price by 6 percent in the Transvaal and 7,6 percent in the western Cape. Fortified and flavoured wine will increase by 10,8 percent in the Transvaal and 11,6 percent in the eastern Cape and 11,9 percent in the western Cape

Locally produced white spirits and brandies will go up by 9 percent and imported whisky will rise by 12 percent

SFW said the price of corked, or higher priced, wines will rise by 15,4 percent in the Transvaal and 16,5 percent in the Cape for reds. Whites will increase by 13,8 percent and 15 percent respectively.

Down down
ster 26/1/89

quick, before

liquor goes up

Up, up, up ... or down, down, down, depending on which way you look at the latest increase in the price of your favourite tipple if Scotch whisky continues to go up — the price rises by another 12 percent on February 1 — the miniature bottle may soon cost what the litre bottle (left) did back in the good old days

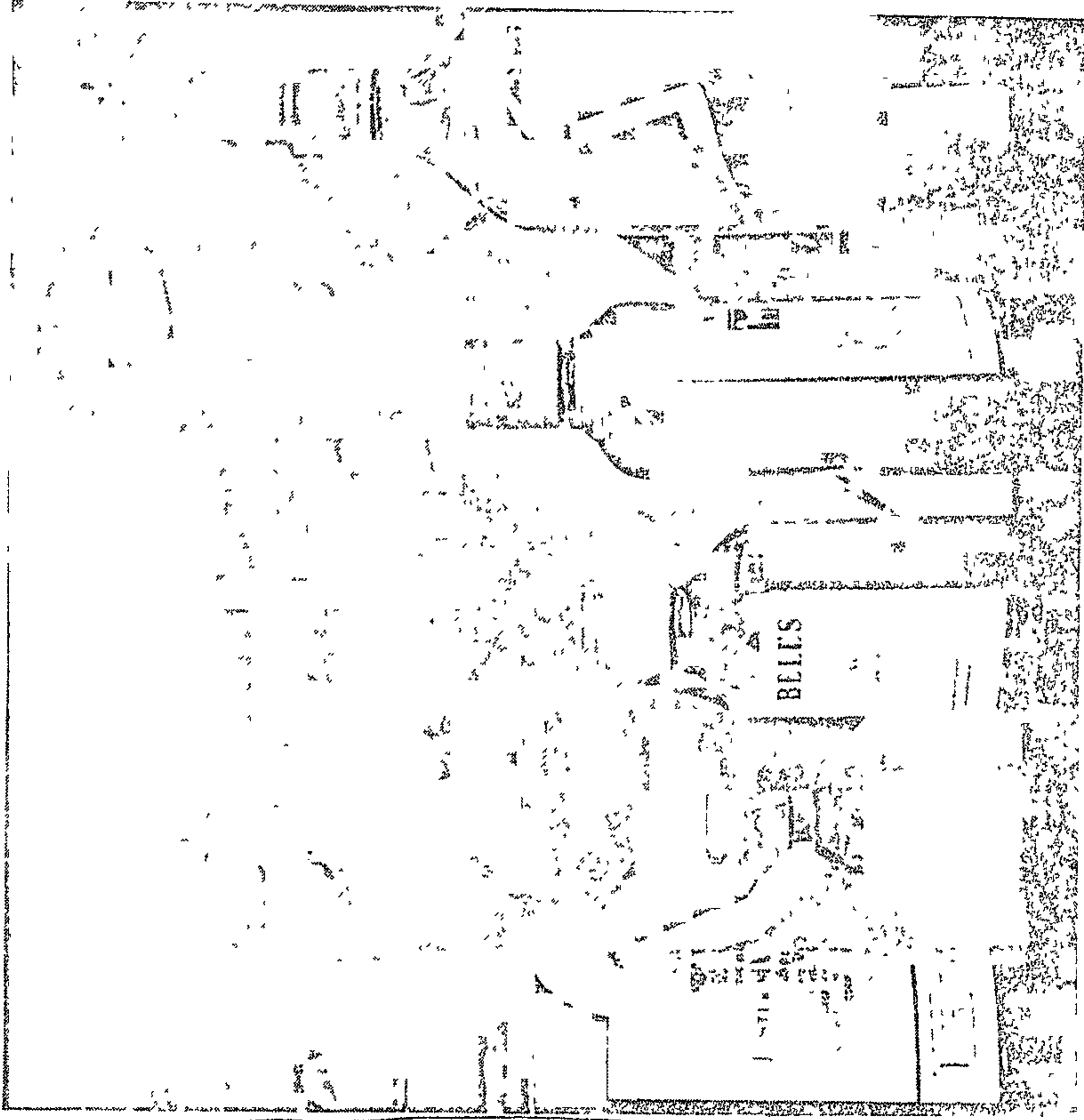
© The price of wines and spirits increases on February 1

Mr Colin Tatham, commercial director of Stellenbosch Farmers' Winery (SFW), said a broad spectrum of increases affecting liquor wholesalers had forced the price adjustments

Popular wines will increase in price by 6 percent in the Transvaal and 7,6 percent in the Western Cape. Fortified and flavoured wine will increase by 10,8 percent in the Transvaal, 11,6 percent in the Eastern Cape and 11,9 percent in the Western Cape

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Business Day Reporter

THE head of government's Central Statistical Service (CSS), Treurnicht du Toit, said yesterday that CSS was satisfied its consumer price index was accurate

Du Toit was responding to a Business Day article yesterday in which former applied mathematics professor Karl Posel said SA's inflation rate was 24% or higher, not 12,5% as calculated by CSS

"In its calculation of the consumer price index, the CSS makes less use of assumptions and more use of large samples than does Posel," he said in a statement to Business Day "By definition the inflation rate is the percentage change in the average cost of a representative 'basket' of goods and services"

Replying to Posel's criticism that CSS did not have a mathematical model for their calculation of the inflation rate, Du Toit said the mathematical model used by CSS was "the well known Laspeyres price index formula"

"The 'basket' is not based on assumptions of a hypothetical case (like that of Posel) but on averages derived from a sample of about 10 000 real, live SA households"

"It is derived moreover in a totally scientific manner, unless Posel denies the science of mathematical statistics The

Price index is accurate

B/p on 27/1/87

CSS

"Investigations have confirmed that even major changes in the weight structure do not have a significant effect on the inflation rate over a given period, provided all the relatively important prices change in the same direction over the period concerned" Exceptions could, however, occur in the short term

"Nevertheless it is a mistake to rashly describe the CPI as unreliable simply because the weight structure is not based on today's actual spending patterns — normally the weight structure does not change significantly in the short term and, should a variation indeed arise, it will not necessarily have a meaningful effect on the CPI and the inflation rate"

Structure

Du Toit also said the accuracy of the CPI was questioned on the basis that price information gathered by surveys was not an accurate indication of actual price changes CSS regarded this as a misconception because their internal controls and external confirmation gave reason to assume "a reasonably accurate reflection of price movements on consumer level" was provided by the 250 000 quoted prices gathered and processed annually for 600 items from some 3 000 respondents

Du Toit disputed the implication that inflation could be running at 26% because Posel had noted 17 items which had doubled in price over three years. Some prices had risen very rapidly, but others, like car licences, had not

Du Toit said the CSS was satisfied that its consumer price index was in line with many, reliable external sources

He referred Business Day to an explanation of the CPI he had published in the Securities Discount House journal "Securities Markets" at the end of last year

In that article, Du Toit said the accuracy of the CPI was sometimes questioned on the basis that the weights of items in its 'basket' of consumer goods and services were not sufficiently recent or updated Weights were currently based on actual 1985 expenditure patterns and would be measured every five years in future

prices used to calculate the changing costs of the 'basket' are also derived in a scientific manner from a large sample of shops and service providers — approximately 250 000 price quotations serve as input to the model each year

Describing Posel's article as "a diatribe", Du Toit responded to two specific points

Development

He took issue with Posel's calculation of 24% inflation based on the increased cost per ton of the identical tonnage of ore milled at Kloof gold mine over 18 months

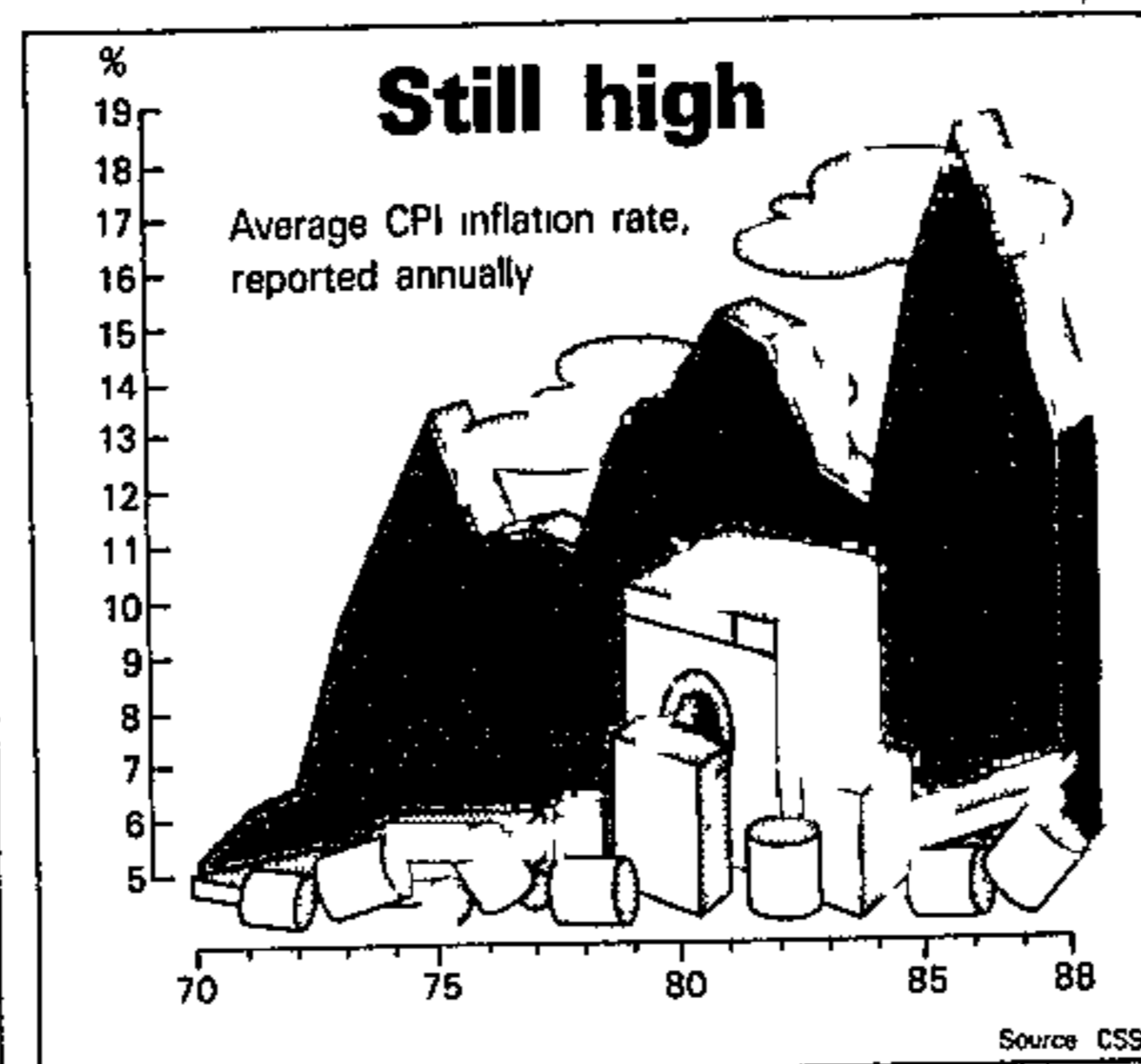
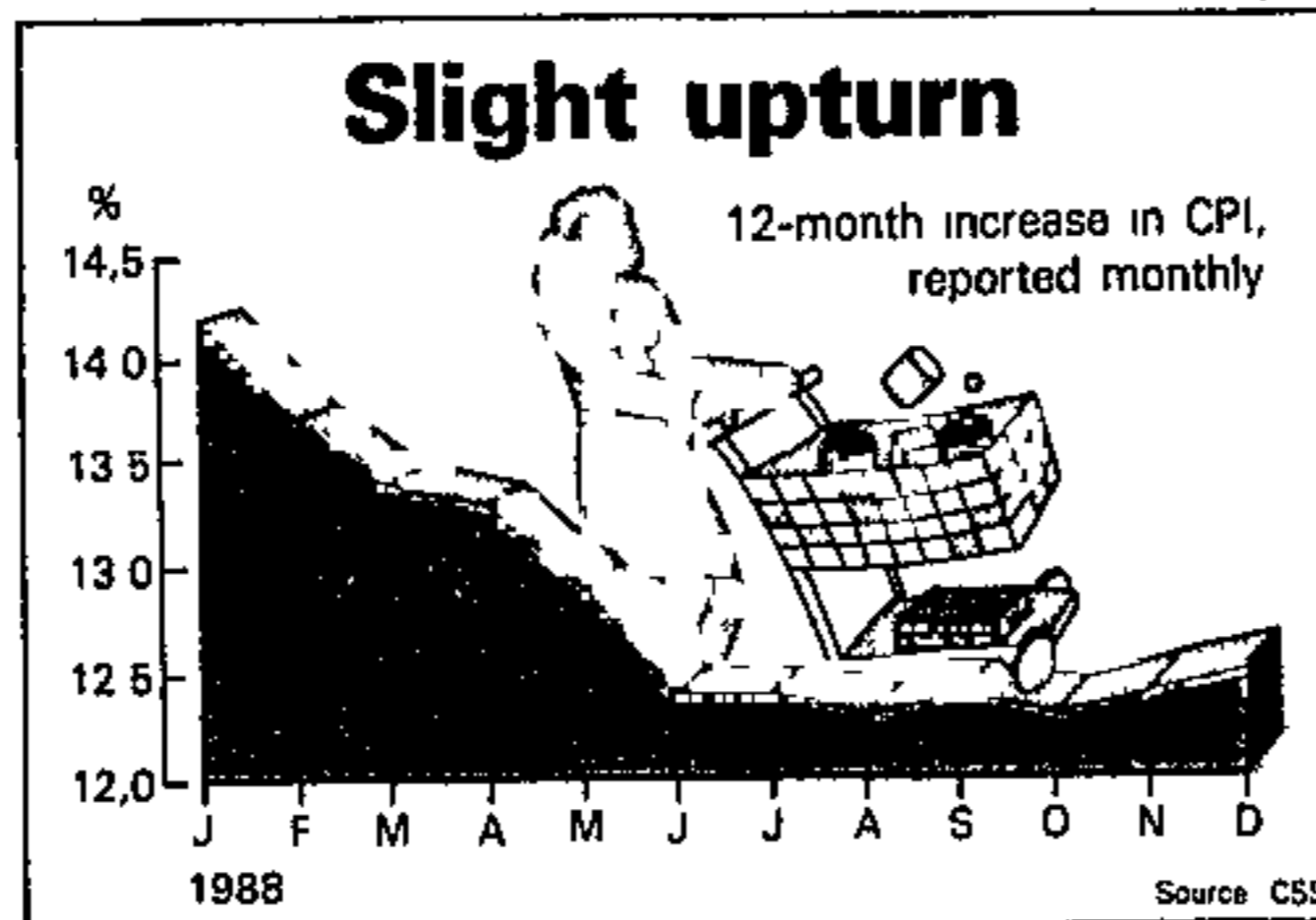
"Gold mining costs could rise more rapidly than general inflation for various reasons, including above-average wage increases and the development of areas further from the shaft head (in the same way that household costs rise as children grow up) This is not inflation"

CPI (244) FMMU 27/1/89

Bottoming out?

Was your 1988 salary more than 12,5% higher than your 1987 salary? If so, you outpaced inflation. Central Statistical Service says consumer prices rose 12,5% last year. CPI was 164,2 in December, against 145,9 in December 1987 (1985=100)

So a basket of goods and services that cost R145,90 at the start of 1988 cost R164,20 at



the end (and just R100 in mid-1985)

But while a 12,5% pay rise is all that was needed last year, it probably won't suffice for 1989, as most economists foresee inflation rising to 15%-17%.

December's 12,5% inflation rate was slightly higher than the 12,3%-12,4% reported in the previous six months and could mark the long-awaited upturn.

(244) FMMU 27/1/89.

Prices rose 0,9% in December, the same as November, but down from 1,1% (October) and 1,4% (August and September). Seasonally adjusted, prices rose 1,1% in December

The average inflation rate in 1988 was 12,9% (calculated by averaging the inflation rate as reported each month, or by comparing the average level of the index in 1988 with the average level in 1987)

This 12,9% was lower than recent years' 16,1% (1987), 18,6% (1986) and 16,2% (1985), but higher than 11,7% (1984) and 12,3% (1983). Though a sizeable fall, 12,9% is not out of line with a historical pattern, in which CPI dips to ever-higher valleys and rises to ever-higher peaks (see graph).

□ Relatively large average increases between 1987-1988 were reported for meat (23,2%), fish (19,6%), sugar (19,7%), non-alcoholic beverages (19,9%), alcoholic beverages (19,5%), cleaning materials (17,1%) and vehicles (18,6%). Coffee and tea prices, meanwhile, fell 1,2%. ■

Steel prices up an average 8,5%

B/Dam 31/11 87 (20) (15) (244)

STEEL merchants and manufacturers, already suffering lengthy delays in steel deliveries, are to suffer another blow when Iscor raises prices of steel products by an average of 8,5% in March.

Hardest hit will be galvanised steel, which will rise by 13,9%, and cold rolled steel employed in the manufacture of motor vehicles and white goods, which will climb by 10,5%.

Industry sources expect these increases to have an impact on the cost of durable goods and fuel inflation.

Iscor public relations manager Piet du Plessis said the increases resulted from higher input costs. In September Iscor raised prices by more than 6%.

Manufacturers involved in exporting steel goods were unhappy that they had not been given sufficient advance warning of the increase, having only been notified earlier this month.

Responding to complaints that manufacturers were experiencing delays of more than eight weeks, Du Plessis said a number of difficulties were being exper-

KAY TURVEY

enced at the Vanderbijlpark plant.

He said there had been problems with the blast furnace and the hot-strip mill had been closed for modernisation in December and was still in the running-in stage but would eventually improve quality and production.

Lower volumes

It was originally planned to close the mill in August last year but this had been delayed until December in order to meet customers' orders.

In December Iscor MD Willem van Wyk told Business Day production problems could result in volumes being 3% lower than expected at 5,3-million tons for the financial year to June 1989.

Further, he expected the difficulties experienced with the blast furnaces in the first quarter to marginally dull turnover growth for the year.

By Paula Fray
and Debbie Smith

A leading supermarket chain has vowed to fight "tooth and nail" against a possible 10c increase in the milk price being negotiated between distributors and producers.

The managing director of Dairybelle, Mr Roy Smither, said yesterday that late January was the traditional time to hold talks on possible increases and that an increase in the milk price was inevitable.

However, Dr CP

Supermarket fights rise in price of milk

Star 11/2/87

244

Lerm, head of communications and marketing at the South African Dairy Association, said it was unlikely all dairies would raise their prices at the same time because of competition.

A spokesman from Checkers said they had been approached by Clover and Dairybelle who were asking for an increase of between 10c

and 12c a litre.

She said they were fighting "tooth and nail" against the increase as the last increase of 12c had been instituted in November last year.

Mr Smither said the milk industry had a very fine profit margin and it was not possible for the producers to absorb all the increases.

Dr Lerm said a survey conducted in the Witwatersrand, Cape Town and Maritzburg early in January had shown that the price for one litre cartons ranged between 99c and R1,55 and sachets between 98c and R1,39.

Mrs Betty Hirzel, the Consumer Union representative on the Dairy Board, said the increase was inevitable but that there should be no collusion between the various distributors.

"The increase must be spread over a period of time," she said.

ARGUS 6/2/81
244

Beer price may rise — but not today, says SAB

By JOHN YELD, Staff Reporter

THE price of beer will not be increased today. However, a price increase in the near future has not been ruled out.

This was the response from South African Breweries today to the complaint of a disgruntled small trader who phoned The Argus, claiming that a price rise was imminent.

The man, who refused to identify himself, claimed big wholesalers had been "tipped off" and that they had bought in huge beer stocks last week. As a result, small off-sales like his had been unable to get even their normal weekly supplies.

SAB regional director Mr John Seton said there would be no increase today. He declined to comment further.

"RIDICULOUS"

SAB's Western Cape general manager, Mr Sam Montsi, said allegations of tip-offs and short deliveries were "completely ridiculous".

"Even I, at this level, don't know when the price is to increase," he said.

He pointed out that the beer price did increase annually, although not necessarily at the same time each year. The increase was anticipated by the trade, particularly by those with long experience.

"Yes, it does happen from time to time that people buy a bit more in anticipation of a price increase — that's normal business. If they have an adequate cash flow, they buy in. It's not a case of being tipped off," he said.

TRADITIONAL MONTH

Rebel Discount Liquor Stores provincial manager Mr Rob Naysmith said he believed a price hike was imminent, following recent increases by wine and spirit merchants. February was a traditional month for the beer price to rise.

"Who knows? It all depends on SAB. Even we large retailers don't know — we don't have prior warning."

"There certainly didn't seem to be a shortage last week. If anyone didn't get their deliveries I would say they never placed an order."

Medicine cost report is due

By Deborah Smith,
Pretoria Bureau

Dr Wim de Villiers' report on the high cost of medicine — commissioned by the Cabinet — is expected to be released during the first half of the year

According to a spokesman for the Department of National Health and Population Development, the Government was concerned about the price of medicine in the private sector — especially since the medicine price index had shown a more rapid increase than the consumer index in the last few years.

In response to the growing controversy regarding the Government's tender system and the effect on the price of medicine in the private sector, the spokesman said the tenders were considered by the tender council and contracted to the company which could supply the best product according to required specifications

He said the pharmaceutical manufacturing industry had indicated the supply of medicine to the State had little influence on private sector prices

State finds medicine slurs hard to swallow

GERALD REILLY (244) (2)

PRETORIA — The distribution chain between manufacturer and consumer doubled the prices of medicines before the addition of GST, a National Health Department spokesman said yesterday

He added the medicine price index in the past few years had shown a more rapid increase than the CPI

There have been allegations that the state obtained low medicine prices to the detriment of tariffs in the private sector. There was also a suspicion suppliers made up for losses on sales to the state by loading prices to private outlets

The pharmaceutical industry had indicated, however, doing business with the state was profitable and prices in one sector had little influence on what was paid in the other

"Government finds itself in an unenviable position. On the one hand it must tender to try to get the best value for taxpayers. On the other it is blamed for high medicine prices in the private sector," he said

A report by Dr Wim de Villiers into the cost of medicine is expected to be submitted before July

Housing prices up by 10% — United

Buying 8/2/89
HOUSING prices rose by 11% on a year-on-year basis during the final quarter of 1988, the United said

This meant the average increase in housing prices was more than 10% during past year

The group said a medium-sized house was now priced at R89 000 compared to R80 000 a year ago. On average, larger houses were priced at R128 000. Smaller homes were trading at R71 000. This gave an increase of between 14% and 9% over the past year.

The United said the price differential between new and existing housing widened to 33% during the last quarter of the year. A new medium-sized home now cost R116 000. Buying and establishing a similar sized home would cost R87 000.

244
An increase of 10% in building costs was cited as the main reason for the price differential.

The highest quarter-on-quarter increases in medium-sized houses was recorded in the Vaal Triangle with 8%, followed by the Free State and northern Cape with 7% and the East Rand with 6%.

House prices went down by 9% on the West Rand and 3% in the Durban-Pinetown area.

In spite of the fact that the bond rate rose by 36% during past year, in real terms this was 22%.

The United said the level of average mortgage repayments was still 48% below its 1984 peak and blamed the poor performance on the high level of inflation.

It said the market was expected to remain buoyant for the first part of this year because of a reversal in the net migration trend and the improved economic position in SA during last year and the first portion of this year.

However, the economic slowdown and higher real mortgage rate could have an adverse effect on property prices — Sapa

High medicine costs: Tender system defended

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8/2/89
2004

By KAREN STANDER
Medical Reporter

THE Department of National Health has defended the government tender system against claims that it contributes towards the high cost of medicines, pointing instead to the distribution chain between manufacturer and consumer as a major factor.

Responding to a recent advertising campaign and letters published in newspapers, a spokesman for the department said the price doubled even before the addition of general sales tax as a result of this distribution chain.

The government was concerned that the medicine price index had in the past few years shown a more rapid increase than the consumer price, he said.

The government tender system was not restricted to the buying of medicines but was a general system employed for all State buying.

The system was open and voluntary and no manufacturer was compelled to take part.

Maximum prices were not specified in tender documents — only specifications and quantities of the products.

Tenders were considered by the government tender council, on which the private sector was represented, and contracted to the company that could supply the best product. The cheapest product was accepted only when it complied with all specifications.

"Profitable"

The spokesman said it was claimed that the high cost of medicines in the private sector was the result of low prices paid by the State, with suppliers compensating for their loss of profits by increasing the price of medicine supplied to the private sector.

However, the pharmaceutical manufacturing industry had already indicated publicly that the supply of medicines to the State was profitable, especially because it made a significant contribution to fixed costs.

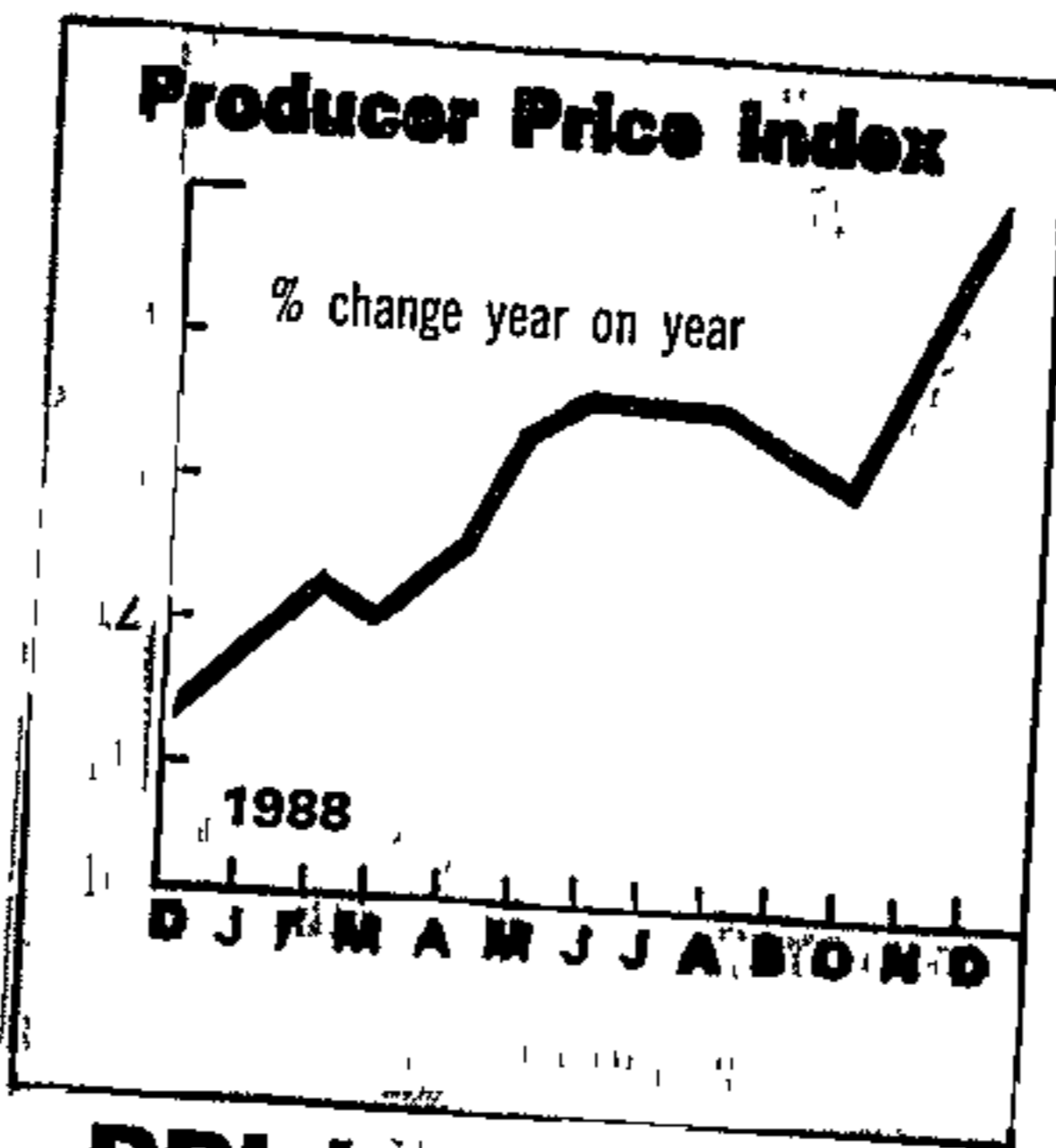
"The industry has also indicated that the prices of medicine supplied to the State have little, if any, influence on private-sector prices."

The government had to get the best value for taxpayers' money, while on the other hand it was blamed for high medicine prices in the private sector.

"The factors contributing to the final consumer price of medicine have already been investigated by various commissions of inquiry.

"One factor that certainly contributes to the high cost of medicine is the distribution chain (between manufacturer and consumer)."

The Cabinet has assigned Dr Wim de Villiers to investigate the problem.



PPI jumped by 14,6% in 1988

KAY TURVEY

THE rate of increase in producer prices continued its steady ascent in December 1988, rising to 14,6% for the year from 14,1% in November.

The acceleration in the producer price index (PPI) would eventually drive up the consumer price index (CPI), to between 14% and 15%, economists said yesterday.

Central Statistical Service figures released yesterday show the PPI increased by 0,9% in December from November. The index for imported commodities showed a month-on-month

● To Page 2 →

PPI accelerated by 14,6% last year

rise of 0,7% — lower than the 0,9% escalation for local goods.

The PPI bottomed at 11,4% in December 1987 but has been on an upward trend as the rand depreciated

Nedbank economist Edward Osborn said the depreciation in the rand and higher import surcharges had already

been reflected in the index, so the latest increase was off a high base

Trust Bank economist Ulrich Joubert said the negative trend in the PPI was set to have an adverse effect on the fight against inflation

● From Page 1 ←

Producer inflation at 14,6%

The producer price index (PPI) increase for December 1988 14,6 percent — 0,5 per cent higher than in November — Central Statistical Services said yesterday.

(244) Star 8/2/89
The increase over the month was 0,9 percent.

The average PPI increase for 1988 was 13,2 percent, compared with 13,9 percent for 1987, 19,5 percent for 1986 and 16,8 percent for 1985.

Industry leader slams price hikes

244

'Profiteering is threatening building trade'

By Day 9/2/89

MANUFACTURERS who had introduced unnecessary and exorbitant price increases had endangered the future growth of the building industry, Masterbuilders Association (MBA) outgoing president Robert Giuricich said at the association's annual meeting in Johannesburg yesterday.

Recent petrol price increases would add fuel to the fire, but hopefully cost increases for 1989 should not exceed 16% for the year, he said

Stabilising economic and political factors in recent weeks had signalled, at worst, a levelling off period for the industry and a modest upturn towards the middle of 1989

However, Giuricich warned that the industry would be unable to survive any form of recession. It had been unable substantially to increase its meagre profits, build up reserves or replace plant and vehicles during the mini-boom last year.

Over the past year workloads had improved, in spite of hurdles like rising interest rates, a potential chronic shortage of artisans and inflated building material price increases.

Giuricich said that manufacturers in the protected and quasi-monopolis-



● GIURICICH

TANIA LEVY

tic fields were guilty of taking advantage of the improvement in the building industry to push up prices.

"We don't deny manufacturers a decent profit but their exorbitant price increases are inevitably blamed on the builder or sub-contractor, but why must we contend with increases in basic commodities such as clay bricks, whose price has escalated between 40% and 60% in the past 18 months?" he asked.

Certain plumbing products had escalated by between 50% and 100%.

Rather than putting the cost of their products onto the shoulders of the building industry, the cement industry cartel should take advantage of the devalued rand to export, in order to maintain their plants and justify investments, said Giuricich.

Trading in the cement industry had recently been sanctioned by the Competition Board but it seemed unable to use its muscle to disband monopolies or cartels, he added.

Protected industries and quasi-monopolistic sectors had grown by leaps and bounds due solely to a lack of competition, while the rest of the building industry ambled along at nil or low profits.

The Competition Board should counter this by creating more competition among local manufacturers though lower import duties on products subject to monopolistic conditions, Giuricich said.

Soaring nickel prices hit stainless steel producers

B/Dew 9/2/87
FLUCTUATIONS in world nickel prices are creating confusion in the stainless steel market, says Middelburg Steel and Alloys (MS & A) marketing manager Richard Linnell.

MS & A, SA's only producer of stainless steel flat products, is concerned that there will be structural shifts in the market if the nickel price is not corrected.

Linnell says "At the moment, nickel accounts for 60% or 70% of the cost of producing stainless steel. It cannot carry on without alternatives being sought."

"We have had to find an extra R50m just to pay for the nickel because costs have risen from R9 000 a ton to R37 000."

Nickel prices have been driven by strong demand for stainless steel. Seasonal factors such as interruptions of Russian deliveries by the European winter had also kept the price high. "The high prices enormously affect producers of stainless steel."

Business Day Reporter

The surcharge is adjusted at the beginning of each quarter to take account of the prevailing nickel price.

MS & A works on a three-month lead time for hot-rolled products and four-month lead time for cold-rolled stainless steel.

The ex-mill surcharge and prices were increased on January 1 and the new prices apply to hot-rolled stainless steel which leaves the mill during April and cold-rolled during May.

Although all MS & S customers had been informed of the ex-mill prices, there was some confusion.

"The structure of the industry leads to fierce competition among distributors. This free market often smooths out the swings in the price, as seen by the end user," he says.

Building suppliers hammered

By Frank Jeans

What have been termed monopolistic manufacturers in the building field have come in for a blistering attack by the outgoing president of the Master Builders' Association of the Witwatersrand, Mr Robert Giuricich

Condemning the exorbitant increases in the price of materials, he told the MBA's annual general meeting yesterday "These manufacturers have taken advantage of the improvement in the building industry

"Why must we contend with rises in certain basic essential commodities such as clay bricks, which escalated 40 to 60 percent more than we were paying for the same product 18 months ago

"And, of course, the cement industry cartel — the least said the better

"Trading in the cement industry, now sanctioned by the Competition Board, cannot be accepted."

Mr Giuricich said that with the devalued rand, these manufacturers should export to the outside world so as to maintain their plants and justify their investments, rather than put the cost of their products onto the shoulders

of the building industry and client bodies

"Although the Competition Board has been given muscle, it seems it cannot effectively use it to disband monopolies or cartels," he said

"What the board needs to do is to implement measures to counter these practices by creating more competition."

Mr Giuricich urged the board to recommend lower customs and import duties on those materials subject to "monopolistic conditions"

This would, he believed, help create the necessary healthy competition among local manufacturers operating in a "cartel or monopolistic system".

"These protected industries have invariably grown by leaps and bounds due solely to the lack of competition, while the rest of the building industry ambles along and operates at nil or very low profits," he said

"The MBA is setting up a price monitoring committee to take whatever action is necessary so as to contain material price rises"



Mr Phil Watters was elected president of the Master Builders Association (Witwatersrand) at the annual general meeting last night

Mr Watters has been running his contract plumbing business for 34 years and operates throughout the Witwatersrand.

He became a member of the MBA in 1956 and serves on the executive committee of the Building Industries Federation (Bifsa)

Nickel price ~~causing~~ causing upsets

Star 9/2/84

244

Finance Staff

Fluctuations in the world nickel price are creating confusion in the stainless steel market, says Mr Richard Linnell, Middelburg Steel & Alloys (MS&A) marketing manager.

MS&A, South Africa's only producer of stainless steel flat products, is concerned there will be structural shifts in the market if the nickel price is not corrected.

Mr Linnell says. "At the moment nickel accounts for 60 or 70 percent of the cost of producing stainless steel. It cannot carry on without people beginning to look at alternatives."

MS&A works on a three-month lead time for hot-rolled products and a four-month lead time for cold-rolled stainless steel.

The surcharge is adjusted at the beginning of each quarter to take account of the prevailing nickel price.

The ex-mill surcharge and prices were increased on January 1 and the new prices apply to hot-rolled stainless steel, which leaves the mill in April and cold-rolled in May.

Mr Linnell says all customers have been informed of the ex-mill prices, but that there is some confusion.

"The structure of the industry leads to fierce competition among distributors. This free market often smooths out the swings in the price, as seen by the end user," he says.

Nickel prices have been driven by strong demand for stainless steel.

Seasonal factors such as interruptions of Russian deliveries by the European winter have also kept the price high.

The high prices have enormously affected producers of stainless steel.

"The cost has gone up from R9 000 per ton to R37 000. This means that we have had to find an extra R50 million just to pay for the nickel," Mr Linnell says.

Coffee prices expected to fall

13/Jan 9/87

RICHARD BARTLETT

~~coffee~~

THE price of pure coffees is expected to drop by about 6% due to a 5% surcharge imposed on coffee bean imports being dropped

The surcharge was imposed in August last year as part of currency protection measures, said SA Tea Coffee and Chicory Growers Organisation chairman Tim Young

Nestlé corporate affairs manager David Upshor said the wholesale or list price of pure coffees would drop by about 6% immediately but it was up to retailers to drop the consumer price when they pleased

(2/4/4)

Probe finds no irregularities

CAPE TOWN — A committee investigating the red meat price-forming process has found no irregularities regarding the selling method and price arrangements. (244)

This was announced yesterday by Agriculture Minister Greyling Wentzel. He added the probe had found the sharp rise in producer prices at carcass auctions during the past few years could not be directly linked to

the functioning of the auction system.

He added it was attributable to a combination of circumstances to which both physical and economic factors contributed.

Wentzel said the committee was satisfied auctions functioned efficiently and met requirements of buyers and sellers.

It has not investigated the price-forming process for red meat at wholesale and retail levels. — Sapa.

Red meat auctions get the green light

Star 10/2/89

244

By Peter Fabricius,
Political Correspondent

CAPE TOWN — The Grove committee into red-meat pricing has found that the sharp increase in red meat prices is not because of the Meat Board's controversial auction system

The committee found no irregularities in the selling method and price arrangements, the Minister of Agriculture Mr Greyling Wentzel said yesterday

Dr Bart Grove, chairman of the committee, had found

- The auction system functions efficiently and meets the requirements of buyers and sellers

- The sharp rise in producer prices at carcass auctions during the past few years could not be directly linked to the auction system as such.

- The introduction of meat from class 2 abattoirs in the outside areas to the controlled areas did not have a marked detrimental effect on prices at carcass auctions

- That there was justification for the floor and basic price system

- But there should be further evaluation of the ceiling price system which

came into effect last October

Mr Wentzel said the increase in red-meat prices during the last few years was mainly "attributable to a combination of circumstances to which both physical and economic factors contributed

"The committee consequently found no irregularities with regard to the selling method and price arrangements"

NOT WHOLESAL

Mr Wentzel stressed that the committee had not investigated red meat pricing at wholesale and retail levels

Its brief was to investigate:

- The effectiveness of carcass auctions in the eight controlled areas of the Meat Board

- The effect on auction prices of meat coming from class 2 abattoirs in the outside areas to the controlled areas.

- The effect on prices of the various price-control regulations

- The basic and ceiling prices aimed at curbing excessive price fluctuations above and below auction prices on a weekly basis

Details of beer price rises

By PETER DENNEHY

BEER sales rocketed yesterday after news that the price of the malt is to rise by an average of 8,6% for retailers from Monday.

In addition, people living in Ceres, Moorreesburg and Worcester — until now free delivery areas — will have to pay a delivery fee of up to 40c more per case of pint bottles, on top of the increase.

Mr Laurie Pool, chairman of the Western Cape Liquor Affairs committee of the Federated Hotel, Liquor and Catering Association of South Africa, said this was because SA Breweries had introduced a new system of differentiated prices for areas remote from supply points.

The new prices are

- Quart bottles up 9,3% from R11,30 to R12,35 a case of 12 (apart from the deposit, which remains the same),
- 375ml returnable bottles rise from R12,48 a case to R13,90 a case of 12.
- Amstel 340ml returnables up 11,2% from R13,04 to R14,50 for 12,
- Long Tom cans up 10,5% from R18,55 to R20,50 a case,
- Standard cans, apart from Amstel, up 9,6% from R14,42 to R15,80, and Amstel up 9% from R15,82 to R17,25 a case,
- Dumpies (340ml non-returnable bottles) up by 6,1%, from R14,42 a case of 24 to R15,30, except for Amstels which go up 5,6% from R15,82 to R16,70 a case.

Steel consumers face delivery delay and higher price

Star 11/2/89

Isacor's steel-price increases of eight percent, which take effect on March 1, apply only to orders placed after that date

"All contracts previously agreed to for delivery before February 28 — therefore including backlogs on this date — will still be delivered at the old price, irrespective of when the material is actually delivered," Mr Nols Olivier, Isacor's senior general manager, commercial, said yesterday.

Mr Olivier said there might also possibly be confusion about the price increases among certain manufacturers of processed steel products for export purposes

"Steel prices for these sectors for the six-month period January to June had earlier been confirmed with those concerned

"Those prices remain unchanged and will not be affected by the increases on March 1," he said

Local steel deliveries from Isacor's Vanderbijlpark works, currently an average of one month overdue, are expected to be back on schedule by the third week in March

The matter is being monitored on a day-to-day basis by top-level management

Mr Olivier said the delays were primarily due to production losses at Isacor's largest iron production unit between October and December last year

This production unit — blast furnace D At Vanderbijlpark —

is nearing the end of its cycle after an active life of eight years, the average for a blast furnace. It is scheduled for refurbishing in the second half of 1990. The problems have, meanwhile, been successfully solved," he said

"Due to the blast furnace interruption, the Vanderbijlpark works suffered a steel production loss of 160 000 tons

"This steel was destined to build up supplies within the works to tide us over the planned downtime required for replacement of equipment.

"Due to continued high local demand, the downtime was postponed from September to December last year. The replacement was completed on schedule, but the re-commissioning of this complex equipment is a time-consuming process, and it also takes a while to re-establish standard performance levels

"A large number of confirmed export contracts for the fourth quarter of last year, which were also delayed, as well as contracts for the first quarter of this year, were postponed for two to three months with the cooperation of Isacor's overseas clients

"They were simultaneously notified that Isacor would not accept new production contracts in the second quarter

"These steps will enable us to deliver local orders as a first priority", Mr Olivier said. — Sapa

Beer price up as coffee drops

By CHARIS PERKINS

TAKE a coffee break and read this — the price of the much-consumed beverage is about to drop

But the bad news is that beer will cost more from tomorrow

The Department of Trade and Industry has decided to drop the 15 percent sur-

charge on imported coffee beans from this week

The chairman of the South African Tea, Coffee and Chicory Association, Mr Tim Young, said pure coffees would be between four and six percent cheaper, while mixes would cost about two percent less

"We will drop our prices to pre-surcharge levels with immediate effect," said Nestlé corporate affairs manager Dave Upshon

The South African Tea, Coffee and Chicory Association made representation to the Department of Trade in October — two months after the surcharge was imposed

Dumpies

"We pointed out that coffee was a basic commodity," said Mr Young "The consumer does not have a cheaper alternative"

Meanwhile, South African Breweries has announced an average 8,6 percent increase in wholesale beer prices from tomorrow

Bottled beer will cost 9,3 percent more for 750ml and 11,4 percent more for pints

Dumpies will cost about six cents more in bottle stores

Cape lawyers 'shocked' at rise in court costs

Cape Times 13/2/84
Staff Reporters

244

THE 35% increase in Supreme Court and Magistrate's Court tariffs announced recently by the Minister of Justice, Mr Kobie Coetsee, was in the public interest, the Association of Law Societies (ALS) has said

A statement by ALS president Mr Andries Geysler said the increase would "make the courts more accessible to the successful litigant, who will be able to recover all his costs where previously, because of low tariffs, he could not"

Mr Dullah Omar, Western Cape president of the National Association of Democratic Lawyers (Nadel), said that Nadel was concerned about the plight of the vast majority of people who were unable to afford the high cost of litigation and the cost of legal representation

"The increase comes to all of us — and particularly to the broader black community — as a great shock. More generally, it is part of the crisis in this country that increased costs always affect the poor the most. A way will have to be found to enable the poor to have access to the courts," he said

● An announcement that the powers of the advocate-general were to be extended was welcomed by the ALS after the recent number of politicians, officials and others who have been found guilty of misusing their positions

The ALS urged the government to extend those powers where the advocate-general is in effect an ombudsman and has the necessary power to act as a public watchdog in cases involving the misuse of power or funds

Mr Geysler called for open inquiries where individuals or an organisation were accused of having committed an offence

Mr Omar said that extending the powers of the advocate-general would not curb bribery and corruption

"The system breeds these things and the only way to get rid of bribery and corruption is to change the rotten apartheid system," he said

The amazing increase in price of cars

1964
13/2/89
244

By JOHN YELD
Staff Reporter

THE price of South Africa's most popular cars has increased nearly fivefold in 10 years

An investigation was undertaken after a report from Australia claimed that the cost of owning a new family car had tripled in the past decade, while incomes in Australia had doubled

Ten years ago, the report said, Australia's most popular car — General Motors' Commodore — cost just over R14 000. The Commodore now sells for R43 000, an increase of just over 200 percent

In South Africa, however, the price of the most popular family car — the Toyota Corolla 1600 sedan — has increased nearly fivefold, or 373 percent, in just nine years

In January 1980 the Corolla cost R5 195. One year later it was up to R5 780 — an in-

crease of 11,3 percent — and in June 1982 there was another sudden jump of 6,4 percent when the five-speed version was introduced

Thereafter the price climbed steadily, with further increases four times a year on average

Bad year

In January 1986 there was sudden eight percent increase, by which stage the car was costing R14 185, or 173 percent more. It seems 1986 was a bad year for Corolla buyers, with the price being increased no fewer than six times, once (and then only by 0,5 percent) as a result of modifications

One year later, in January 1987, it was selling for R17 825 — up 243 percent in seven years

Last year the price was increased five times (including a six percent increase when the model was again modified), to reach R23 645 — a 355,1 per-

cent increase on the January 1980 price

And it appears there's more to come. Last month the price hopped up another four percent to R24 590 — a staggering 373 percent increase in nine years

By contrast, inflation has averaged around 15 percent, dropping to a low of 10 percent in early 1984 and soaring to above 20 percent in early 1986

If the Corolla's price had increased at the rate of inflation, the car would cost just over R21 000 today — some 14,5 percent less than at present.

Plummeting rand

Toyota, which claims a local content of about 68 percent by mass, says factors influencing car prices included the exchange rate (for example, the rand plummeted after President Botha's "Rubicon" speech in 1985), inflation, the local-content programme and duties and taxes levied on the industry

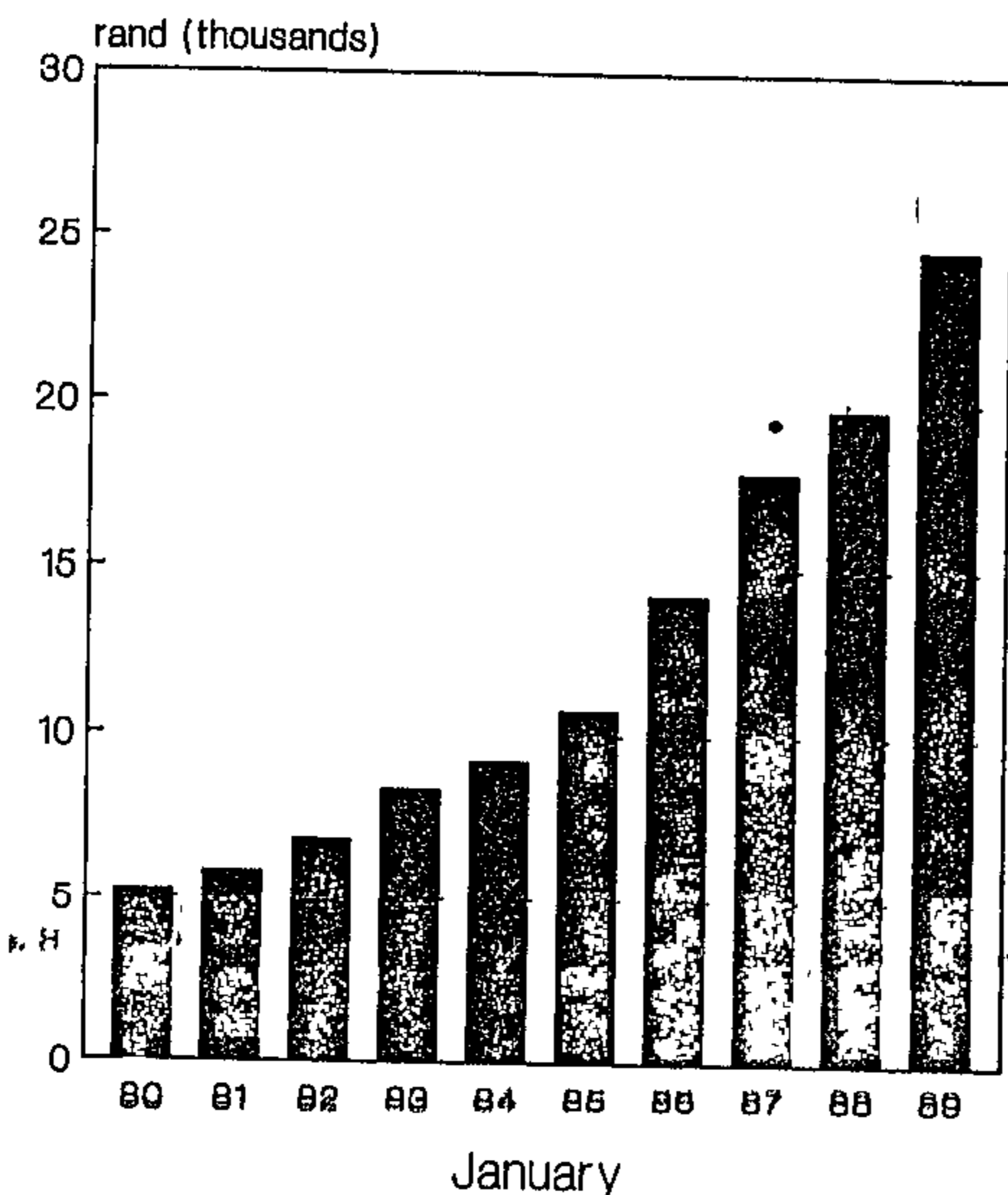
A spokesman said steps to combat price increases included improved productivity at the manufacturing plant. In addition, expediting localisation programmes for locally manufactured vehicles and the replacement parts market would cut the effect of exchange rate fluctuations, he added

Other costs for motorists have also risen steeply. Comprehensive insurance coverage for the Corolla rose from R89,89 in 1979 to R1 355 this year, while petrol has almost doubled from 54,4 cents a litre in April 1980 to the present 99,9 cents a litre.

The major effects of the overall increase in the price of cars has been to drive away private buyers and more than 70 percent of new passenger cars are now bought by companies, the Toyota spokesman said

Price history

Toyota Corolla 1600 GL sedan



Racism Down Under

MELBOURNE — A document on racism issued by the Catholic Church says the situation of Australia's Aborigines is similar to blacks under apartheid because they are "relegated to limited territories" — The Argus Foreign Service

Star 13/2/89

Inflation rate set to reach at least 15 percent soon



By Michael Chester 244

New warning signals have flashed over the outlook for inflation with Central Statistical Services (CSS) evidence that the producer price index (PPI) now stands almost 200 percent higher than in 1980.

The index, on the latest count taken in December, was perched at 295,9 points when measured on all commodities turned out for consumption inside South Africa. The annual rate of increase accelerated from 14,1 percent to 14,6 percent.

Since the PPI spells out what new price trends are in the pipeline for buyers at the end of the sales chain, the upswing has ominous implications for the consumer price index.

The CPI at the moment still stands below 13 percent but economists are now in almost universal agreement that South Africans need to brace themselves for an overall inflation rate of 15 percent or even higher within the next few months.

The Econometrix research unit fears that inflation looks set to reach as high as 18 percent next year.

What has made economists especially fretful are figures showing that the price index for imported

* commodities — despite the decline in the rand and the obvious higher cost of bringing in goods from overseas — has still stayed behind the rise in price tags on locally produced commodities.

The rise in the PPI for imported items held steady at 14,2 percent. Commodities produced on the home market reached 14,6 percent.

Worries deepened when it was noted that the inflation rate on goods produced by the industrial sector in particular went ahead at an even faster 15,7 percent — the biggest climb since April 1987.

WORST OFFENDERS

The CSS was the first to admit that the main blame in the upwards curve in the overall PPI had to be shouldered by local producers.

Taking 1988 as a whole, the average increase in prices on locally produced goods works out at 13,8 percent. Imported goods rose at a far slower 11 percent.

The worst offenders, according to the CSS, were fresh meat producers, with prices climbing at no less than 5 percent a month, and producers of textiles and made-up goods, showing monthly price increases

Report into red meat pricing incomplete

1974/59 By Sally Sealey 244

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

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

They found no irregularities in the selling method and price arrangements

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

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

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

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

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

Meat producers hail findings

THE findings of the Grove committee of inquiry into red meat pricing confirmed the Red Meat Producer's Organisation viewpoint that producer price fluctuations were the result of market forces, RPO chairman Manie said yesterday. ^{51 Dam} _{14/1/6}

He said the red meat price increases of a while ago could not then be ascribed to the red meat marketing system.

Schoeman welcomed the committee recommendation for further evaluation of the ceiling price system, since this was a controversial issue in producer circles.

However, the trade and consumers found the ceiling price system more acceptable.

Schoeman said it was significant the inquiry was restricted to producer prices. — Sapa.

Cape Times
15/2/89 ★ Cape

Pharmacy Council slated for 'interests in profit'

Medical Reporter

THE Pharmacy Council could not allow itself to be influenced by commercial interests, despite the fact that it operated within a commercial milieu, Dr M H Veldman, deputy Minister of National Health and deputy Minister of Health Services in the House of Assembly, said at a meeting of the council yesterday

Opening the meeting of the council — the statutory body of the pharmaceutical profession — at a Sea Point hotel, Dr Veldman said he had in the past "got the impression that in your decision-making, you (the Pharmacy Council) have been influenced by the commercial interests of certain groups in the pharmacy profession"

He said despite operating within a commercial milieu, the council's role was to oversee the long-term professional role of the pharmacist by implementing professional standards and controlling the practice of pharmacists.

Referring to calls from the pharmaceutical profession for greater legal protection and to the relationship between dispensing doctors and pharmacists, Dr Veldman said this relationship could not always be regulated by rules

● The council yesterday referred a memorandum about the cost of medicines and replies from various government departments to its executive committee for consideration with a view to presenting the council's views to the Minister of National Health and Population Development, Dr Willie van Niekerk.

The memorandum, drawn up by the council, lists as contributing factors to the cost of medicines customs duties on imported raw materials and general sales tax on drugs

● The council elected its new office-bearers yesterday. The new president is Professor A P G Goossens, the vice-president Mr D Sutherland and the treasurer Mr N de Bruin. They will serve a five-year term of office

Cost of making white goods to rise 3%

15/2/89 (244) 15/2/89
THE cost of manufacturing white goods would rise by up to 3% after next month's steel price hike, SA Domestic Appliance Manufacturers (DAMSA) vice-chairman Ronnie Herrmann said yesterday

He said the mark-up to retailers could increase by as much as R30

Iscor announced last month that cold rolled steel — employed in the manufacture of white goods — would climb by 10,5%

SYLVIA DU PLESSIS

"Sales through retailers have been affected by higher surcharges, the credit restrictions, petrol price increases and now the steel price increase," Herrmann said

"We hope after these setbacks stability will once again return to the white-goods industry"

These "setbacks" meant manufacturers had constantly to renegotiate

prices with customers, and there was uncertainty regarding pricing among manufacturers because of all the changes

Herrmann said there was also a danger that manufacturers would cut down on certain non-strategic appliance parts to maintain present price levels

"These would include things like a shelf in a fridge or a rack in a stove," he said

...now holds

Price shock looms for jalopy-owners

244

By Derek Tommey
Owners of the hundreds of thousands of old cars should start preparing for another increase in garage charges
In a bid to stimulate the local car industry, the Government is planning to raise the tariff on imported spares to 50 per cent
The effect will be to raise the landed cost of spares by 27 per cent, says Mr Ronnie Norwitz, chairman of Associated Diesel Holdings (Adco), a major supplier of spares

Most cars in SA are run for about 11 years and heavy-duty trucks for longer. They need a succession of spare parts
Mr Norwitz believes that if SA wants to build up a motor industry it should follow the Atlantic Diesel engine (ADE) way
The Government ruled some years ago that manufacturers of vehicles equipped with diesel engines would have to fit

engines made in the Government's ADE plant. The ruling was criticised at the time
But today few in the motor industry would challenge the decision
The ADE engines have proved themselves in many ways
Garages and workshops need to carry a smaller range of spare parts, thereby freeing a lot of money

Mr Norwitz says the Government should rule that at the most only two car engines should be used locally and that plans should be laid to make them
He suggests that one of the engines selected should be the one most widely used in SA today — the Ford engine
Adco, which imports 60 per cent of its lines, is

planning to increase its local output
Mr Norwitz says Adco is hoping to enter into a joint venture with one of its major European suppliers, which would reverse the disinvestment trend
Adco has had a good 'six months' trading, Mr Norwitz says
Turnover rose by 35 per cent, operating in-

come by 34 per cent to R2 378 000, attributable income by 39 per cent to R984 000 (year ago R707 000) and earnings a share by 30 per cent from 4.4c to 5.5c
Mr Norwitz says business has remained strong and that in line with the historical trend, earnings in the second half should be higher than in the first

'Ominous' truck price hike

A 275% TRUCK rig price hike since 1986 was ominous for SA's road freight industry, Information Transfer Group (ITG) chairman Jonathan Harrod said in a statement yesterday. *B/Dow/17/2/87*

The rig price increase from around R80 000 to R300 000 effectively precluded small operators from buying equipment, and with the 11% petrol price hike and road transport deregulations, they would soon be squeezed out of business or consolidated into larger operations

Despite a near-20% increase in the sale of new trucks of over five tons since 1987, there had been a less than

244
MARC HASENFUSS

2% increase in rolling stock on the roads.

Most rigs over five tons lasted between three and 11 years, and older rigs were dropped at about the same rate as new rigs were purchased

Motor Industry Federation executive director Jannie van Huysteen said increased truck prices would not force small operators out of business as old vehicles were extensively upgraded rather than replaced.

Road transport deregulation would open the market, and not disadvantage smaller operators, he said.

Govt raps chemists in 'high-prices' row

Staff Reporter

20/2/89

THE Minister of National Health and Population Development, Dr Willie van Niekerk, has attacked the Pharmaceutical Society of South Africa for "insinuating" in an advertisement that the state is "not doing anything" about the high cost of medicines.

In the advertisement placed in November last year, the society's Western Province branch chairman, Mr Cyril Tucker, and Boland chairman Mr Kevin Scott appealed for "powerful consumer protest" to press for an equitable pricing structure.

"Help us to persuade the government to impose a standard ex-factory price from the manufacturers based solely on quantity.

"A concerted consumer protest may well force the issue and bring the price of medicines down significantly," the advertisement said.

Mr Tucker said the advertisement was placed because the pharmacies had to pay manufacturers much more for medicines than the state, dispensing doctors and private hospitals.

He said dispensing doctors and private hospitals were buying medicines at much lower prices than pharmacies but selling them to the public at the same price as pharmacies.

Pharmacies were trying their best to reduce medicine prices which were "incredibly expensive" but were un-

able to compete because manufacturers had three watertight selling areas in the state, dispensing doctors and private hospitals.

In an open letter to pharmacists, the minister said it was "surprising that the advertisement was placed" since five meetings had been held with various pharmaceutical bodies during which it was agreed that "one exit price based on quantity should apply for all end suppliers".

"It is strange that the officials who placed the advertisement were not informed about the agreement of which their association is part," Dr Van Niekerk added.

Mr Tucker said yesterday that he was very well aware of the meetings with the minister but the problem was that there had been many meetings and inquiries over the years but nothing had been done about the unfair pricing structure.

He said that the advertisement was certainly not intended as an attack on Dr Van Niekerk and his ministry.

Mr Tucker said that his society had tried to persuade the government to get the manufacturers to charge the same price to everybody per volume of purchase.

Mr Scott said that in certain instances private pharmacies paid 10 times more for the same products as the state paid.

1989/2/21/89

Prices of (214) canned food, beverages set to increase

Staff Reporter

Consumers might be in for a major blow on April 1 when the price of tinplate used in the food canning industry will jump by 18,5 percent.

A spokesman for the Consumer Council said the price increase, announced by Iscor last week, was "just one more increase in a horrific spate" of recent price increases.

He said consumers were still reeling from the petrol price rise in January this year and predicted 1989 would be a difficult year for consumers.

However, Mr Peter Campbell, a spokesman for a major packaging company, said he did not believe the cost of canned foods and beverages would rise drastically as a result of the increase — although it was possibly too early to tell.

He added that Iscor had "behaved very responsibly" in raising prices in the past and although this year's increase was substantial, those in the last five years had been well below the inflation rate.

Phone hikes: Govt spurns housewives

Staff Reporter

THE government has turned down a plea from the Housewives League to soften the blow to consumers when the metering of local telephone calls is introduced.

The league asked the minister of posts and telecommunications to introduce a 10-minute instead of a three-minute metering period and to meter calls only during the day.

The league said poor people, specially the elderly, rely on telephones for communication.

Refusing, the minister said that the new system was not to obtain additional revenue or limit the use of the service but to eliminate anomalies.

The system will be tested on the Rand from April before being introduced in the Cape in October.

Under the new system.

- The method used for trunk calls, where cost is based on time and distance, will be introduced for local calls.

- The duration of calls will be measured in metering periods based on the distances within the local exchange systems over which the calls are made. The first tariff step will cover calls made over a distance of 50km.

A post office spokesman said it was impossible to judge how the new system would affect subscribers.

"As long as local calls are kept short there should be no increase," he said.

Sats will hold increases to 'under 10 per'

By Peter Fabricius
Political Correspondent

Rail, air and road tariff increases of under 10 per cent are likely to be announced for SA Transport Services *Star 24-2-89*

Minister of Transport Mr Eli Louw is expected to announce them when he presents the Sats budget to Parliament today

Sources say a tariff increase is unavoidable. The last across the board increase, averaging 12,5 percent, was in April 1987. Last November domestic air fares were put up 7,5 percent, and certain goods tariffs on rail by 7 percent

CONSULTATIONS

Today's announcement would be of a single digit percentage increase, sources said

They said that Mr Louw had consulted commerce and industry last month about the coming tariff increase

All accepted that an across the board increase had to come. Their request had been that it must not be above the inflation rate — currently about 14 percent.

They would be "pleasantly surprised with the budget tabled today," the sources added.

Effect of price escalations 'crippling' to fleet owners

Star 23/2/89

244

The effect of vehicle price escalations on corporate fleets as analysed by Prime Car Leasing

(formerly Hertz) is nothing short of crippling

According to Prime's latest booklet, *The Company Car debate*, a fleet which cost R1 m in 1985 would cost R1,8 m to replace today

The decision on how to finance a fleet is not easy to make, but there are experts to advise

Benefits

Full Maintenance Leasing benefits the working fleet and reduces the real costs to the company, but what are FML's advantages?

Helping to make the purchase affordable and taking over fleet management, itself a significant cost factor.

FML means the client pays not for vehicle own-

ership, but only for vehicle usage (depreciation) and maintenance

The FML company bears the risk of resale. With maintenance in the contract, the company determines resale values. This value is deducted from the purchase price. As new car prices rise, so does resale value, so depreciation costs actually reduce!

FML's cost — lease instalment, maintenance and licence/registration costs — is well below that of a straight lease, without taking the costs

of vehicle management which FML saves.

Spiral

The client gains these advantages and a fleet that's always in top condition without any crippling cash outlay — this makes FML shine in the vehicle affordability crisis.

In view of the fact that no end to the upward cost spiral of vehicle prices is in sight, FML makes a current and future contribution to South Africa's fleet owners and operators

Vehicle prices on up and up

Star 23/2/89

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

Over the past four years vehicle prices have risen far more rapidly than those of other commodities. This is despite the fact that the two major source countries for our local motor industry have experienced minimal inflation.

To bring this point home, one only needs to

look back a few years

Looking at a vehicle price list produced during the third quarter of 1984, one finds that the cheapest car on the market carried a retail price tag of R7 455.

A truer reflection of the extent of price increases over the period can be gained by comparing the price of a model that existed both then and now, like the Volkswagen Citi Golf 1300. In August 1984 a Citi Golf would have cost you R7 995. Four years down the road essentially the same vehicle cost R18 210 — nearly 2,3 times as much.

Such has been the effect of inflation that

PRICE INCREASES FOR POPULAR MODELS 1984 TO 1986 PROJECTED THROUGH TO 1990

MODEL	84	86	88	90
Base model	8 000	13 200	18 200	27 000
Medium specification 1300	8 200	13 900	19 600	29 000
Medium specification 1600	9 600	17 700	24 800	36 700
Medium specification 2000	12 155	20 500	29 180	49 900
High specification 2000	15 800	29 300	42 500	62 900
High specification 3000	18 900	36 300	53 200	78 700
Medium class luxury car	25 000	50 400	74 700	110 600
Large luxury saloon	50 300	78 300	139 000	205 720

Prices are based on an adjusted average of two or more models or their equivalents during the fourth quarter of each year in question.

today's base line entry level model equates to a mid-range executive medium-size car of 1984. The outlay for a Citi Golf 1300 today would have bought a Toyota 2 litre GLi6 just four years ago. Today the equivalent Toyota costs as much as a BMW 733i did in 1984.

For the future, the prospects are even more bleak. While the motor industry would dearly love to see the end of the inflationary spiral, there are few who believe that prices will be contained anywhere near the anticipated level of inflation. It is generally accepted that motor vehicle prices

will rise at the rate of between four and five percent per quarter in the short to medium term.

The average price of vehicles at Fleet Maintenance Lease systems is currently about R30 000. This could rise to R50 000 before long.

Behind this high forecast lies the pressure of local inflation and a weak currency. Add to this the fact that manufacturers are faced with the need for massive investment for import replacement on vital components and the need to comply with a revised local content programme which, although still undefined, comes into effect at the end of the first quarter of 1989, and the scene is firmly set for increases of this magnitude.

Projecting prices through 1989 and on to the end of 1990, the expected price increases come into even sharper focus. At the current rate of increase new vehicle prices could be set to rise by a compounded rate of 48 percent over the next 24 months (See table for examples of projected prices).

All things considered, this is a pretty horrific picture, especially if one takes into account the

implications of providing reserves large enough to cater for vehicle replacement in these conditions — even the most well-heeled companies are going to have to be very careful to provide the necessary capital for vehicle replacement.

Buying down in the market may provide a short-term solution, but the options here are limited — the corporate motorist in particular is not going to take too kindly to his motoring status being further eroded too often.

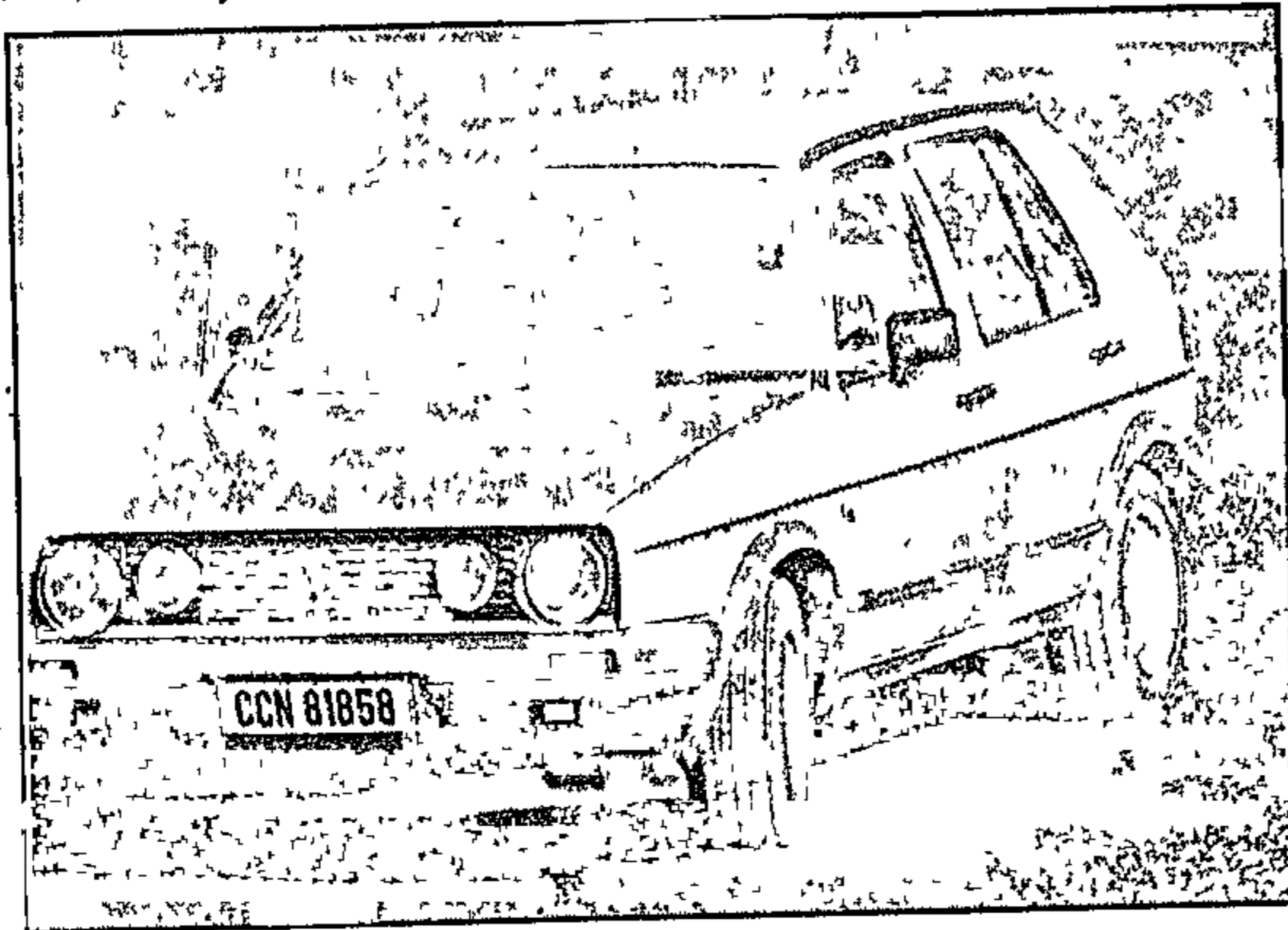
The South African motor industry is all too aware of this factor and is investigating every possible method of cost containment.

Model lives are likely to be extended with a view to more realistic amortisation rates on very expensive new model tooling.

The mini car that has for so long been shunned by the local industry is about to become a reality, with Nissan SA taking the lead by announcing its intention to launch the Fiat Uno early in 1990.

This model will usher in a new era in South African motoring with other manufacturers expected to enter this market as well.

● Contd on Page 4



Vehicle prices going up

Star 23/2/89

● From Page 3. These small cars of the future are expected to come in basic and high specification variants.

The fact remains, however, that by the time they get here, their prices will probably have already outstripped those of the cheapest models available today.

The finance houses will have to now, more than ever, come up with inno-

vative packages to ease the financial burden of motor vehicle ownership and protect their trade.

Fortunately for a large pool of motorists in line for new vehicles — the approx 70 percent who qualify under company car or business usage schemes — vehicle lease schemes remove the obstacle of capital replacement cost.

Going a step further

into a full maintenance lease programme, the vehicle operator enjoys the additional benefits of being able to accurately budget for vehicle expenses over the intended life of the vehicle without any surprises.

Capital is freed for business use, vehicle running costs can be accurately monitored, and replacement of vehicles can be accomplished without major trauma.

Parliament and politics

SATS 'will show loss of R1,3bn'

Political Staff

SA Transport Services is expected to show a loss of more than R1,3 billion on its rail passenger operations in the coming financial year despite a planned 10% fare rise on April 1.

Delivering his budget to Parliament, Transport Minister Mr Eli Louw asked Parliament to approve the state paying R644 million to offset these losses. The remainder would be offset by internal cross-subsidisation.

He disclosed that rail passenger services had shown a loss of R1,277bn in the 1988/89 financial year. The state paid R644m in compensation while the balance of R633m would be offset by internal cross-subsidisation.

The number of mainline passengers decreased by 40%. Revenues, however, were down by only 17%. Revenue from commuter services was down by 11%.

Tariff rises in detail

These are the tariff rises announced by the Minister of Transport Affairs, Mr Eli Louw:

Economy class airfares — 9%; business class — 13,7%

Rail passenger fares, all classes mainline and commuter — average 10%

Goods, passengers, parcels and mail conveyed by road — average 14%

Rail goods tariffs — average 8,6%

Petrol and diesel conveyed by rail — 8%

Harbour tariffs — average 8,5%

Cargo handling tariffs — average 9%

White products conveyed by pipeline — 8%; crude oil — 12%

Storage and demurrage charges — 10%

Low rated tariff rail traffic — average 10,5%; manganese ore from Postmasburg to Port Elizabeth — 14%

Traffic conveyed by truck — 12%; timber — average 10,6%; specific exempted traffic — 12%

Vote of success for SATS

Political Correspondent

SATS had managed a successful entry into the competitive market, the Minister of Transport, Mr Eli Louw, said yesterday.

"It has been a historic year. For the first time in 75 years we have done business in the competitive market," Mr Louw told a pre-budget press conference.

He said about 85% of the transport market had been deregulated in December 1986.

"I am glad to say that Transport Services basically remained within its budget, and just to have achieved this is good going."

Mr Louw said that while the inflation rate had averaged over 13% over the past 10 years, SATS increases were up by less than 9% a year.

AIR GETS AIR

Cape Times
23/2/89
244

THE bank rate last night jumped 1.5% to 16% amid widespread anger at yesterday's transport increases and the announcement of another petrol price hike from April.

Leading economists and consumer spokesmen stated the latest round of increases, particularly those announced by the Minister of Transport Affairs, Mr Eli Louw, whose resignation was called for by opposition parties.

This also followed the announcement that the Consumer Price Index (CPI) rose sharply by 1.6% last month.

Reserve Bank governor Dr Gerhard de Kock dealt the public a financial body-blow yesterday in announcing

an immediate bank rate increase from 14.5% to 16% which, he said, was aimed at curbing demand for short-term credit.

This means that the man-in-the-street will face higher overdraft and hire-purchase charges — and probably another hike in mortgage bond rates by April.

In reaction, the banks have already announced an increase in hire-purchase rates from 18.5% to 19.5% from March.

After announcing comprehensive transport tariff increases, Mr Louw dealt reeling consumers another blow by informing them that a 12% increase for conveying crude oil by pipeline — effective April 1 — would lead to fuel price increases.

Included in Mr Louw's list of price hikes were:

- An average increase in tariffs for passengers, goods, parcels and mail

By
**MEG BRITS,
AUDREY D'ANGELO
and Political Staff**

● **Tariff rises in detail — Page 4**

● **Bank rate up to 16% — Page 12**

- conveyed by road of 14%.
- Rail passenger fares increases on main line and commuter trains of 10% on average.
- An increase in rail goods tariffs of 8.5%.
- Internal air fare increases of 13.5% for business class and 9% for economy class tickets.
- Harbour tariff increase of on average 8.5% and cargo-handling increases of 9%.

The air fare increases mean that the cost of a single business class ticket from Cape Town to Johannesburg will rise from R285 to R324.

The main reason for the hike in internal air fares in the face of R102.7 million operating profit last year, said Mr Louw, was to finance the purchase of "new generation" passenger aircraft costing between R350 million and R450 million each to supplement and possibly replace the Boeing 747s on international routes.

The various tariff increases announced by Mr Louw would net SATS R495 million, he said, to be used to turn an expected 1989/90 deficit into a R2 million surplus.

Hot on the heels of Mr Louw's revised tariffs came an announcement by Central Statistical Services that the CPI had risen sharply in January by 1.6% over December, the biggest

monthly rise in the cost of living since March 1987.

This means that the inflation rate rose by 13.3% in the year to January, compared with 12.5% in the year to December.

Food prices also rose 1.6% over the past month, equal to an annual rate of 19.2%.

Reacting to Mr Louw's budget, opposition spokesmen accused the government of insensitivity towards the consumer.

Mr Louw's transport budget would, they said, fuel inflation and spiralling prices still further — even though he had tried to keep administered prices below the inflation rate.

Mr John Malcomess, PFP transport spokesman, said Mr Louw should resign because he had demonstrated

to page 3

UCT team finds

PW to

crack of dawn P.T.O.

From page 1

CAPE TIMES 23/2/89 226
inadequate control over his area of responsibility".

It was interesting to note, said Mr Malcomess, that SATS expenses had increased by R1 billion in the past year, which highlighted the enormity of the R3,1 billion losses in foreign exchange deals incurred by Mr Louw's department.

CP transport spokesman Mr J J Prinsloo said the increases would lead to price rises on a variety of consumer goods and Mr Chris Wyngaard, of the Labour Party, criticised the government for again penalising commuters, the majority of whom were not white.

Mrs Lynn Morris, national president of the Housewives' League, said the various increases announced yesterday and those expected in the near future spelt "catastrophe" for the South African consumer.

Mr Louw's tariff increase would filter right through the economy as transport and distribution costs were a core element of all product prices.

Her sentiments were echoed by leading economists, who said that while Mr Louw had kept his tariff increases below the inflation rate, they would nevertheless fuel the inflationary spiral.

Dr Ockie Stuart, director of Stellen-

bosch University's Bureau for Economic Research, said that while the transport increases were not excessive they would, together with the hike in interest rates, have a marked effect on inflation.

In spite of Dr De Kock's insistence that the bank rate increase would slow short-term consumer spending, he believed the measure would not have the desired effect.

Nedbank economist Mr Edward Osborne agreed, saying that though the money supply had risen 28,4% in the year to December — which had probably prompted Dr De Kock's belt-tightening action — it was doubtful whether the bank rate increase would achieve its goal.

This was because an increase in the bank rate followed by a natural increase in the prime rate affected corporate and small business plans rather than the individual consumer.

Nevertheless the individual consumer has had to face massive price hikes in the past year, including

- A 28% petrol price increase in 1988 followed by a 10c/l increase in January

- Home loan increases of 5,5% from 12,5% to 18% last year, which meant, for example, a 36% hike from R910 to R1 235 a month on an R80 000 20-year bond

'Additional hardship' for SA's consumers

244 By Paula Fray

The Housewives' League reacted sharply today to yesterday's announcement of increases in the bank rate and South African Transport Services (Sats) tariffs, and warned of possible ripple effects in the economy

Mrs Lyn Morris, president of the league, said the Sats budget would mean additional hardship for the "already hard-pressed South African consumer".

Individual commuters and travellers would be affected by the increased air and train rates, and the increased pipeline tariffs for crude oil and rail tariffs for petrol and diesel would push up fuel price increases

"Road and rail travel increases will mean more increases in consumer goods, particular food," she warned

Mrs Morris said the increase in the bank rate would mean increases in the prime rate and was sure to cause an increase in the interest rate

"For those lucky ones who may have money to save this is good news, but for the vast majority of South Africans the result will be increased home bond rates and probably also increased hire purchase rates"

She said the inflation rate had climbed from 12,5 percent in December to 13,3 percent in January and should be considered to be on the way up.

"January increases in petrol, bond rates and Eskom tariffs, and sugar prices in February, still have to filter through.

"Speculation is rife about an increase in GST. Where will inflation be by mid-year?" she asked

"Just how much more will consumers take before we stand up and demand the Government get our economy on an even keel before we all are bankrupt"

Fuel, fares to rise in April

B/Day 23/2/89

244

85

MIKE ROBERTSON

CAPE TOWN — The fuel price, air and rail fares are all set to rise in April after Transport Minister Eli Louw announced sweeping tariff increases yesterday.

Delivering what will be the last Transport Services budget speech, Louw asked Parliament to approve a sum of R12,4bn for revenue services and R1,7bn for the capital programme. The budget is 10,5% higher than the revised estimate for 1988/89.

Louw said that prior to tariff increases a working deficit of R493m was estimated. After average tariff increases of 8,7% were applied, Sats was expected to produce a surplus of R2m.

The main increases which come into effect on April 1 are:

- A 12% tariff increase for the conveying of crude oil by pipeline, which Louw says will result in a fuel price hike,
- Business class domestic air fares are to go up by 13,7% and economy class fares by 9%;
- Rail passenger fares on mainline and commuter trains are to increase by an average of 10%;
- Rail goods tariffs are to rise by 8,6%.

Sats rail services are expected to make a loss of R469m in the coming year (-R656m), commuter services a loss of R405m (-R298m), road transport services a loss of R12m (-R42m), harbours a profit of R575m (R505m), airways a profit of R144m (R128m), pipelines a profit of R319m (R257m), catering and bedding

services a loss of R10m (-R12,6m) and Sartravel a profit of R2m (R4,6m).

Total revenue is expected to increase by 11,6% to R12,40bn while total expenses are set to rise by R1,1bn to R12,4bn.

Louw said that after the report of a specialist committee into Sats foreign exchange losses it was decided to write off the sum of R3,1bn by means of a single entry against revalued assets.

The net book value of Sats assets amounted to R14bn on March 31 1988, while the replacement value of fixed assets was estimated at R56bn.

● See Page 4

□ GERALD REILLY reports that SA Agricultural Union president Kobus Jooste said the higher tariffs would have a direct cost-increasing impact on production and marketing and, therefore, an adverse effect on agriculture's competitiveness.

Although the average increase amounted to 8,7% certain sectors of agriculture were taxed extremely heavily, including the increase of 13,5% in the transportation of livestock and 14% in goods transportation.

The increase would accelerate the

● To Page 2

Fuel costs and fares set to rise in April

tendency for farmers to make lesser use of Sats' services

The Transport Consultative Committee (TCC) has criticised the hike in domestic airfares and pipeline charges.

The committee consists of a large number of private-sector organisations including Assocom, the AHI and the FCI.

In its reaction to the Sats budget, the TCC said the average 13,7% increase in SAA business class fares was regretted against a background of the record number of passengers carried on domestic flights and SAA's overall profit of R102,7m from April to December last year.

On Sats privatisation, the TCC said it welcomed the appointment of a board of directors under the chairmanship of a private-sector businessman.

However, the need for Sats to demonstrate its ability to operate within its budget was important. This would con-

tribute towards an improvement in private-sector confidence in Sats prior to privatisation.

□ Sapa reports that PFP transport spokesman John Malcomess said the widespread increases were once again going to cause an upward trend in the inflationary spiral.

CP spokesman J J S Prinsloo said the tariff increases would hit consumers hard.

NDM leader Wynand Malan said the passenger fare increases were going to hit the poorest section of the population the hardest.

□ Also adding to the wave of costs will be higher interest rates after yesterday's increase in Bank rate. Lending rates, including mortgage rates, are to rise across the board.

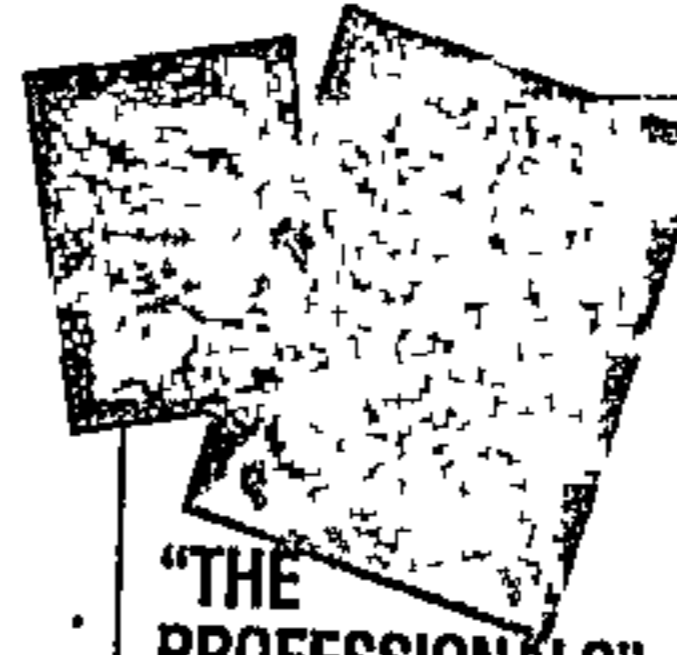
● From Page 1

Star

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Transport fares up 8,7pc — Minister

By Peter Fabricius, *Star*
Political Correspondent 23/2/89

CAPE TOWN — Domestic economy-class air fares are to go up by 9 percent, business-class fares 13,7 percent and passenger and commuter train fares 10 percent from April 1

Minister of Transport Mr Eli Louw announced yesterday that all Sats fares and tariffs would go up by an average of 8,7 percent

Presenting his Sats budget to Parliament, he said the tariff and fare increases were needed to turn a R493 million deficit into a R2 million surplus for the coming year

From April 1 a third-class single fare on the commuter line from Johannesburg station to Naledi — a distance of 28 km — will rise from R1,10 to R1,20. The weekly fare for the same journey will jump by 50c to R5,90

A first-class single fare from Johannesburg to Dube will rise 20c to R2 and a weekly ticket by R1,50 to R15,50

A single economy-class air ticket from

Johannesburg to Cape Town will rise from R248 to R270, and from Johannesburg to Durban from R135 to R147. A single business-class ticket from Johannesburg to Cape Town rises from R285 to R324, and from Johannesburg to Durban from R115 to R176

A single rail ticket from Johannesburg to Durban will rise from R116 to R128 (first class), R82 to R90 (second class) and R41,50 to R45,50 (third class)

Some other increases are

- Road transport for passengers, goods, parcels and post up 14 percent
- Rail goods up 6 percent
- Fuel transport by rail up 8 percent
- Heavy unit train containers up 11,8 percent
- Empty unit containers up 5,6 percent
- Countrywide containers up 5 percent
- Mini-containers on unit trains no change
- Mini-containers on non-unit trains: up 5 percent
- Storage and demurrage charges up 10 percent

- Low-rated rail traffic up an average of 10,5 percent
- Harbour tariffs average of 8,5 percent
- Marine services 13,5 percent
- Cargo-handling charges 9 percent
- Cargo services 1,2 percent
- White products conveyed by pipeline: 8 percent
- Crude oil by pipeline 12 percent

Mr Louw said as a result of the big demand for business-class air travel and the quality of service, these fares were being increased more than economy-class fares

He pointed out the increase was much lower than the rate of inflation

The fare increase was necessitated by the working deficit for the 1988/89 year of R493 million

The estimated deficit for mainline and commuter rail passenger services was R1 332 million of which R645 million would be made good by the State

A total of R687 million had still to be offset by cross-subsidisation. This had to be done by tariff increases

Road, rail, air tariffs to rise

ALL rail passenger fares are to increase by 10 percent from April 1 while SAA business class and economy fares will go up by 13,7 and nine percent respectively.

Tariff increases averaging 8,7 percent were announced by the Minister of Transport, Mr El Louw, when he delivered his budget speech to a joint session of Parliament yesterday.

The increases were expected to realise a R2 million surplus for the soon to be privatised service, he said.

Other tariff increases

include rail goods (8,6 percent), road transport (14 percent), pipelines (8 percent white products and 12 percent crude oil), airfreight (10 percent), marine services at harbours (13,5 percent) and cartage (11 percent).

Pressure

Mr Louw said that notwithstanding cost pressure and the effect of salary increases granted recently, the budget was only 10,5 percent higher than the revised estimate for 1988/89.

The estimated working deficit amounted to R493

million and the deficit in respect of mainline and commuter rail passengers R1 332 million.

The State made good R645 million of this latter deficit and the balance of R687 million therefore

had to be offset by means of cross-subsidisation.

"This working deficit necessitates an adjustment in tariffs from April 1 in order to balance the transport services' books," he said.

244

Prices ruin wait

NEWS 23/2/89
244

By TOM HOOD, Business Editor
and BRUCE CAMERON, Political Staff

COMMERCIAL banks are expected to raise their overdraft rates by a full one percent today after the Reserve Bank increased the bank rate to 16 percent — the highest level since September 1985.

South Africans face a tough year of stringent financial restrictions, high interest rates and growing inflation, financial experts warned today.

Yesterday's bad economic news, the last straw for many homeowners and people reeling under the spiralling cost of living, was followed today by confirmation by Economic Affairs Minister, Mr Danie Steyn, that a further fuel price rise linked to the Sats increases is definitely on the cards for April.

He confirmed that the increases in rail and pipeline tariffs would be automatically added to the fuel price when the new tariffs come into effect on April 1.

Finance Minister Mr Barend du Plessis said in an interview today that South Africa was now paying the penalty for too rapid growth in demand and too much credit last year.

Sixth increase

Home loans and bonds are also expected to rise yet again, although bankers said today they were uncertain of the size of the increase.

This will be the sixth increase in bank lending rates since January last year and means that the cost of borrowing money from banks will have risen more than 50 percent — from 12.5 percent in January 1988 to the expected 19 percent now.

With total bank lending running at R85-billion, the expected rise in the prime rate is likely to cost borrowers an extra R500-million a year.

Property developments are the most likely to be constrained by higher rates.

Higher rates could have a depressing effect on new car sales. But as most new cars are sold to companies, which deduct the increased costs from tax payments, the effect of the higher rates are likely to be marginal.

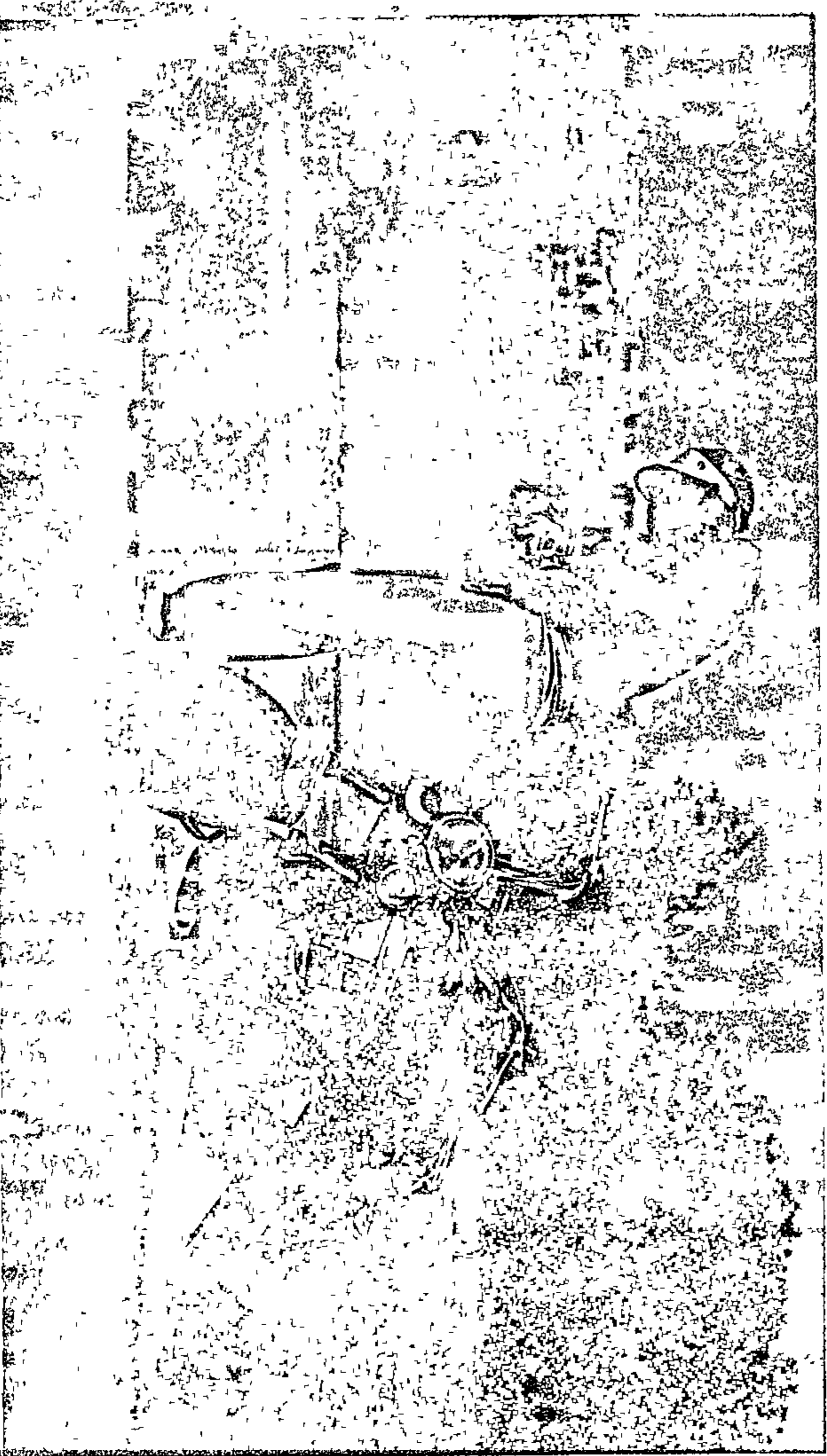
Mr Kevin de Villiers, MD of Allied Bank, said the prime rate would certainly rise one percent. Mortgage rates would also rise, but the situation needed to be examined.

Repayment period

Mr Terry Power, general manager of home loans at Standard Bank, agreed that mortgage rates were likely to rise but was unable to say by what figure.

He cautioned borrowers a must trying to lessen the interest

PTO



WEST

Four held, ANC arms

NEWS

Sea Pointer turns hose on noisy Old Fig drinkers

By MICHAEL DOMAN, Staff Reporter

IN THE SWING

Durbanville golfer Jaco Pieterse who spent months in hospital after a road accident, thought his sporting career was over. But with determination he has overcome his handicap and recently won the Western Province Plate matchplay championship at Westlake. See page 14

Jacpot ratings

THE Jacpot ratings, including a comprehensive form breakdown of the candidates for the R150 000 Cape Of Good Hope Derby over 2000m at Kenilworth, are on page 34 today. There was a Pick 6 carryover at the Clairwood meeting yesterday and all the dividends are on page 34

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With total bank lending running at R85-billion, the expected rise in the prime rate is likely to cost borrowers an extra R500-million a year.

Property developments are the most likely to be strained by higher rates.

Higher rates could have a depressing effect on new car sales. But as most new cars are sold to companies which deduct the increased costs from tax payments, the effect of the higher rates are likely to be marginal.

Mr Kevin de Villiers, MD of Allied Bank, said the prime rate would certainly rise one percent. Mortgage rates would also rise, but the situation needed to be examined.

Repayment period

Mr Terry Power, general manager of home loans at Standard Bank, agreed that mortgage rates were likely to rise but was unable to say by what figure.

He cautioned borrowers against trying to lessen the interest burden by stretching their repayment period.

If a borrower with a R100 000 mortgage extended it from 20 years to 30 years, he would save R36 a month but would have to pay an extra R190 000 in capital and interest.

A house buyer with a R100 000 bond would have to pay an extra R78 a month. Other bondholders would have to pay a proportionate amount.

Hardest hit will be those who can barely afford the 100 percent, 12,5 percent bank bonds available a year ago.

The monthly repayments on their bonds will have risen by 50 percent in this period if the rate moves to 19 percent.

Mr Peter Southworth, regional manager of the Perm, said the level of arrears had not increased so far, despite last year's bond rate increases.

"Sympathetic as possible"

However, they would be watching the situation "very closely" and would be "as sympathetic as possible in cases which have merit".

"The last thing we want to do is throw people into the street and sell their property — that's not our business and we avoid it at all costs."

Governor of the Reserve Bank, Dr Gerhard de Kock, said last night the need to tighten monetary policy was brought about by three developments.

- The decline in the gold price from an average of \$437 in 1988 to below \$400 now. Over a full year, a 50% drop in the price would cost South Africa about R1-billion at present exchange rates.

- The further rise in interest rates in Europe and the US to levels that in real terms greatly exceed those in South Africa.

- The further excessive rise in the money supply in January to a level 28 percent higher than a year ago, which showed that the vigour and duration of the upswing in the domestic economy last year was consistently under-estimated.

"Too many individuals lived beyond their means last year," Dr de Kock said.

The Consumer Council said today people were being "punished" for their own and government overspending. It warned consumers to be more discerning about money matters.

The council expressed its deep concern at the rapid increase in the annual inflation rate and warned that hard times lay ahead in 1989.

Mr Harry Schwarz MP, Progressive Federal party finance spokesman, said today "The Indian summer is now over and an economic winter is coming up."

244

POLITICS

MIKE ROBERTSON

CAPE TOWN — Domestic air fares would increase by up to 13,7% on April 1, Transport Minister Eli Louw said yesterday.

Business class fares will increase by 13,7%, economy class fares by 9% and air freight rates by 10%.

This means the cost of a single business class fare from Johannesburg to Cape Town will rise from R285 to R324. A single business class fare from Johannesburg to Durban will increase by R21 to R176.

Business class fares are being increased by a bigger percentage because there is a "big demand" for seats.

Air fares set to go up on April 1

Louw said SAA had made profits of R102,7m in the period from April to the end of December last year.

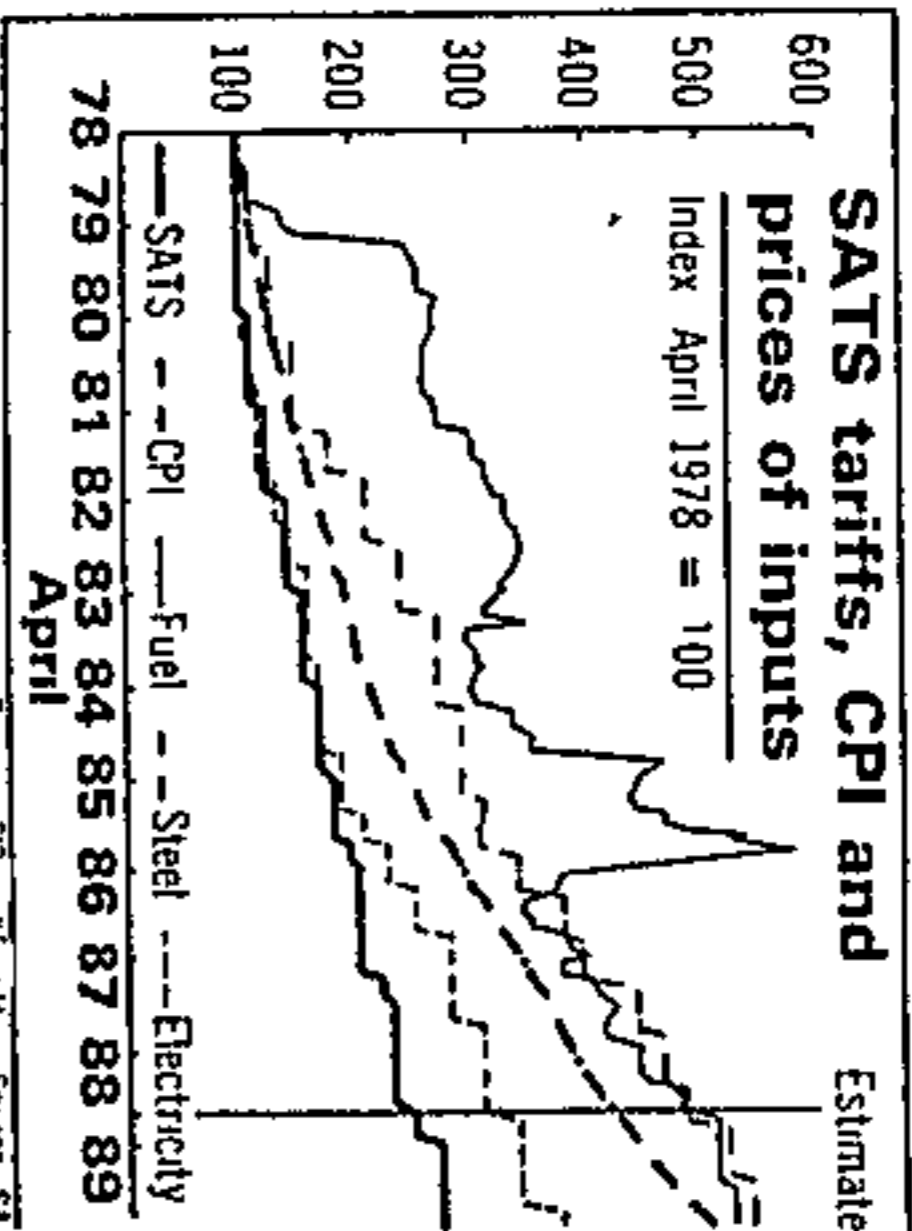
He said the main reason for the fare hikes was to enable SAA to switch to a new generation of aircraft. He also expected the rand to come under more pressure during the year which would lead to higher prices for spares and fuel.

The present international fleet was being fully utilised and an announcement would be forthcoming on the purchase of

new aircraft later in the year. SAA planned to buy at least two new planes at a total cost of between R700m and R900m.

Louw would not give details on how many planes were still out on loan, but a sufficient number had been returned to enable SAA to cope with domestic demand.

Passenger traffic on international services had decreased by 1,6% last year as a result of the loss of the Australian services. The number of passengers conveyed on domestic services increased by 17,5%.



Graphic File: N. H. Source: SA

Consumers in for batterings

By MEG BRITS and Political Staff

AS IF the staggering implications of this week's bank rate rise and the near-certainty of another petrol price rise were not enough, there's worse to come for SA's reeling consumers

On the cards are increased bond rates, further price hikes on a wide range of consumer goods and the introduction of value-added tax

Economists estimate that inflation, running at 13,3% year-on-year in January, will rise to at least 14% by March as the effects of January's 10,5% petrol price increase filter through the economy. What's more, inflation is likely to continue rising throughout the year, to a high of 17% by December, fuelled by further price rises as a result of this week's average 8,7% hike in transport costs.

Sanlam chief economist Dr Johan Louw said Transport Minister Eli Louw's claim to

have kept the tariff increases below the inflation rate were inaccurate. A 7,5% increase in rail costs and air fares in December meant that transport costs would, in fact, have risen by more than 16% in the five months to April.

Meanwhile, the price of new cars, according to the National Association of Automobile Manufacturers, is likely to rise between 18% and 20% as the effects of the government's new local content programme are felt.

The sharp rise in the bank rate from 14,5% to 16% has already caused banks to raise their hire purchase rates from 18% to 19% — which means cars and "white goods" (refrigerators, stoves and washing machines) will cost the consumer more in repayments.

And banks are expected to raise the prime lending rate — that extended to favoured borrowers — to 19% within a week. General overdraft rates are usually 2% above prime; so the average consumer will be paying 21%

interest on borrowed money

Allied general manager home loans Mr Geoffrey Bowker said yesterday that a rise in mortgage bond rates was certain to follow a prime rate rise, and this was confirmed by the major banks.

Most building societies and banks are expected to raise the rate from 18% to between 18,5% and 19% — or by as much as R7,80 per R1 000 of borrowing. This means that monthly repayments on a R100 000 20-year bond would rise from R1 543 to R1 621.

On top of this, UBS economist Mr Hans Falkena expects new house prices to rise by as much as 13% this year, following an increase last year of 11%.

And, while these factors are causing a sharp rise in demand for larger rented flats, the cost of rental accommodation is also on the rise.

The latest Rode's Report on the SA Proper-

ty Market shows that the average rental for a two-bedroom flat in the Cape Peninsula rose 12% to R363 in the last quarter of 1988, compared to the same period in 1987. That for a three-bedroom flat rose 11,8% to R464.

The cost of food, too, is likely to place a major strain on household budgets. January CPI figures showed a 1,6% increase in food prices for the month — which annualises to 19,2%, compared to the annual figure of 3,6% expected in December.

There is no doubt that the rise in the price of petrol, as well as manufacturer and wholesale prices, will have a direct impact on the consumer.

And the expected replacement of GST by VAT at the end of the year will also add to food costs. A Housewives' League national survey reveals that the new tax, if imposed at 12%, will mean an additional R35 to R50 a month on a basket of groceries.

Vehicle prices ²⁴⁴ set to rise 20%

SPURRED by the cumulative effects of on-going inflation and other constraints, passenger car and other vehicle prices could go up about 20% this year.

Motor industry spokesmen say prices are expected to rise three or four times this year, but overall could be marginally lower than last year.

However, price rise uncertainty prevails amid expectations of continuing high interest rates and the possibility of the rand value sagging against the yen and Deutsche mark.

This is further complicated by the possible effects of the anticipated increases in local content for

vehicles

Government's value-based local content policy, expected to come on stream soon this year, promises to be highly capital intensive for the motor industry.

Some vehicle manufacturers have already increased prices and others will undoubtedly raise theirs shortly.

Predicting that vehicle price hikes could be marginally down on last year's 23% high, Toyota Marketing Company MD Brand Pretorius says imported components constitute about half of the total cost of its cars and rand/yen exchange rate is a major factor in price increases.

Forecasting rises between 17% and 20%, he says a reaction to price increases is that at least seven out of 10 passenger cars sold will be light cars (excluding medium cars) — a major reversal of the situation a few years ago.

"The swing to light cars has been under way for some time, but high interest rates, inflation and the latest fuel price increase give additional thrust to the move towards the light, economical car," says Pretorius.

He maintains that while motorists can expect to pay more for their vehicles, the blow to their pockets should be cushioned by better quality, better value for money and superior service to that of the past.

"The SA motor industry in general is making a disproportionately high investment in improving the quality of products and in the excellence of after-sales service."

Mercedes-Benz SA (MBSA) expects prices on new passenger cars to rise about 20% this year — somewhat less than last year's average industry rise of 20% to 25%.

However, exchange rates, which have a major influence of local price increases, have stabilised and may offer some relief in vehicle prices, says MBSA management board member Peter Cleary.

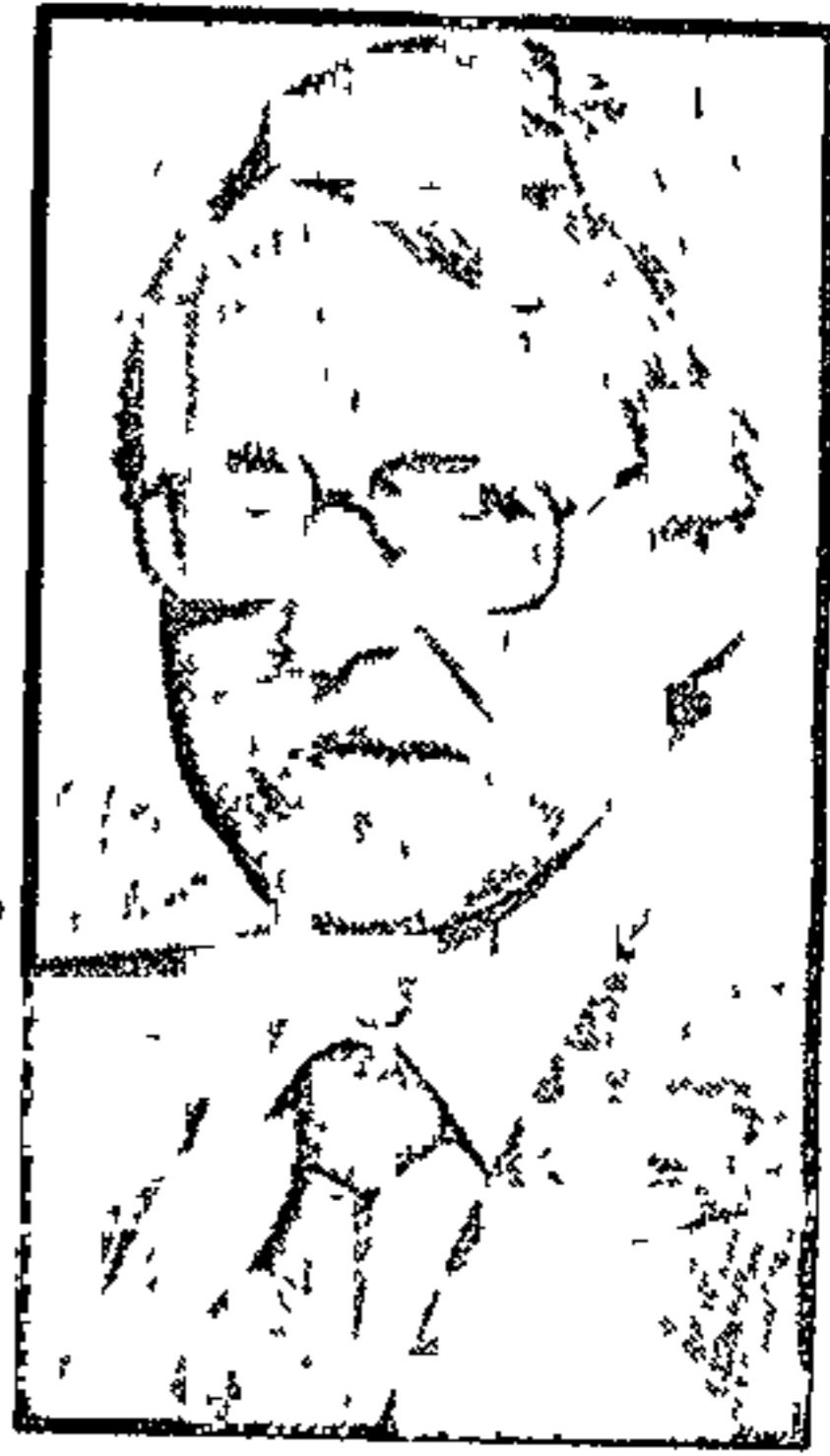
"Against the average industry rise in 1988, we priced our passenger car products at a lower level, namely 17% for Mercedes-Benz and 17,5% for Honda."

Volkswagen sales planning manager Neal Bruton's assumption is for

rider being the fluctuating value of the rand.

Nissan Marketing MD Stephanus Loubser says while car industry prices should go up about 18% this year, unfavourable inflation and the unstable yen/rand rate make it difficult for manufacturers to recover component and labour cost increases through price increases.

Confident that the company will continue improvements in the area of profitability and cost reduction, Loubser says these gains will be passed on to the market in the form of "lower price increases wherever possible, resulting in Nissans becoming very affordable".



STEPHANUS LOUBSER of Nissan

Dip predicted in house prices during year

Star 25/2/89

HOUSE prices can be expected to dip by an average 5 percent this year, forecasts Stellenbosch Bureau for Economic Research (BER).

BER's latest building and construction survey disputes as "highly unlikely" forecasts by some analysts of a 13 to 15 percent rise in home prices during 1989.

However, a decline of 5 percent "is probably overly pessimistic", the BER adds.

"If house prices could only notch up a 12 percent increase in 1988, which was the peak of the business cycle, it is hard to see how house prices could improve on this performance during 1989 - a year when the economy is set to decelerate.

"The prognosis has a severe implication for builders of middle-class homes not only has the effective demand for new housing dried up substantially - the effect of rising mortgage rates - but profit margins will also be caught in a pincer movement of stagnant or declining retail prices on the one hand and sharply rising input costs on the other."

According to BER's building cost index, costs increased by 24 percent in the fourth quarter of 1988 compared to the corresponding period of the previous year.

The third quarter of 1988 showed an increase of 21,7 percent and this "unexpected upward movement may be ascribed to an increase in profit margins, especially if the downward trends in the increases of materials and labour costs are taken into consideration."

The year-on-year in-

FINANCE STAFF

crease in building costs may be ascribed to the year's buoyant business conditions, claimed BER.

"The relationship between competition for tenders and price movements in building costs is indirect. During lively business conditions profit margins in tender prices increase and this puts upward pressure on building costs."

According to the Central Statistical Services, says BER, materials prices rose by 16,4 percent and labour costs by 14,1 percent in the first three quarters of 1988.

In the corresponding period of 1987 the aver-

age increase was 12,1 percent.

However, main reason for the substantial increase in building costs "was an increase in profit margins."

BER added "Materials cost as measured by the Haylett Index actually increased at a slower rate in the last quarter of 1988 while the Building Cost Index increased at a faster pace, which indicated that larger profit margins might have been built into tender prices."

"This increase in profit margins showed that competition for tenders slackened in the fourth quarter, which implied an increase in profit margins."

"Lively business conditions in the building industry will lead to an increase in the demand for building materials and shortages will develop."

The increased demand coupled with the shortage in building materials will result in higher materials prices and this will be shown as an upward movement in the Haylett Index."

Upward movement in the Building Cost Index implied more upward pressure on materials prices.

"This means profit margins would, once again be squeezed next year."

244

Prices of big trucks soaring

244
9 Times
Business Times Reporter

26/2/87
THE large rise in the price of heavy truck rigs in the past three years could have ominous implications for the road freight industry

All sectors of the industry are feeling the effects of inflation and small operators are likely to be squeezed out or absorbed by large companies

Jonathan Harrod, chairman of the Information Transfer Group (ITG), says the price of rigs has risen by 275% in the past three years from about R80 000 in 1986 to about R300 000

ITG specialises in market and business research

Mr Harrod says that in spite of a 20% increase in the number of trucks of more than five tons, the size of the freight industry has remained relatively unchanged.

"Older rigs are being dropped at much the same rate that new ones are bought."

However, the small operator cannot afford to replace his fleet at high prices. The 11% rise in the fuel price will hurt operators and the start of deregulation will increase competition

Consumer to foot the milk rise bill

5/27/80
The 11,1 percent rise in the floor price of milk has been passed on to consumers and there is nothing anybody can do about it. (144)

A spokesman for the Dairy Board said yesterday that although distributors should not have increased their prices, there was nothing the board could do.

The Consumer Council also said its hands were tied — Sapa.

CAPE TIMES 2/3/89 (204) 2885

Leaders must listen to the workers

From DULCIE M HARTWELL,
General Secretary, National
Union of Distributive Work-
ers (Cape Town):

IN April 1988 the State Presi-
dent appealed for wage re-
straint and threatened that if
his appeal was not heeded the
Government would have to
take action to enforce it. Pub-
lic servants would not get in-
creases that year

Shortly before the October
municipal elections, public
servants were given pay rises

In 1988 the petrol prices rose
by 28% and by another 10c/l in
January 1989, home loan inter-
est increased by 5,5% in 1988
and a 60% surcharge on certain
imports was imposed

The petrol price increases
led to increased costs in con-
sumer goods

This morning (Cape Times,
February 23) you report on
bank rate increases, rail, road
and air transport increases for
goods and passengers, harbour
and cargo handling increases

and the announcement that
there will be another petrol
price rise from April

Most of these, if not all, will
again result in even higher
prices for consumer goods

At the same time there has
been a spate of reports of
fraud, theft or other shady
dealings by some civil servants
and Members of Parliament,
including a Cabinet minister
and a chairman of a minister's
council

Two labour ministers have
resigned in recent years be-
cause of the exposure of prac-
tices which impinged on their
integrity I do not recall wheth-
er the first of them got a simi-
lar quarter-million handshake
and a fabulous pension,
amounting to more than the
average worker earns in a life-
time

The Wheat Board paid
R8,6m to import wheat which
was contaminated and not fit
for human consumption, ac-
cording to the Auditor Gener-
al's report (Cape Times, Feb-

ruary 23)

One of a number of pension-
ers who had been overpaid, re-
ceived over R11 000 due to "a
computer error" Computers
do not make mistakes, incor-
rect information fed to the
computer by human beings is
the cause

It would be interesting to
add all the amounts which
have been stolen (Unemploy-
ment Insurance Fund and Re-
ceiver of Revenue cheques),
overpaid or defrauded and
compare the result with the
amount overspent by various
departments — all of which
comes from the taxes we pay

And, while all this is hap-
pening, workers are told to ex-
ercise restraint in wage de-
mands

SABC-TV and others should
also learn that the average
person is not an SABC-TV per-
sonality or anyone in the mid-
dle or higher income group
Most of the people of our coun-
try are grossly underpaid
workers, mostly with skins that

are not white, earning wages
which are below the minimum
subsistence level (poverty da-
tum line) which puts the aver-
age person in the lower in-
come group

The increase in commuter
fares imposed by SATS will
mean that they have to buy less
food in order to ensure that
they have money for transport
to get them to work.

The "fat cat" Cabinet minis-
ters have no conception of the
struggle of the average person
to provide shelter, food and
clothing for him — or herself
— and the family

It is no wonder that they
have no faith in the so-called
"free market system" Just
what do they get out of it?

If the PFP or the imminent
Democratic Party really wants
to be the Government instead
of the second, or even the
main, opposition, it must listen
to the workers and do some-
thing about their claims for a
living wage instead of pleading
the cause of employers

International air fares go up 5 pc

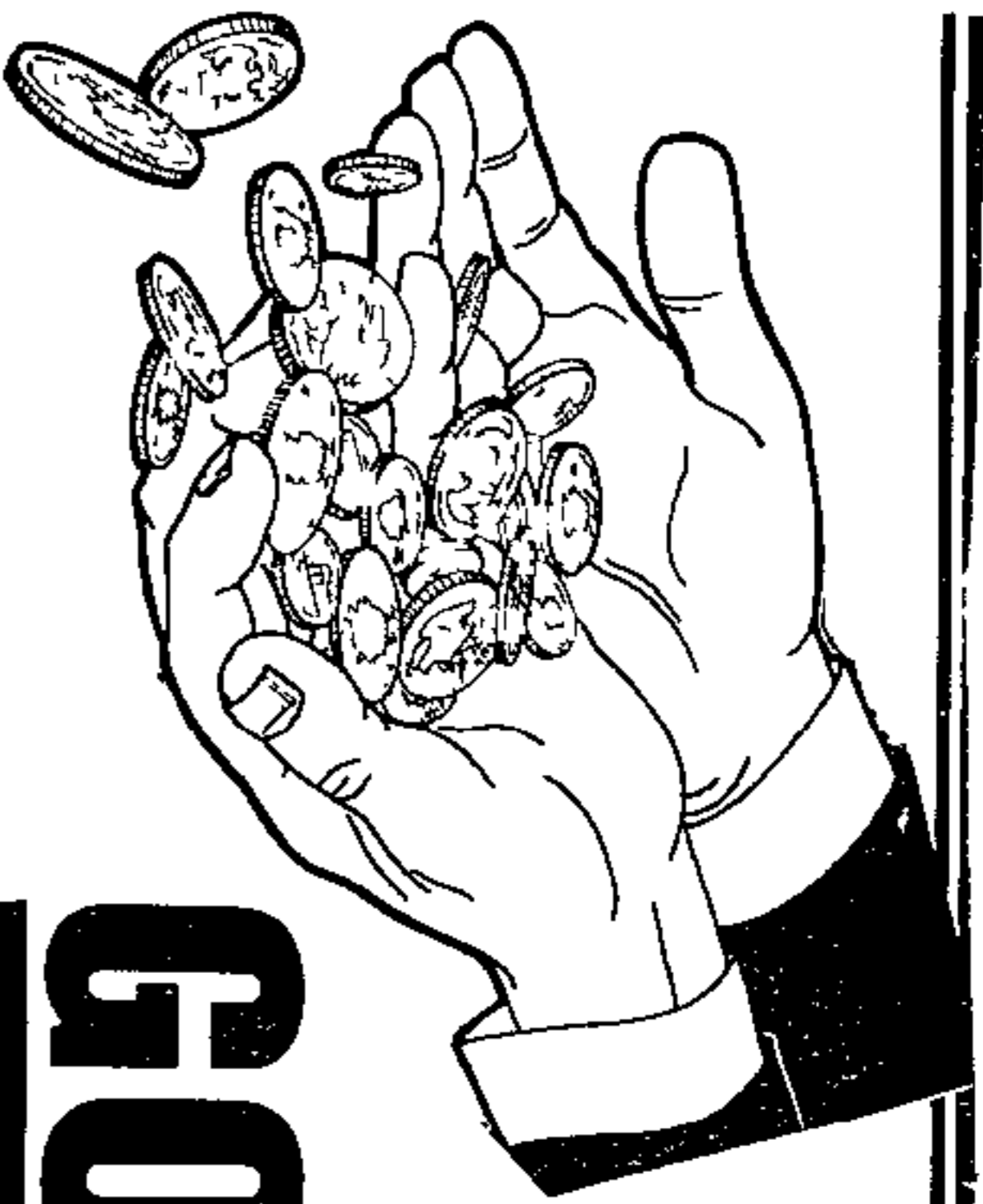
International air fares are to be increased by five percent from April 1, a spokesman for South African Airways, Mr Francois Louw, said yesterday. (24)

He said that air fares to New Zealand and Australia would be increased by 10 percent. Star 3/3/89

The decision to adjust air fares had

been taken at the meeting of the International Transport Association in Geneva last November. (24)

The Minister of Transport Affairs, Mr Eli Louw, announced recently that domestic economy class air fares would go up by nine percent and business class fares by 13,7 percent, also from April 1. — Sapa.



GOING UP UP UP

w/c Mrs S
4/3/89

244

Weekend
FOCUS

BATTLE that cannot be won is the man in the street's struggle against rising prices and the ravages of inflation.

There is no relief from the vicious spiral — in spite of claims by government spokesmen and bureaucrats that consumers receive adequate protection.

A Weekend Argus investigation shows that when it comes to forking out more money to pay for goods and services, the consumer remains helpless and stands alone.

In most cases he or she will get virtually no help from the host of official bodies, institutions and officials who claim to act in the interests of consumers.

Even the government's top "watchdog" body — the SA Consumer Council — is virtually toothless and is the first to admit that it can only offer limited help or advice in certain cases.

Complaints from consumers poured into the council's Pretoria headquarters alone at the rate of about 2 000 a month last year. A spokesman said this week a more up-to-date figure was not available.

EXPLAINING the council's limited powers, he said "There's nothing we can do about it if a shopkeeper suddenly charges R2 a litre for milk or doubles the price of other goods. Our advice to the consumer — go in search for lower priced goods."

Only bread and fuel prices were fixed. Under the free trade system, individual shopkeepers could charge what they liked for other goods, he said.

When seemingly unwarranted price increases could have a serious effect on the country's economy, the matter may be referred to the government's Business Practices Committee for investigation and possible action. But this is only done if the cases qualify for investigation in terms of the Harmful Business Practices Act.

The main reason most consumers find themselves in a no-win situation is because they have to "take a back seat" under the government's scheme of things, according to Mr Harry Schwarz, MP for Yeoville and finance spokesman of the Progressive Federal Party.

He told me this week he had been fighting for years for a better deal for the consumer — but so far his call has gone unheeded by the government.

NEARLY a decade ago he called for a Ministry of Consumer Affairs to fight consumer exploitation because the Consumer Council had "no teeth" and was not fulfilling its function. A Minister of Consumer Affairs would be free of a conflict of interests and would have as his primary aim the protection of consumers.

"Since then the situation has got worse. Con-

Consumer bodies unable to protect man in the street from price trap

Weekend
Argus
SPECIAL
REPORT

FRANK ESTERHUIZEN, Publisher SAH

sumer affairs has a very small role in the department of trade and industry and it is not even mentioned in the official description of the portfolio of the Minister of Economic Affairs and Technology. It is taking a back seat in the government's approach to consumer affairs."

A Ministry of Consumer Affairs was still urgently needed. Although the Consumer Council fulfilled a function, it was limited in what it could do. What was necessary was proper coordination between government departments in matters affecting consumers.

The council had a role in educating consumers, but its funds were limited.

With the government's move towards an open market economy, consumers were left to protect themselves. When exploited they often found themselves in a "take-it-or-leave-it" situation.

A major flaw in the education system was that children were not taught to look after themselves in real life. They were not taught about matters such as opening building society and bank accounts, insurance, and about how they might be exploited.

MINISTER of Consumer Affairs could see to it, for example, that this lack in the education system was corrected.

Mr Schwarz also believes there has to be a body that, rather than at tries

to keep prices down and looks at the numerous items of exploitation.

He is in favour of a tightening-up of consumer protection legislation and the launching of consumer education processes on a much larger scale than existing ones.

Consumer Council spokesman Mrs Annalese Loeve said consumer representation on the council was mainly through women's organisations. When complaints were received by the council's Pretoria head office or branch offices, consumers were usually encouraged to try to solve problems themselves. Failing that, they could send written complaints, accompanied by evidence, to the council's offices.

The council did not have the power to take legal action or to prosecute, but could try to solve problems through negotiation with businesses concerned. If this failed, the consumers were advised to take the matter to attorneys or to a small claims court. Some matters could be referred to the Business Practices Committee for investigation.

ADVANTAGES which the council claims to obtain for consumers include

■ To present to government, commerce and industry "a co-ordinated and motivated case on behalf of the consumer";

■ To develop consumer awareness, to cultivate judicious spending habits and to create a discerning consumer public.

■ To enable the individual consumer to make his or her voice heard through the council, and

■ To give practical guidance to consumers in the retail marketplace, thereby promoting discernment and thrift and contributing to individual welfare and economic stability.

Mrs Lyn Morris, president of the Housewives League of South Africa — one of the country's oldest consumer bodies — believes there is a way in which consumers can break the logjam of their apparent helplessness against rising prices and falling standards of living.

The answer she suggests lies in a form of consumer resistance on a large scale.

"Too many South African consumers are not doing anything about their problems. They suffer rising prices and poor service. What they should be doing is to confront their store managers and shopkeepers and to voice their complaints."

"If you don't query what business is doing, the businessman thinks he is doing right."

Any government decision affecting consumers should be met by immediate reaction from individual consumers by way of letters to the Minister concerned.

"If the Minister suddenly receives four million letters from dissatisfied consumers he will know what people think."

SHE believes consumers could play a major role in elections — but not necessarily on a party-political basis. No South African election, she says, has ever been fought on a consumer affairs platform and there is a need for such action.

"In the United States, for example, the woman's vote — basically a consumer vote — is an important consideration."

On the idea of creating a Ministry of Consumer Affairs, Mrs Morris said this proposal had distinct possibilities, but such a Minister could find himself in the position of being a lone voice against various lobbies in the Cabinet, such as the farmers' and the industry and commerce lobby.

However, such a Minister could play an important role in influencing government decisions on economic policy, especially if he maintained close consultation with all consumer groups of all races and forcefully put their case whenever matters affecting consumers were considered by the Cabinet.

In this way some of the "stupid" government decisions of the past on prices of basic food-stuffs and taxes affecting the consumer could have been avoided.

Postal costs
likely to ²⁴⁴
~~rise~~
rise by 10 pc
Star 6/3/84

By Peter Fabricius,

Postal tariffs are likely to rise by slightly less than 10 percent on average when Minister of Posts and Telecommunications, Mr Stoffel Botha, presents the Post Office budget today.

It is expected he will announce tariff increases in line with the increase in Sats fares and tariffs.

Official sources said that both budgets were following a policy ruling to keep increases below the inflation rate.

Mr Botha is also expected to announce that local telephone calls are to be metered.

His office has also indicated that the Wim de Villiers report on privatisation of post office services will also be tabled in Parliament today.

Medicines now '80 percent' too expensive

ARGUS
7/3/89
264
180
86

The Argus Correspondent
JOHANNESBURG — The consumer would save 80 percent on the price of drugs if the State tender system for medicines was abolished, says Mr Gary Kuhn, the president of the South African Association of Retail Pharmacists

He told the 39th annual meeting of the association yesterday that medicine sold by manufacturers to wholesalers was 40 times more expensive than that sold by manufacturers to the State

The wholesaler then put on his mark-up, as did the phar-

macist. By the time the drugs reached the consumer the price was hugely inflated

"What justification could there be for the price difference?"

Report

He hoped the De Villiers Commission report on drug prices, to be released next month, would suggest a solution

Mr Kuhn quoted these examples of medicine price differences

● Bactrim 500mg R32 (tender price), R186,40 (wholesale price)

● Naprosyn 250mg R35 (tender price) R128,99 (wholesale price)

● Zylprim 300mg R1,30 (tender price per box of 30), R21,97 (wholesale price)

● Brufen 400mg R15,35 (tender price for 250 tablets), R88,30 (wholesale price)

● Amoxil 250mg R12,56 (tender price per 100), R45,10 (wholesale price)

Angry

It was the pharmacist who had to face the angry consumer and was constantly blamed for inflated drug prices

But an official report compiled by the University of Pretoria had shown the community pharmacist did not make excessive profits

Recent figures had shown the average retail pharmacy operated on a net return on investment of less than five percent

● Sapa reports that the Minister of Health, Dr Willie van Niekerk, told Parliament yesterday that a group of retail pharmacists from all over South Africa will within weeks announce a 20 to 25 percent cut in the cost of their prescription medicines

Dr van Niekerk told the House of Delegates "It will make us all proud when chemists come forward and do a thing like this themselves"

Take lead

He had made representations to the Minister of Finance, Mr Barend du Plessis, on the possible abolition of sales tax on medicines. But he and Mr du Plessis felt it would be preferable to subsidise only those who could not pay

He did think that VAT would be levied on medicines

Earlier Mr P I Devan (Solidarity Cavendish) said the government should take the lead in trying out a whole range of new ways to control health costs

There should also be a drastic revision of the Medical Schemes Act

He suggested a medical cost containment board be established to monitor health-care costs and find ways of cutting them

SA lawyers convince ANC on issue of Bill of Rights

BY TIM COHEN

An important breakthrough was achieved by lawyers who met ANC members in Harare last month. Professor Johan van der Vyver told Wits law students at a report-back meeting recently.

The 30 mainly Afrikaans lawyers from South Africa were able to convince the hesitant ANC members present that a Bill of Rights was desirable. Finally the participants at the meeting unanimously agreed to include it in their final communique.

He said the ANC was not particularly keen on a Bill of Rights because they feared that the government of a post-apartheid South Africa — which they hope will be an ANC government — would be stifled by the kinds of restrictions a Bill of Rights would contain.

Professor van der Vyver used the example of a constitutionally defended right to property ownership, which he said the ANC feared would restrict a new government's attempts to redistribute wealth.

"But I think after the purpose of a Bill of Rights was fully discussed and some of the fears were warded, the ANC people conceded that a post-apartheid South Africa should have a justifiable Bill of Rights — a Bill of Rights that is enforceable through the courts."

A conference to discuss the role of law in a society in transition, held in Zimbabwe last month, attracted 30 lawyers from South Africa, members of the ANC's department of legal and constitutional affairs, leaders of the ANC and Zimbabwean lawyers. The University of the Witwatersrand's Professor Johan van der Vyver attended the conference and spoke of his impressions.

through the courts."

Professor van der Vyver explained that the argument put forward by the lawyers from South Africa was that the new constitution, including the Bill of Rights, should guarantee the non-repetition of the evils which a society experienced.

"That's the way the American Bill of Rights was drafted and that's the way the Bill of Rights of the Federal Republic of Germany was drafted."

"The countries came to a crisis in their history; they established a new society and in their constitution they made guarantees against all the faults of the past so that the crisis would not be continued."

"At the talks, the ANC delegation presented a draft constitution, which includes such principles as universal suffrage, the promotion of a single national identity, a constitutional duty to eradicate race discrimination, worker's right to strike, a mixed economy and an affirmative action programme to implement land reforms."

Professor van der Vyver said his main criticism of the ANC document is that it retains elements of state absolutism and totalitarianism.

For example the constitutional guidelines ban and make punishable any kind of racism, he said.

To do as the ANC's guidelines suggest would be to over-burden the law in an attempt to put things straight, Professor van der Vyver said.

The debate on violence was extremely heated, he said, but after one heated exchange, a senior member of the ANC had stood up and "very solemnly" told the conference that the ANC would never again attack soft targets.

The ANC had internationally committed itself to abide by the first protocol of the Geneva convention on war, which means that it had undertaken to conduct its offensive against the South African Government in terms of the rules of international humanitarian law, he said.

The convention outlawed urban terrorism and the hitting of soft targets.

The ANC did admit that it had attacked soft targets, but ANC representatives said that in all the cases, the operatives involved were trained in South Africa.

They had not had the opportunity of going to Lusaka to be briefed on the ethos and the international commitments of the ANC.

JUST A QUICK LINE

Further rises in new vehicle prices expected

CAR TIPS 7/3/89
246

Own Correspondent

JOHANNESBURG — New vehicle prices have risen far more rapidly than the price of other commodities and in the next two years is expected to rise by a further 48%, according to an industry analysis done by Prime Car Leasing

Besides a brief respite in 1987 when a marginally stable rand kept vehicle price increases at a level close to the inflation rate, prices had increased dramatically over the past four years, often at the expense of sales, the statement said

For example, a Volkswagen Citi Golf which cost R7 795 in 1984 increased 140% in price by 1988 to R18 210

The average price of vehicles at full maintenance lease was currently R30 000 but could soon rise to R50 000.

The motor industry was unlikely to be able to contain vehicle prices anywhere near the anticipated level of inflation and it was generally accepted that motor vehicle prices would increase at the rate of 4% to 5% per quarter in the short to medium term, the analysis show

Behind the forecast was the pressure of local inflation and a weak currency.

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

Prime Car Leasing MD Nigel Webb said the expected the rise in the next two years would put pressure on even the most financially strong companies

replacing fleets.

Webb said buying down in the market could provide a short-term solution but the options were limited as the corporate motorist would not take kindly to his motoring status being eroded.

Motor industry analysts confirmed an increase in buying down, but felt the smaller cars had become increasingly sophisticated and offered more than small cars a decade ago

Webb believed the mini car, so long neglected by the local motor industry, was about to become a reality. The Fiat Uno, to be launched by Nissan in 1990, would usher in a new era in SA motoring, causing other manufacturers to enter this market

Car prices set to soar by 48 pct over two years

By Sven Lünsche

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

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

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

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

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

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

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

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

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

8/27/89

244

for 7/3/89

244

Postage and phone rentals to cost more

By Peter Fabricius,
Political Correspondent

CAPE TOWN — Postage on standard letters will increase from 16c to 18c and telephone rentals will rise by 20 percent in a wide range of postal tariffs changes which come into effect on April 1.

They were announced in a R6 890 740 000 Post Office budget presented to Parliament yesterday by the Minister of Communications, Mr Stoffel Botha.

Metering of local calls according to the length of the call would be phased in, starting with the Pretoria-Witwatersrand-Vereeniging areas in April, he said



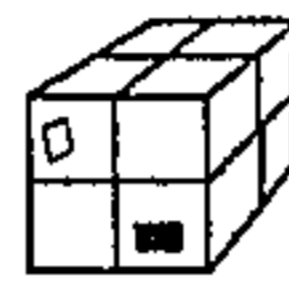


Mr Botha explained that tariff increases were aimed at increasing revenue by 4,1 percent and would push up the consumer price index by 0,07 percent.

There would be no increase in charges for telephone and telex calls but

- Telephone rentals would go up 20 percent from R15 to R18
- Party line rentals would go up by R3 to R19
- Telephone installation fees would rise from R125 to R140 (though social pensioners would still pay R25)
- Telegrams would rise from R2,50 minimum to R3,50
- Post on 1 kg parcels to be increased from R1,65 to R1,90

Mr Botha said he could not give an overall percentage increase in tariffs, but added that the cost of Post Office services for the average user would increase only "marginally"

"For example, a person who rents a telephone, mails 10 letters and sends one parcel of 1 kg a month

 Telephone Rental & Installation (Main services)	Rental	EXISTING TARIFF 15,00	NEW TARIFF 18,00
	Installation	Social pensioners 25,00 Other 125,00	Unchanged 140,00
(Telephone calls and Telex charges remain the same)			
 Standardised letters	Inland	EXISTING TARIFF	NEW TARIFF
	Surface mail	16c	18c
	Airmail	16c	18c
(Including postcards & aerograms)			
 Parcels		EXISTING TARIFF	NEW TARIFF
		Surface	Air
	Up to 100 grams	1,15	1,20
	Above 500 grams to 1000	1,65	2,20
	Above 5000 to 10000 grams	6,20	13,70
		7,00	15,50
 Registered		EXISTING FEE	NEW FEE
	Registered Articles	75c	1,00
 Express	Express Delivery	2,25	2,50

would pay R3,45 a month more for these services"

He said the metering of local calls was not aimed at increasing revenue but at eliminating anomalies in the tariff structure

Customers need not be affected adversely by the new method if they kept calls during office hours short and made longer calls after hours when tariffs would be cheaper

In the new system local and trunk calls over the same distance would cost the same, local calls of less than three minutes for which two or more units were charged under the present system would become cheaper, cheaper after-hours rates would apply to local calls as well as trunk calls, the charge would be determined by the call distance, the time of day and the day of the week

Mr Botha said total expenditure for 1988/89 was estimated at R6 422 million, which was R267,8 million or 4,35 percent higher than budgetted

Operating expenditure was expected to be R4 350 million, or R247,6 million higher than the original estimate of R4 102,4 million

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PO increases slated by CP, PFP, consumers

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

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

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

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

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

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

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

● See Page 6.

TA R I F F I N C R E A S E S ANNOUNCED YESTERDAY IN THE 1989/90 POST OFFICE BUDGET WERE THE "IMP- TEENTH PRICE SHOCK" TO HIT THE SOUTH AFRICAN CONSUMER IN THE PAST FEW WEEKS, THE CONSERVATIVE PARTY'S OFFICIAL SPOKES- MAN ON THE PORTFOLIO, MR S P VAN VUUREN (VENTERS- DORP), SAID YESTERDAY.

TARIFF increases announced yesterday in the 1989/90 Post Office Budget were the "imp-teenth price shock" to hit the South African consumer in the past few weeks, the Conservative Party's official spokesman on the portfolio, Mr S P van Vuuren (Ventersdorp), said yesterday.

Commenting on the budget introduced earlier in Parliament by the Minister of Posts and Telecommunications, Mr Stoffel Botha, he said "the tariff increases will undoubtedly contribute to the increase in the inflation rate."

The increases were unjustified particularly as the Post Office had again had a very favourable financial year, the Progressive Federal Party's official spokesman on Communications, Mr Jan van Gend (Groote Schuur), said.

"Although the increases are modest, I cannot accept there was any need (for them)," he said in a statement after the Budget was introduced in Parliament.

"The postal and telephone services are fundamental tools of communication and even a moderate increase affects the already strained pockets of pensioners and others with modest incomes."

The increases were unjustified because profits and operating surpluses were again well over budget.

"The operating surplus of R538,6 million is more than double the budgeted figure of R241,8 million."

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

"The pensioner and disabled person's plight will be added to by the pending introduction of the time metering on local calls."

"I will continue to fight against this proposal and am supported in my opposition by hundreds of thousands of elderly people all over South Africa," he said — Sapa

'Some' chemists to lower prices

CAPE TIMES 7/3/89
200

A GROUP of retail pharmacists from all over South Africa will shortly announce a 20 to 25% cut in the costs of their prescription medicines, the Minister of National Health and Population Development, Dr Willie van Niekerk, said in the House of Delegates yesterday.

He said the announcement would be made "in the next few weeks".

The cost of medicines — which has drawn the government and retail pharmacists into a gloves-off row — has already increased by an average 33% this year.

Dr Van Niekerk was reported at the weekend as saying that the price cuts could be made if negotiations between his department, medicine manufacturers and wholesale and retail pharmacists succeeded. Another meeting is scheduled this week. It is one of a series under the chairmanship of Dr Coen Slabber, director-general of the Department of National Health, which has been taking place since November.

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for

istrict, which is a stronghold of the UDF.
In a separate incident, a group of
people stabbed a man to death.

strong points, small communications
centres where people in trouble can
summon help. — Reuter.

Stand by for a bread price rise

PRETORIA — An announcement of a substantial bread price increase is expected when the Budget is presented to Parliament next Wednesday, according to sources in Pretoria.

The current financial year's subsidy of R130m has almost run out and unless Finance Minister Barend du Plessis can find at least another R170m to support present prices in the new financial year, a price hike of at least 10% is probable.

The price was last raised in August last year — white bread by 4c a loaf and brown by 6c.

At present a white loaf carries a subsidy of 2,3c, and a brown, 11,3c.

GERALD REILLY

Another indicator pointing to a big hike in the bread price is the Cabinet decision last year to phase out all food subsidies

The milling and baking industries are also expected to be granted higher margins to compensate for increased rail rates, the big increase in fuel prices, higher wages and other cost increases.

The big decrease in the producer price — by R45 a ton to R350 — would compensate for the expected substantial losses.

Monday 8/3/89

AIDS may hit employee benefits

CAP 7/2/89
8/3/89 244

Medicines:

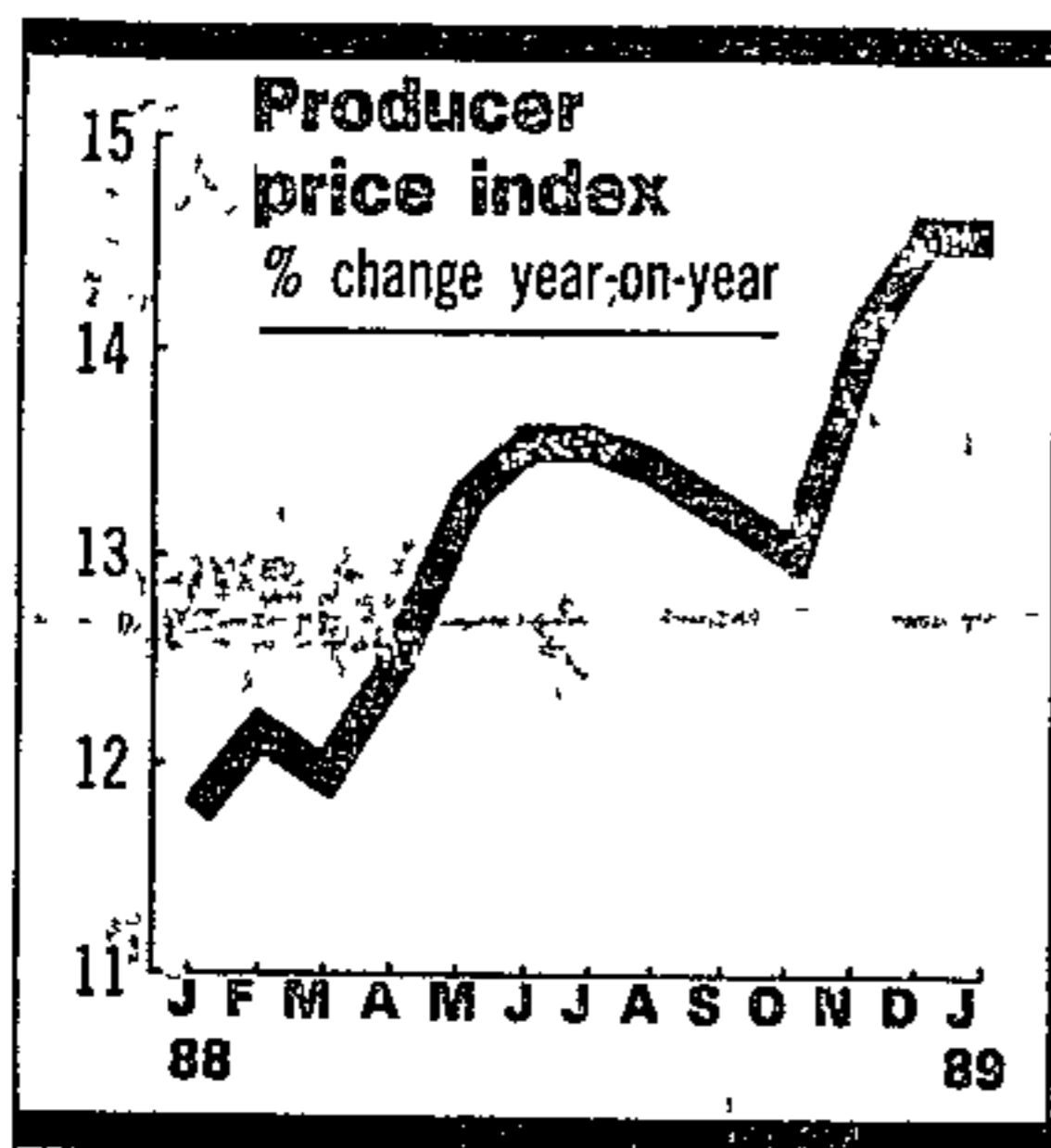
Support for no-GST call

JOHANNESBURG. — A request for an immediate application to the Minister of Finance to exempt prescription medicines from GST was overwhelmingly supported at yesterday's session of the Retail Pharmacists Conference.

The National Committee of the South African Association of Retail Pharmacists (SAARP) will also make representation to the minister with the urgent application that the raw materials used in prescription medicines will be exempt from import surcharge.

The committee further agreed to ensure that a post-graduate course in basic veterinary medicine and pharmacology be offered to all practising pharmacists.

In conjunction with this recommendation, a request will be made to the Medicines Control Council to allow pharmacists to sell certain categories of veterinary medicines. — Sapa



Graphic: FIONA KRISCH Source: CSS

PPI signals higher 1989 inflation

bt Sam 10/31/87
 KAY TURVEY 244

THE Production Price Index (PPI) for January rose 1.3% from December, signalling higher inflation for 1989 is on its way

The rise in the PPI, which leads the Consumer Price Index by a couple of months, confirms economists' views of an upward inflation path reaching 15%

Central Statistical Service (CSS) figures released yesterday show the annual rate in the PPI at 14.6% for January was unchanged from December. Wits senior economics lecturer Terry Contogiannis says one should note how the annual rate had climbed from a low of 13.1% in

October last year

On a monthly increase of 0.6%, imported commodities showed an annual rise of 13.9%, whereas locally-produced commodities were 1.5% up on the month with a year-on-year increase of 14.9%

Contogiannis said it appeared the effect of the lower rand and import surcharge were yet to be fully reflected in the index, as import figures showed there had been heavy stockpiling of imports prior to introduction of the surcharge in August 1988.

Registration statistics tell it all

B/Dan 10/3/89

MOTOR vehicle registrations jumped by 90,5% in January this year compared with the month before, according to the latest statistics released by Central Statistics Service

But, regrettably, the jump in registrations does not mean that the motor industry is set to soar this year

In fact, the number of new vehicles registered during January 1989 is only marginally higher (0,1%) than the total number of new vehicles registered during January 1988. In that month, 19 433 new vehicles were registered

The statistics show that the total number of new vehicles registered in the Transvaal during January this year amounted to 19 450, compared with 10 209 new vehicles registered in December 1988

In January, cars increased by 3,3%, tractors by 18,8% and trailers by 36,1%. There was, however, a decline in the number of minibuses (2,1%), buses (27,5%), commercial vehicles (13,1%), motor cycles (35,0%), cara-

vans (2,3%) and the category "others" (5,9%)

Topping the rankings for new cars registered by manufacturer were Toyota with 2 814 and Volkswagen with 2 760

Addressing the number of used vehicles registered during January 1989, the report records a decrease of 15,4% compared with January 1988, and a decrease of 11,5% when the January 1989 figures are compared with December 1988

The total number of used vehicles registered during January 1989 amounted to 28 404, compared with the 33 586 registered during January 1988 and the 32 091 registered during December last year

During January 1989, decreases were

recorded across all vehicle categories with tractors (88,8%), "other" (84,3%), trailers (56,6%) and buses (30,8%) reflecting the largest decreases on the corresponding period year ago

Commercial vehicles, caravans, motor cycles, motor cars and minibuses reflected decreases of 8,9%, 7,9%, 3,8%, 3,0% and 2,3% respectively. There were 18 726 used motor vehicles registered with the authorities during January 1989, 4 298 used commercial vehicles, 1 765 used motor cycles, 1 298 trailers and 1 152 used minibuses

By MEG BRITS

A NEW corporation, Mediscor, is behind the scheme to cut the spiralling cost of prescription medicines by 20-25% from April 3

The general manager and chief executive of Mediscor — or Medicine Distribution Corporation — is Mr J D van Zyl, immediate past president of the SA Pharmacy Council, the statutory policy-making body for wholesale and retail pharmacists

Mr Van Zyl was also, until August last year, MD of the Amalgamated Chemists' Association (ACA) ACA is the wholesaler associated with the Plus group of retail pharmacists.

He said the reductions in medicine prices would be available only to members of contracting medical schemes

Mediscor would contract with various medical-aid schemes and societies to appoint member retail pharmacists in the areas in which the schemes wanted them, he said

It will then buy medicines in bulk from the manufacturers

Drug costs: Mediscor behind cut

CRK TIMES 10/3/89

and other suppliers and distribute them through its retail member outlets

Obviously, Mr van Zyl said, it would be able to negotiate discounted prices with bulk buying power, and the saving would be passed on to consumer at the retail end

It does not appear that existing wholesale groups, of which there are eight in the country, have ever used their combined buying power (some R450m last year) to negotiate rock-bottom pharmaceutical prices

Mr Van Zyl said the primary objectives of Mediscor were to combat the high cost of medicine, to improve the standard of services rendered by the pharmaceutical profession and to enable members of medical schemes to enjoy the full benefits of the expert knowledge and skill of pharmacists

Most buyers of medicine in the private sector, he said, were members of medical-aid schemes. The distribution system to be used by Mediscor would reduce the over-the-

counter prices of prescription medicines by at least 20% and would also help to keep medical-aid subscriptions down

However, he said it would not be up to Mediscor whether medical-aid schemes told their members to obtain their prescriptions through specific retail outlets

Mediscor retail members would also not be allowed to advertise their lower prices, he said

Mr Van Zyl said he was making the announcement about Mediscor, originally scheduled for the end of March, because Health Minister Dr Willie van Niekerk had been accused of being "very secretive" about the group

He said that because of "sensitive negotiations all over the country", he had asked the minister not to disclose the name of the group

Dr Van Niekerk could not be contacted for comment yesterday

● A spokesman for the Representative Association of Medical Schemes yesterday said Rams welcomed the move

Increased telephone charges expected to give fax sales a boost

Stan 10/3/89 (244)

By Stan Kennedy

The introduction in April of unit charges for local telephone calls of over three minutes is expected to boost sales of fax machines, particularly those with fast transmission speeds, as well as the installation of telephone management systems

From April 1, calls will be charged at 13,5c a unit and the customer will be charged for the length of the call divided by the call time unit and multiplied by 13,5c

"The advantage of fax over the telephone is that it takes less time to make an inquiry, explain a drawing or place an order," says Mr Jac Moolman, managing director, Nashua

"The average time to send a page by fax is 30 seconds, whereas to read a page over the telephone could take up to three minutes, and this would usually precede or follow a general conversation which extends the length of the call"

Large companies which have installed machines with slow transmission speeds face huge increases in their telephone bills, says Mr Mario Pretorius, MD of Protea Fax

"A fax that completes the handshake, or machine-to-machine recognition period, in 14 seconds and then sends an A4 page in 10 seconds means far lower telephone bills

"What the user saves on his monthly lease on a cheaper and slower machine will be nullified by a heavier telephone bill"

He argues that a user with a fax usage pattern of 80 percent local calls costing R200 a month

and 20 percent national costing R300 (national calls are already charged per unit), could find himself with a bill rising from R500 to R700 a month Using a high-speed fax which is 30 percent faster than the average, he could save R200 a month

A call unit from Johannesburg to Cape Town and Port Elizabeth is eight seconds, to Durban, East London and Kimberly 10 seconds, Bloemfontein 12 seconds and Pretoria 36 seconds In comparison, the telex unit charge for distances from one to 100 km is 60 seconds, 101 km to 200 km is 30 seconds, 201 km to 400 km is 15 seconds and more than 400 km is 12 seconds

A comparison of savings achieved by using a fax machine versus telex in sending an A4 page to Australia, Europe and Japan is telex R11,20 (fax R2,30), UK R10,80 (R2,30), USA R10 (R2,30), Middle East and Far East R14,80 (R2,30)

The Post Office recently cut the rental costs of telex and Teletex to make them more competitive with fax but Mr Grant Dunbar, Fastfax, says these machines belong in the technological graveyards, adding that most fax machines are cheaper than telex or Teletex

He believes the South African market will stabilise and grow by 10 to 12 percent a year and by 1992, he forecasts that about 270 000 fax machines will be installed in business

"But if prices reduce significantly, a second and far greater wave of sales will occur with the introduction of fax into the home market"

Nov 10 11 59 244

PPI increases at high monthly rate

The production price index for January this year increased by 1,3 percent compared with December last year, the Central Statistical Service said yesterday

The annual rate of increase for January was 14,6 percent, unchanged from December 1988

The annual rate of increase of locally produced commodities was 14,9 percent for January this year, which is 0,3 percentage points lower than for December 1988, while imported goods rose by a monthly 0,6 percent

The index for the total output of South African industrial companies rose by a year-on-year 16 percent

Mystery plan to bring down drug prices

Star 10/3/59

244

By Tom Younghusband,
Medical Reporter

Almost half the total number of registered pharmacies in the country are likely to join a mystery scheme to bring down the price of medicine, the head of the scheme, Mr JD "Kosie" van Zyl, has claimed

Mr van Zyl, general manager of the Medicine Distribution Corporation (Mediscor), said from his office in Cape Town yesterday that he was negotiating with pharmacies countrywide to form a group of pharmacists who would cut their prices. He expected between 500 and 1 000 pharmacies to join

Mr van Zyl's scheme was revealed by the Minister of National Health and Population Development, Dr Willie van Niekerk, in Parliament this week. However, Dr van Niekerk did not name Mr van Zyl's company

In answer to allegations by the South African Association of Retail Pharmacists that the

Minister was being secretive about the scheme, Mr van Zyl came forward yesterday

He claimed his scheme would bring down the price of prescription drugs by between 20 per cent and 25 per cent

In an interview with The Star, Mr van Zyl said he was reluctant to reveal too much about the scheme because he was involved in very sensitive negotiations

"I hope to have the scheme in operation within the next few months. I have been working on this scheme for a long time now and am speaking to various pharmacies," he said.

Mr van Zyl said his group was a pharmacy group rendering a service to medical aid members

The scheme was aimed at medical aid members

He said he did not want to reveal now how his scheme would operate. He would not say how the group was financed

"That is personal," he said

Row over bid to sell cut-price medicine

SITunes 12/3/87 (23) 244

By GWEN GILL

A GROWING number of pharmacies are cutting the costs of prescription medicines

Medical aid members in many parts of the country could be paying 20 percent less for these within months, said Mr Kosie van Zyl, managing director of a new group, Medicine Distribution Corporation

He said this week at least 50 pharmacists had approached him to join in the discounting since details of his operation were revealed two days ago

Since last October, a large Pretoria pharmacy, Pharmarama, has been quietly cutting prescription prices by 25 percent

But a huge row is brewing in pharmaceutical circles over what the professional bodies see as support for a commercial venture by Minister of Health Dr Willie van Niekerk

Mr Van Zyl has been on the Pharmacy Council for 25 years, the last five as president

He said "Mediscor's operation will be like a franchise

"Our aims are to bring down the cost of drugs, improve the standard of pharmaceutical practice in South Africa and enable

medical aid members to enjoy the full benefits of the expertise of the pharmacist.

"We are expecting between 500 and 1 000 of the country's 2 700 pharmacies to join us. We should be able to buy in massive quantities at a discount. That's how we'll be able to cut the price of prescription medicines"

Unpleasant

Selling prescription drugs at discount prices breaks an ethical rule of the pharmaceutical industry and could result in pharmacists not being allowed to practice

Mr Gerhard Slabbert, a director of Pharmarama, said this week "Consumers are flocking into my store to see what's going on"

Though it welcomes moves to cut medicine prices, a spokesman for the Pharmaceutical Society of South Africa this week slammed the Minister of Health's "use of his privileged position" to draw the public's attention to Mediscor.

The Deputy Minister of Health Services in the House of Assembly, Dr Michael Veldman, moved on Friday to cool down the row

He appealed to all parties to end the "unpleasant war of words" between pharmacists and the Government in a "responsible manner".

Industry sources warned that cutting prices could mean many pharmacists going out of business.

"A survey last year showed that if prescriptions were discounted by five percent, 40 percent of pharmacies would have to close. The figure rose to 80 percent if a 15 percent discount were given."

However, neither Mr Slabbert nor Mr Van Zyl believe it will be necessary for pharmacists to lose their jobs

Some air fares to rise by up to 28 pc

Staff Reporter

Some overseas air fares will rise by as much as 28 percent, when overseas tariffs increase next month, SAA confirmed today.

A spokesman said that, pending approval by foreign governments, an across-the-board increase of five percent on overseas flights would come into effect on April 1, but a large portion of the rise would be the result of March and April being declared high season months.

The number of high season months would thus be increased from six to eight.

Under the new charges a London return flight, which this month costs R2 626, would increase to R2 757, with five percent added across-the-board resulting in a price tag of R3 129 after adjustment for the new high season rates, said a travel agent.

The SAA spokesman said that although the rises had been approved by IATA members, the announcement would not be made until next month.

She said passengers had the opportunity to pay for special tickets at the "old price".



244

15/3/67

International air fares to rise soon

^{13/3/89}
Brent Melville ²⁴⁴ ⁽²⁵⁷⁾
Brent Melville

AIRLINE fares are set to soar by as much as 28% for international flights from April 1, SAA confirmed yesterday.

The International Airline Transport Association (Iata) announced seasonal adjusted change and an across-the-board 5% fare increase had resulted in a flight price rise by as much as 19,2% to London, 20,8% to Sydney and 28,2% to New York, SAA said.

Williamsworld MD Bob Williams says the season change is cut from six to four "low" season months. European "low" months March and April, will have "high" season rates.

This will cost the economy class SA traveller an additional R503 in those months on a "new Pex fare". In addition, all flights to the US would cost at least 11,8% more than the old Super Apex fare of R3 217, and all fares from Australia would go up by 10%.

A London flight, costing R2 626 on an old Pex fare, should cost 5% more, or R2 757. "Instead, the traveller finds himself paying R3 129," he said.

Rand exchange rate gets blame . . . but why that R160 m profit?

SAA fares soar above cost-of-living increases

244
 Shaw 14/3/89

The cost of international jet travel has soared out of the reach of many South Africans over the past five years

Since April 1985, the cheapest available Johannesburg—London return tickets have risen by 143 percent, while the cost of living index for all items rose by 61.3 percent to last October

And, for largely political considerations, jet travel from Johannesburg to New York and return has risen by 224 percent, and trips from Johannesburg to Sydney by 128 percent

SAA claims that an unfavourable rand-dollar rate has made it difficult to compete against European-based airlines

Rands — and profits

Yet the rand has slipped "only" 30 percent against the dollar since April 1985 — from R1,96 to R2,53

But since last October alone fares on all outgoing flights from South Africa have gone up 16 percent to compensate for devaluations in the rand

According to travel agent Mr Bob Williams, SAA cannot justify a constant string of currency adjustments over the last five years in the face of its declared R160 million profit for the last financial year

He points a finger at SAA for moving the goalposts in expanding the high seasons to most of its major destinations

On the other hand, it is argued that SAA has had to increase significantly its salary

payments to flight crews in the face of poachers

A near-70 percent rise in the consumer price index (CPI) has a harsh effect on profitability and there are ever-increasing costs for fuel, aircraft replacement and maintenance for an ageing fleet, and the burgeoning costs of training flight crews

The financial pain of being barred from overflying Africa has been made sharper by the loss of landing rights in New York and Australia

SAA chief executive Mr Gert van der Veer has consistently claimed that South Africa's domestic rates are among the cheapest in the world, for each kilometre travelled. Possible subsidisation has to come from somewhere

There are critics who contend that SAA is keeping its profits unnecessarily high to apply window-dressing for a higher purchase price when privatisation comes

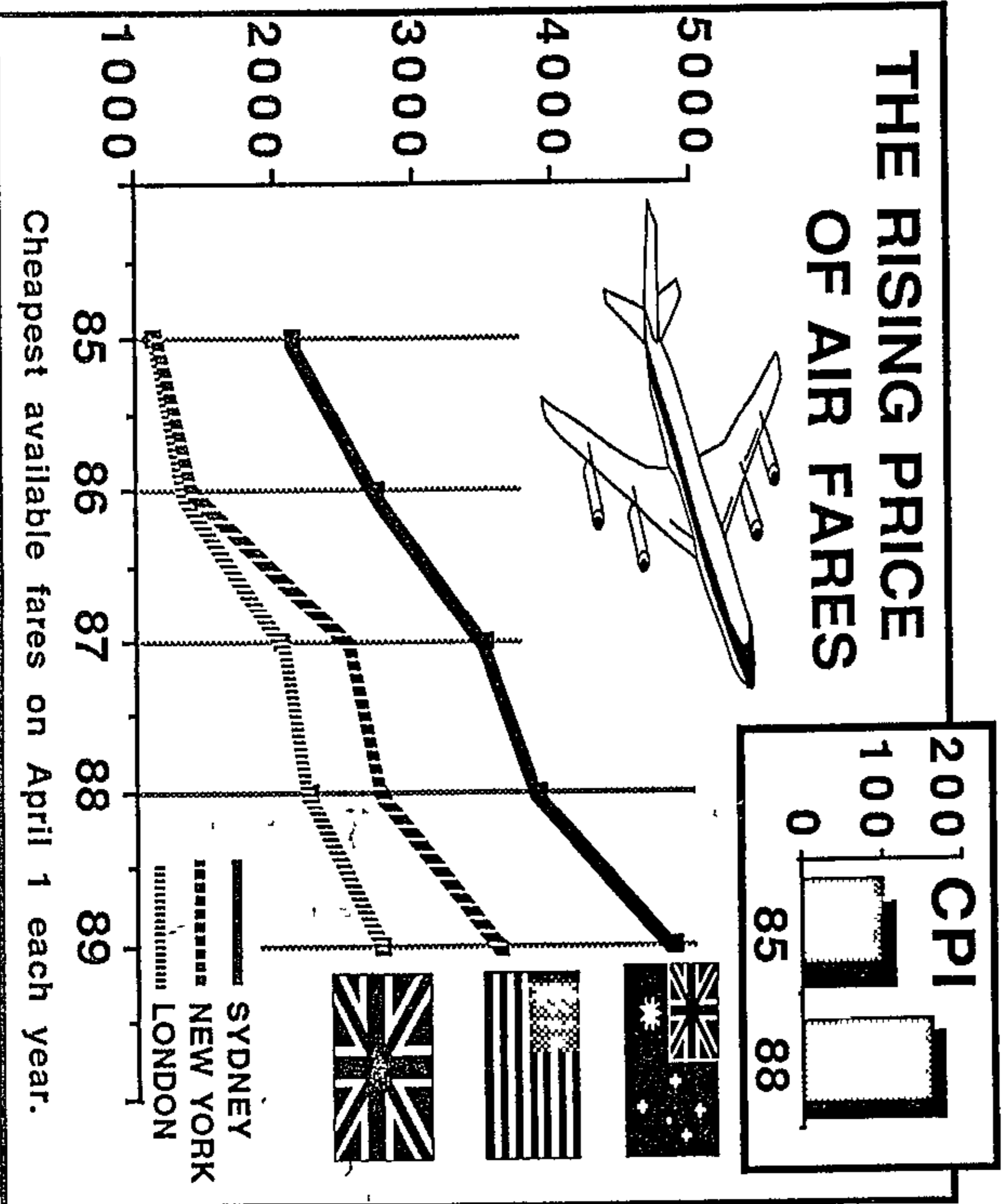
But until SAA comes on to the auction block, it has to face flak for being the ringleader of the cartel of operators who put their own price tag on flights in and out of the country

While many of the critics agree that companies can charge what they will in a free-enterprise situation, most baffle at what they believe is a monopolistic milieu

Meanwhile, the punch-drunk consumer accepts more fare increases as merely "that time of year again", or the result of a further shrinking of the rand against the dollar

April Fool's Day is that time once again

International air fares rocket again next month. A five percent across-the-board increase agreed through the International Air Transport Association (IATA) and the expansion of the high season from six to eight months will boost Johannesburg—London return flights by 19 percent, Johannesburg—Sydney trips go up by 20,8 percent, and Johannesburg—New York trips soar 28,2 percent. **DAN** SIDE takes a look how air fares have zoomed up faster the cost of living in the last five years



15 Dec 14 3 129

Health sector prospects are perking up

264

GERALD REILLY

PRETORIA — Health sector organisations are said to believe government's privatisation and deregulation policy would create more competition with cheaper medicine and health care.

A Health Department spokesman said yesterday this was agreed with health sector organisations, although reductions in the prices of medicines was a complex and sensitive matter.

The Competition Board has been asked to investigate the feasibility of the sector working only from published prices based on quantities. The misuse of bonuses and samples was condemned.

These items were agreed at talks last week between the Department of Health, Medical Association of SA, the SA Pharmaceutical Association, SA Association of Retail Pharmacists, National Wholesale Druggists' Association, pharmaceutical suppliers and private hospitals.

The Pharmaceutical Council was considering amendments to ethical rules to curb misuse.

It also said price controls were undesirable and could be counter-productive.

Private hospital representatives explained why some hospitals had contracted out. They said the provision of medical services, according to Reserve Bank statistics, rose in 1983-87 by 49,7%.

In the same period pharmaceutical and allied surgical products increased by 96,3%, services by 71,1% and all goods and services by 78,5%.

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New duties in the pipeline

Prices of ²⁴⁴ TV sets are likely to ^{scribble} rise in April

Stamp 12/3/89

By David Canning

Durban

The price of television sets is set to rise as a result of a new set of duties to be announced by the Board of Trade on March 31.

Furniture and electrical appliance retailers are worried about the impact on costs of the Board of Trade's new duties, which are designed to cut South Africa's high import bill and to stimulate exports.

Mr Sidney Trickett, joint managing director of Price Furnishers, said in Durban that the big four TV manufacturers already have indicated rises can be expected. Tek Electronics expects to increase prices by 5 percent to 10 percent.

Tek says in a letter to retailers that the Government proposals will be gazetted on March 31. The full position will only be known by Saturday April 1.

Mr Trickett says his company will be stockpiling TVs ahead of the increases.

Mr Jack Cohen, chairman of the Radio and TV Manufacturers Association and MD of Te-delex, said the exact new formula was not fully known. Therefore its impact on prices could not be assessed.

He supported the board's attempts to localise manufacture. All major manufacturers were attempting to do this at present.

Three years

Those who relied solely on imported components would go out of business because their prices would be too high.

It is understood the programme will be phased in over three years. A similar programme is likely to be introduced for audio equipment.

However, there could be good news on the horizon for buyers of black and white sets. The proposed establishment of a local TV tube manufacturing plant, employing 4 000 people, could ameliorate the increases, and eventually cut the price of black and white sets.

However, industry sources said that careful costing did not support claims that black and white sets could sell for R150.

UK makes progress on pill for men

Medical Reporter

British scientists are working hard at finding a contraceptive pill for men.

Twenty married men with proven fertility records recently took part in a year-long study at the Reproductive Biology Unit in Edinburgh, Scotland, which showed they would be unlikely to make their partners pregnant after having injections with male contraceptive hormones.

Men between the ages of 30 and 40 were injected at three-week intervals over a 12-month period during which time their sperm counts fell from 100 million to just five million and there were no reported pregnancies.

When the injections stopped, the sperm count returned to its previous level.

According to Dr John Aitken, who led the study, to develop a reliable male contraceptive which had a 99 percent success rate, it was necessary to know when the male sperm was incapable of fertilisation.

The principle, he said, was safe, efficient and reversible, but the key question remained at what level between a sperm count of one and five million was pregnancy almost impossible?

A follow-up test, said the *South African Medical Journal*, was now in progress and Dr Aitken hoped to identify the completely safe sperm level. When that happened the pharmaceutical industry would be able to make an oral version.

Star 16/3/89

244

Diesel fuel levy up 2½c a litre

By Paula Fray

The Minister of Finance, Mr Barend du Plessis's, announcement of the introduction of a 2½ cents per litre levy on diesel fuel as from next month was a blow for the "overtaxed" motorist but, was expected, hauliers said yesterday.

The increase has been labelled inflationary by the Progressive Federal Party spokesman on transport, Mr John Malcomess.

Mr du Plessis said the heavy vehicle licence levy had been phased in from November 1, 1988, while the levy on diesel fuel would be instituted on April 1.

Neither the heavy vehicle licence levy nor the diesel fuel levy would be specifically earmarked for roads, he said.

The heavy vehicles belonging to the South African Transport Services (Sats) would be subject to these levies on the same basis as those of the private sector, to eliminate "unfair competition".

'POSITION OF BEING OVERTAXED'

The chairman of Unity Longhauled, Mr G Donald, said: "It was expected ... but it puts road hauliers in a difficult position of being overtaxed — especially when taking the toll roads and previous fuel tax increases into account."

He said the Minister was making it extremely difficult for the private sector to compete with sectors of Sats.

Chief Executive of the National Association of Private Transport Operators, Mr Andre Jacobs, was angered by the 2½ cents levy.

"The Government said the increase in the heavy vehicle licences was needed because of the damage done to roads. But if the levies are not put back into roads, what is it talking about?"

Tripling costs ^{FMM} _{17/3/89}

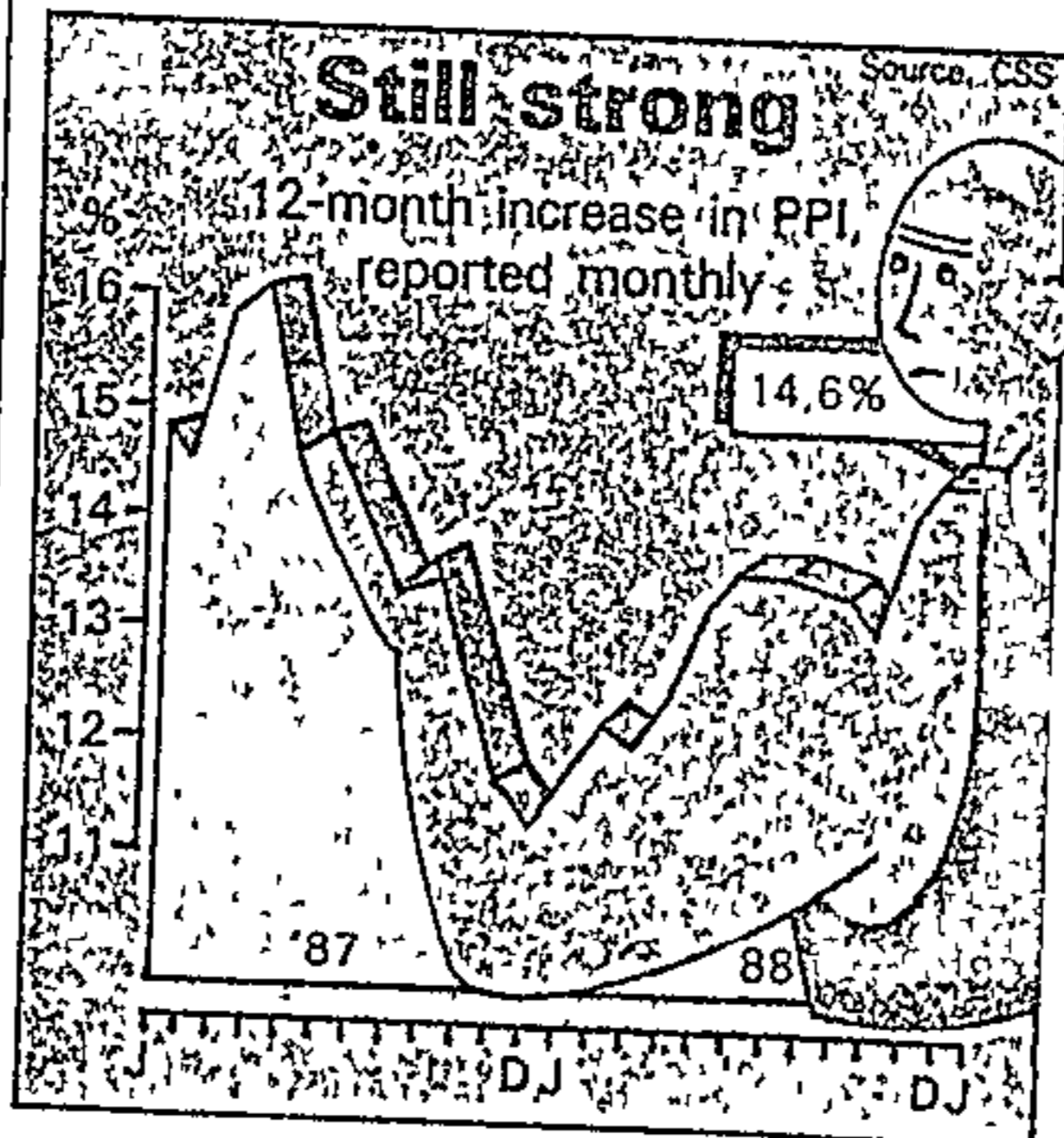
Producer prices kicked off the year with a robust 1,3% monthly increase, in line with predictions of higher price inflation in 1989. The production price index (PPI) rose to 299,8 in January from 295,9 in December (1980=100) — up 1,3% in the month and 14,6% over the past year. This means a basket of commodities that cost R100 in mid-1980 cost just a shade under R300 in January, tripling in less than nine years.

January's monthly increase was higher than the monthly increase in all but three months of 1988, it follows rises of 0,9% (December), 1,5% (November), 1% (October), 0,9% (September), 1,1% (August) and 0,8% (July).

January's 14,6% producer price inflation rate — that is, the running 12-month increase in PPI — follows 14,6% (December), 14,1% (November), 13,1% (October), 13,4% (September), 13,5% (August) and 13,6% (July).

In January, the price of locally produced commodities — which make up three-quarters of the index — showed more strength than imported commodities. Local goods rose 1,5% in the month, while imports were up just 0,6%.

□ Central Statistical Service reports large monthly increases in sulphuric acid (13,2%), forestry (11,9%), plastic bulk forms (9,6%),



electricity, gas and water (7,5%), tobacco products (5,4%), paper and printing (4,1%), cement (4%), and chemicals (3,5%). Decreases were reported in natural rubber (22,6%), synthetic rubber (5,4%), scientific and optical equipment (1,9%), glycerine (1,1%) and fresh meat (0,5%).

The latest price trends show inflation is biting harder at people living in luxury and is easing its grip on poorer people.

THE INFLATION PUZZLE

Weekend FORUS 2

A MAN with a finger on the pulse of South Africa's fight against inflation has soothing advice for people who can't make ends meet. Don't panic — you may be better off than those in the higher income groups

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

That may be good news for many despairing wage-earners, but Dr du Toit also has bad news there are individuals and groups hit by an inflation rate of over 30 percent — way above the official figure of 13,5 percent for the "average" household

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

He and his team are the first to know the latest price trends and to measure the rate of inflation as reflected by rising or falling prices affecting consumers

In an interview this week Dr du Toit made it clear that the CPI was often misunderstood. The official inflation rate, he said, was an average figure for the whole country and did not necessarily reflect the individual's experience of inflation and price rises

SOME individuals and groups could even experience a far higher — or lower — rate of inflation than that reflected by the official figures

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

Dr du Toit said that when trade unions, for example negotiated wage increases on the basis of the official CPI, the increases arrived at could be out of line with the inflation rate actually experienced by union members

It might be advisable, therefore, for such unions to construct a CPI that would be more applicable to the experience and life-style of their own members

Recent price trends showed that certain food prices had dropped, which meant that the lower income group, for whom basic foods were an important part of the "basket" of goods and services on which they spent their money, would experience an easing of the inflation rate

Average food prices had increased 11,8 percent between February last year and February this year, which was lower than the overall inflation rate

Prices of certain luxury goods, on the other hand, had shown faster increases, which meant that people spending much on such goods and services would experience a higher rate of inflation — even as high as 30 percent

Dr du Toit said housewives, for example, should not "stare themselves blind" at price increases in their grocery shops. They should take into account other price trends as well

Government statisticians point out that the change in prices over the period of a year is generally accepted as the inflation rate. Changes are measured by using a CPI which is related to the value of goods and services during a base year

With 1985 as the "base year" from which calculations are made, the three income categories are lower — less than R8 000 a year, middle R8 000 to R19 999, and higher R20 000 and more

The index according to income group represents the change in the "basket" of consumer goods and services of an average household in each of the groups

Each group has a different "basket", which is arrived at from a study of the general spending patterns of a representative sample of about 10 000 households in the various groups

The "basket" contains all the items on which an average household spends money to buy goods and services

The lower income group, for example, spends 55 percent of its total on food, clothing, footwear, housing and public transport, compared with 45 percent by the middle income group and only 28 percent by the higher income group

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

It is stressed, however, that these indices do not show whether it is more expensive to live in one city than another, but indicate only the general price changes in each urban area. Independently of the others (an inter-urban comparison of price levels is prepared and published occasionally by the Central Statistical Service)

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

Statisticians admit that the "basket" of goods and services which is used to measure price changes is fictitious and its composition could be altogether different from the "basket" of an individual household

To work out the CPI the prices of all the goods and services in the "basket" are needed. The CSS has chosen about 600 different goods and services for this purpose. The prices of these are regularly obtained by means of postal surveys from a representative sample of about 3 000 outlets in the 12 urban areas

These outlets range from large to small, suburban to downtown, and include such retail points as supermarkets, hairdressing salons, garages, cinemas and bottle stores. Additional information is obtained from municipal utilities (property rates and charges for water and electricity), Posts and Telecommunications, universities and others

About 250 000 prices are collected in this way every year

But what do price index changes tell the ordinary person?

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

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

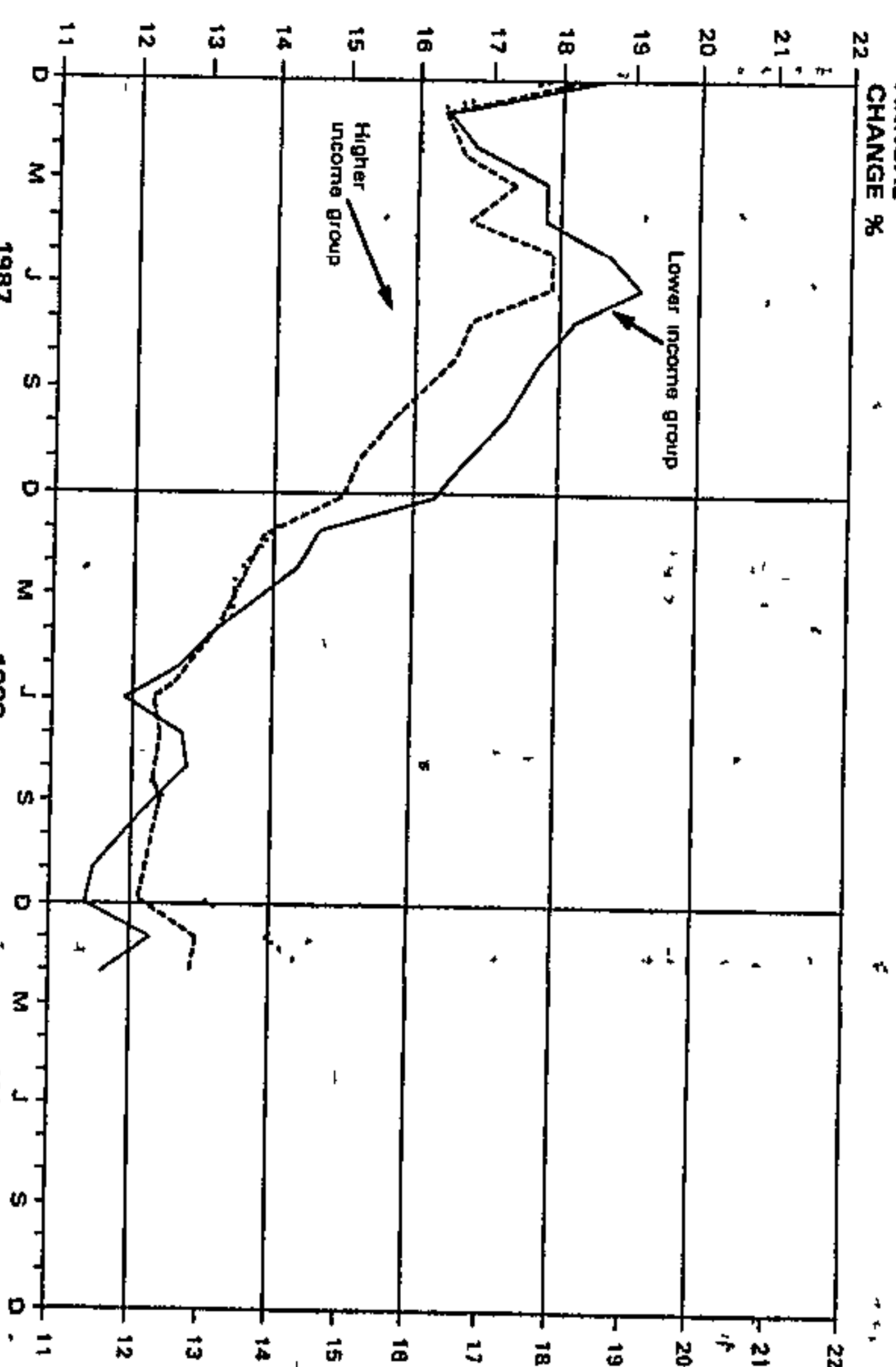
The official inflation rate for a particular month reflects the percentage increase in the index since the same month of the previous year

While the general index relates to an "average" household, more specific indices are provided for not only the different income groups and geographic areas, but also for pensioners

THE statisticians say one of their more serious causes for concern is the distrust of the consumer price index among users in both the public and private sectors. This is predominant during low business cycle periods, that is, during periods when many households experience hardship

The CPI is criticised on the grounds that it does not reflect price changes to the same extent as that experienced by consumers. Such criticism is usually as a result of the experience of individual consumers who try to make comparisons between the index and price changes of specific brands of goods at a particular store or stores

The experts say such comparisons are invalid in terms of the average "basket" of goods and services. They point out that there are actually very few individuals or smaller groups of individuals who experience price changes similar to those reflected in the CPI



THE graph shows how the inflation rate for the lower-income group has been dropping while the higher and middle-income groups felt the bite of a higher rate in recent months. The new trend comes after a steady decline in the overall inflation rate since mid-1987.

WEEKEND ARGUS SPECIAL REPORT

by FRANS ESTERHUYSE Political Staff

2944

Food up 1 000% in 17 years

From The Argus
Correspondent
in Durban

THE cost of food and motoring in South Africa has jumped a staggering 1 000 percent in the past 17 years, with rent and property not far behind.

PRICES

With increased taxes through GST and "bracket creep" — higher tax through salary increases — the average family's income would have needed to grow tenfold since 1972 simply to keep pace with rampant inflation.

As far as food is concerned, these staggering figures are supported by figures supplied by the government's Department of Statistics.

For the shell-shocked who shudder in disbelief about what has happened to the buying power of the rand, here are a dozen official examples taken at random.

In 1972 a loaf of brown bread cost 9c. Now it costs 69c. White bread was 11c, now it is 85c. Breakfast oats

was 26c a kilogram — now it is R2,07

Mealie meal sold for 42c for 21/2kg — it's now R1,83. Rump steak was R1,43 a kilogram, now it's R16, while chuck has gone from 70c to R9,99

Way back in 1972, chicken was considered expensive at 66c a kilogram but according to official figures the housewife can now expect to pay R5,93 a kilogram for a dressed bird

Hake was 72c a kilogram and now costs R3,52 for 400g or R14,08 a kilogram. Milk was 14,2c a litre. Now the delivered cost is R1,16. Cheddar cheese was 93c a kilogram and is now R11,29.

Potatoes were selling at 18c a kilogram and now cost 96c, while instant coffee was R2 a kilogram and is now R13,16

According to the Automobile Association, in 1972 it cost 7,3 cents a kilometre to run the smallest car while today it has rocketed to more than 50c a kilometre

But perhaps what jolts the mind most is the price of petrol.

Way back in 1972 93 octane cost 8,6c a litre. It is now 96c in Durban and up-country all the pumps have had to be changed to treble digits to cater for the 1 000 percent hike

Way back in 1972 half a dozen different makes of cars sold for under R2 000 each. Today the least expensive car is a fraction under R20 000 without the dreaded GST.

And with "bracket creep" and GST now 13 percent, if your salary has gone up 1 000 percent, you have still lost out. If you were earning R350 a month in 1972 you need to earn at least R4 000 a month just to keep up, and in real terms possibly a lot more.

A study of local newspaper smalls in 1972 showed that the rent of a three-bedroom flat averaged no more than R100 a month and a three bedroomed house was R125. A check last week had only one three bedroomed flat, in Pine-town, which was R500 a month while in Morningside a three bedroom duplex was going for R1 300 and Westville had a four bedroomed house for R1 075

ARGUS

29/3/89

2006

How to track the rise and fall of prices

By FRANS ESTERHUYSE, Political Staff

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

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

There are individual people and groups hit by an inflation rate of more than 30 percent, compared to 13.5 percent for the "average" household.

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

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

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

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

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

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

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

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

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

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

An index value of, say, 166.8 for January 1989 means goods and services which could be bought for R100 in 1985 — the base year — would have cost R166.80 during January this year. This means a price rise of 66.8 percent since 1985.

The index value of 166.8 for January 1989, when compared, for example, with 164.2 for the previous month, shows that prices increased by 1.6 percent since December.

9/10/89 29/3/89 244

Consumers pay 42% retail mark-up on meat

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

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

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

GEBALD REILLY

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

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

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

This was primitive, profitable, but undesirable.

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

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

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

WOMAN

THE cost of food and motoring in South Africa has jumped a staggering 1 000 percent in the past 17 years, with rent and property not far behind.

With increased taxes through GST and "bracket creep" — higher tax through salary increases — the average

family's income would have needed to grow tenfold since 1972 simply to keep pace with rampant inflation.

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concerned, these staggering figures are supported by figures supplied by the Government's Department of Statistics

For the shell-shocked

who shudder in disbelief about what has happened to the buying power of the rand, here are a dozen official examples taken at random

In 1972 a loaf of brown bread cost 9c. Now it costs 69c. White bread was 11c, now its 85c. Breakfast oats was 26c a kilogram — now it is R2,07.

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According to the Automobile Association, in 1972 it cost 7,3 cents a kilometre to run the smallest car while today

it has rocketed to more than 50c a kilometre.

But perhaps what jolts the mind most is the price of petrol. Way back in 1972 93 octane cost 8,6c a litre. It's now 96c in Durban and upcountry is R1,05 to cater for the 1 000 percent hike.

Way back in 1972 half of cars sold for under R2 000 each. Today the least expensive car is a fraction under R20 000, without the dreaded GST.

And with "bracket creep" and GST now 13 percent, if your salary has gone up 1 000 percent, you have still lost out.

If you were earning R350 a month in 1972 you need to earn at least R4 000 a month just to keep up, and in real terms possibly a lot more.

A study of the *Daily News* smalls in 1972 showed that the rent of a three-bedroomed flat averaged no more than R100 a month and a three-bedroomed house was R125.

A check on Thursday had only one three-bedroomed flat, in Pinetown, which was R500 a month while in Morningside a three-bedroom duplex was going for R1 300 and Westville had a four-bedroomed house for R1 075.

Cost of living jumps 1 000 percent in 17 years in SA

Sowetan 28/3/89 *244*

Post office tariffs ²⁴⁴ to rise tomorrow ~~244~~

8/25 31/3/87
Some post office tariffs will increase from tomorrow. Postage on standardised letters as well as post cards and aerogrammes will be 18c.

The new 18c stamp will feature a succulent plant. First day envelopes will be issued tomorrow at philatelic counters only.

The postage on a 1 kg parcel will be R3,50.

The installation charge for a telephone will rise to R140. The installation charge for social pensioners' telephones remains unchanged at R25.

The monthly rental will be R18, while the rental for party-line services will be R19 — Sapa.

Prices UP UP UP from



tomorrow

NEWS 31/3/89 244
HARD-PRESSED consumers face a deluge of price increases tomorrow when the costs of public transport, postage and telephone services, bond rates and some oil products soar at the start of the new month.

The deluge is likely to become a torrent later in April with substantial across-the-board increases expected in the prices of canned food, petrol and milk.

A spokesman for the National Energy Commission said that no official announcement had been made for the increase in the price of petrol or diesel, but it is speculated in the industry that petrol may rise by up to 10 percent during April.

Prices of non-controlled lubricants and liquid petroleum gas will increase from tomorrow, as will the inland prices of solvents, fuel oil, aviation fuel and bitumen.

■ Motor vehicle oil will increase according to grades and packaging but generally the price rise will be between 20c and 30c.

■ Liquid petroleum gas (LPG) also increases in price tomorrow by 9,3 cents a litre or 16,7 cents a kilogram at the coast. The inland price will be slightly higher due to the increased Sats rail charges.

■ South African Airways domestic and international flights will cost more from tomorrow. International air fares will be increased by 5 percent and fares to New Zealand and Australia by 10 percent. Domestic economy class air fares will be up by 13,7 percent.

According to Sats spokesman Mr. Brian Lotter, an economy class flight from Cape Town to Johannesburg costing R248 today will be R270 tomorrow. A business class ticket will be up by R39 to R324.

■ Rail fares will also be up by an average of 8 percent on mainline and suburban routes tomorrow.

The price of a mainline ticket from Cape Town to Johannesburg will increase from R230 to R253 for a first-class ticket and from R153 to R179 for a second-class ticket.

The raiting of goods will be increased by about 8 percent, as will suburban rail tickets. A first-class ticket from Cape Town to Simon's Town will cost R3,40 — 30c up on today's price. A third-class ticket on the same route will increase from R1,40 to R1,50.

■ Milk is expected to increase by about 10c a litre in the next two weeks, Cape dairies have announced. The increase has been attributed to the rise in the cost of raw milk, transport costs and packaging.

Cape Dairy Co-op prices for home deliveries will go up 11c a litre from April 10.

■ Bond rates at all building societies begin increasing from tomorrow with the Allied increase from 18 to 18,75 percent the first to take effect.

The public will also pay two cents more for local post and up to 10 cents more for overseas post.

■ A new 18c stamp has been issued by the Post Office to accommodate the 2c increase in local postage costs that come into effect tomorrow.

■ Overseas post will increase by up to 10c and a letter sent from South Africa to Britain will cost 45c instead of the current 40c.

■ Telephone rentals also increase from tomorrow by an average of 13 percent.

"The spiralling costs of consumer goods are making it increasingly difficult for the average person to survive," said Mrs Lynne Morris, national president of the Housewives League.

The Argus Business Staff reports that building society bond rates, overdraft, HP and leasing rates would "fall dramatically if the public would slow its use of credit", according to the Director-General of Finance, Dr Chris Stals.

"The present pressure on interest rates would slacken markedly if the public borrowed less.

"Whichever way you look at it, total spending by both the government and the public is too high."

9/21 3/4/89

244

CoL up fourfold in last 10 years

Pretoria Correspondent

The cost of living in South Africa has rocketed by more than 400 percent in the last 10 years.

On average, food has jumped by more than 300 percent.

With increased taxes through GST at 13 percent and "bracket creep" — higher tax through salary increases — the average family's income would have needed to grow more than four-fold since 1979 simply to keep pace with rampant inflation

Mrs Lyn Morris, president of the Housewives' League, said in Pretoria that the cost of living was increasing at a frightening pace

"Judging by the situation these days the cost of living must have gone up more than salaries, resulting in a drop in the standard of living," she said

"The prices of commodities are going up and up on a daily basis and the man in the street is battling to cope with the ever-increasing prices"

Mrs Morris said the most worrying aspect was how the aged and the poor were expected to cope.

As far as food is concerned, these staggering figures are supported by figures supplied by the Central Statistical Service in Pretoria.

Here are official examples, taken at

random.

In 1979 a loaf of brown bread cost about 16c It now costs 69c. White bread was about 26c compared to the recent retail price of 85c

A 2,5 kg packet of mealie meal was bought at 58c in 1979 and it now costs R1,95 and a 500 g packet of rice now costs about R1,12 compared to 43c paid for the same commodity 10 years ago

Rumps at R3,52

Rump steak, which cost R3,52 a kilogram in 1979, is now bought at more than R11 a kilogram. Brisket, which was R1,65 a kilogram 10 years ago, now costs about R9 a kilogram

Washing soap used to be bought at 52c a kilogram and now sells at R3,89 A tin of jam now costs R2,39 compared to 71c in 1979.

In 1979 the inflation rate as measured by the Consumer Price Index was 11,5 percent. It is now 13,5 percent The latter figure has gone down by about 6,5 percent as compared to the 20 percent level in 1986

Motor vehicles which used to cost about R5 000 in 1979 are now bought for more than R20 000. Petrol, which cost less than 45c a litre 10 years ago, now goes for R1,05 a litre.

PPI rise reinforces inflationary fears

Star 13/4/89

244

By Sven Lünsche

February's rise in the producer price index (PPI) points to an inflation rate that could well exceed the 15 percent average generally forecast for 1989.

Figures released by Central Statistical Services (CSS) yesterday showed that the PPI for February grew by a year-on-year 14,9 percent over the corresponding month last year — 0,3 percentage points higher than the annual 14,6 percent rise recorded in January.

It is the monthly increases that are causing headaches. The rate of increase for February over January was 1,9 percent.

Given the monthly increases of 1,3 percent, 0,9 percent and 1,5 percent in January, December and November respectively, the annualised figure points to a producer-price inflation rate of 16,8 percent towards the end of this year.

The impetus largely derives from surging prices of imports, which make up about 30 percent of the PPI.

The annual rate of increase for imported commodities for Febru-

ary was 15,2 percent — 1,3 percentage points up on the January figure and the highest since November 1986 when when the rate touched 14,2 percent.

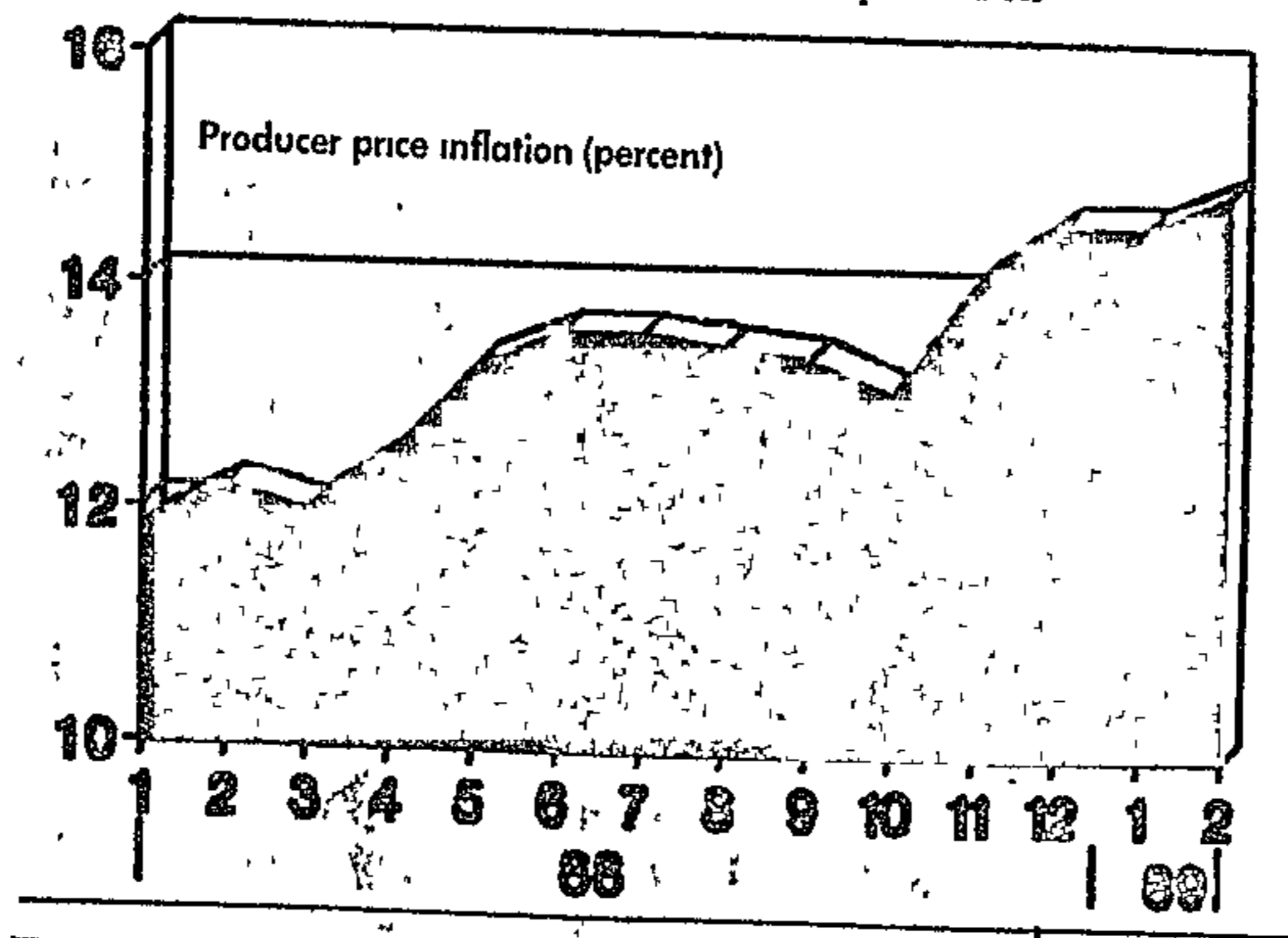
It appears that last year's lower rand exchange rate — the currency declined by over 20 percent against the dollar and by even more against other major currencies — is finally taking its toll on the price of imports.

The effect of last year's import surcharges is showing a delayed impact because many importers stockpiled goods before they were introduced.

The increase for locally produced commodities was 14,8 percent in February — 0,1 percentage points down on the January figure of 14,8 percent.

The index for total industrial output showed an annual increase of 15,8 percent.

A sectoral analysis showed that the largest monthly increases were recorded for petroleum and coal products (7,5 percent) after the rise in both the international and local price of oil.



Underlying inflationary trends . . .

Strong rise of 1,9% in PPI

CAT TIPS 13/4/89

244

By BRUCE WILLAN

THE producer price index (PPI) for February 1989 increased by 1,9% over January 1989 bringing the year-on-year figure to 14,9%, its highest level since May 1987

This increase will intensify the upward pressure on inflation, say economists

The increase in January this year was 1,6% with the year-on-year figure at 14,6%, which was the same as in December 1988

Economists are of the opinion that the increase in world inflation coupled with the ever depreciation of the rand against other currencies have been the major factors to influence the increasing PPI

This is substantiated by the figures released yesterday by the Central Statistical Services (CSS)

The annual rate of increase for imported commodities for February 1989 was 15,2%, which is 1,3 percentage points up on the January figure and the highest recorded since November 1986, when the rate touched 14,2%

Compared with the increase for locally produced commodities, which was 14,8% or 0,1 percentage points down from January 1989, adds to the belief that a large portion of inflation is either imported or a function of the depreciating rand.

Personal Trust economist Glenn Moore says this indicates that world inflation is having an effect on the SA rate of inflation.

"The rest of the world is going into an inflationary cycle and countries abroad are encouraged to use interest

rates to counter inflation"

But Old Mutual economist Dave Mohr warns that the PPI can sometimes be misleading in that some of the constituents are only measured at three or four monthly intervals

However, he does see the rise in PPI as confirmation of the underlying inflationary trends in the economy

Although there is a time lag of some nine months before the consumer price index (CPI) will reflect the latest increase in the PPI, Moore expects the predictions that CPI will reach 16% towards the end of the year are not out of kilter

Senior deputy governor of the Reserve Bank, Japie Jacobs points out that this is not impossible on a monthly basis

But, he is confident the average rate for the year will be of the order of 15%

Jacobs says that the latest increase will no doubt have some effect on inflation but must be seen in the light of the measures taken by government to slow down the economy such as the increase in interest rates, the introduction of import surcharges, fuel taxes and the depreciation of the rand

"This will inevitably cause an increase in inflation and increases in prices"

While there has been mounting pressure to slow down the economy further and one possible way of doing this is to increase interest rates again, Jacobs says this is inflationary in itself and does not seem logical

He adds that the available data received by the Reserve Bank indicates that the economy is slowing down

CAP & Tech 14/1/89 (264)

Petrol price rise looms

A SECOND petrol price hike this year is "inevitable", Minister of Economic Affairs and Technology Mr Danie Steyn announced in Parliament yesterday — barely four months after the 10-cent rise in January.

No date for the increase was set, but fuel is expected to cost between five and eight cents more a litre in the wake of rising pipeline tariffs and another downturn in the value of the rand.

City motorists will have to pay

at least R1,04 for a litre of 93-octane and R1,06 for 97-octane.

It was not immediately clear whether the price of diesel, which increased by the same margin as petrol in January, would also increase.

The rise in pipeline tariffs, announced during the Railways budget, was expected to add about a cent a litre, but another downturn in the value of the rand triggered the inflated increase, Mr Steyn said.

The increase is likely to spark another huge round of increases, which will, in turn, push up the rate of inflation.

Economists warned that the January 16 price rise, which followed a three-cent increase in September last year, would hit the lowest-income groups hardest.

City Tramways announced fare rises of between two and 15 cents which coincided with the increase at the beginning of the year. — Own correspondents and Staff Reporter

selling prices. This tendency has negative implications for producer prices whenever large quantities are exported.

All the other commodities mentioned are realizing profitable export prices.

(3) (a) In respect of maize and wheat the effect of surpluses on producer prices is somewhat neutralised by the domestic selling prices. In addition, assistance is given to the Maize Board to subsidise maize prices. In respect of the wheat industry assistance is given by way of a broad subsidy which enhances local sales of wheat.

(b) In respect of maize and wheat the government introduced measures to financially assist those producers who wish to change over to other farming enterprises. In the grain producing areas concerned, the establishment of pastures on land previously used for growing grains is being subsidised. In addition certain maize and wheat farmers are also receiving financing aid for this purpose.

Milk: price increases

178 Mr R J LORIMER asked the Minister of Agriculture

(a) What was the producer's price of (i) milk and (ii) industrial milk as at 31 December 1988 and (b) what price increases came into effect in respect of each category (i) in 1988 and (ii) subsequent to 31 December 1988?

B414E

The MINISTER OF AGRICULTURE

(a) (i) and (ii) 40.52 cents per litre

(b) (i) None

(ii) 4.54 cents per litre

The above-mentioned price is the minimum price for milk with a butterfat content of 3.8% and a protein content of 3.3%. No difference is made between milk and industrial milk and only a minimum producer price is now determined for milk.

from foreign media representatives in 1988,

(2) how many such applications (a) had been (i) granted and (ii) refused and (b) were pending as at 31 December 1988,

(3) what was the average time taken before such applications were decided upon?

B420E

The MINISTER OF HOME AFFAIRS

(1) (a) 898 of which 101 applications were withdrawn

(b) 154 of which 2 were withdrawn

(2) Statistics on the basis required are unfortunately not available. The applications not finalised during 1987 and therefore carried over to 1988 are included in the following figures which are given for the purpose of the reply

	Carried over from 1987	(a)(i)	(ii)	(b)
New applications	84	556	182	143
Renewal applications	18	155	5	10

(3) It took on average 19 working days in respect of new applications and 13 working days in the case of renewal applications to finalise the respective applications.

Export and import of wheat

190 Dr F HARTZENBERG asked the Minister of Agriculture †

(1) Whether the Wheat Board exported any wheat in recent years, if so, (a) how many tons, (b) what was the value thereof, and (c) on what date in each case,

(2) whether the Wheat Board imported any wheat in recent years if so (a) how many tons (b) what was the value thereof and (c) on what date, in each case.

(3) whether any losses were suffered on the importation of such wheat, if so what (a) was the extent of and (b) were the reasons for each of these losses?

B43NE

The MINISTER OF AGRICULTURE

(1) Yes

(a) (b) (c)

86 386 tons R23 623 603 1 Oct 1984 — 30 Sept 1985,

26 673 tons R 8 798 362 1 Oct 1985 — 30 Sept 1986,

19 622 tons R 7 345 286 1 Oct 1986 — 30 Sept 1987,

235 982 tons R62 770 855 1 Oct 1987 — 30 Sept 1988,

(2) Yes, (a) 312 723 ton

(b) R101 462 000, and

(c) June to September 1986,

(3) No

South African citizenship regained by Blacks

225 Mr S S VAN DER MERWE asked the Minister of Home Affairs

(1) How many Blacks in each independent Black state regained their South African citizenship in 1988 in terms of the provisions of the (a) National States Citizenship Amendment Act, No 13 of 1978, and (b) Restoration of South African Citizenship Act, No 73 of 1986.

(2) whether any applications were refused if so, (a) how many from each state and (b) why, in each case?

B510E

The MINISTER OF HOME AFFAIRS

(1) (a) Owing to the provisions of the Restoration of South African Citizenship Act, 1986 (Act 73 of 1986) which came into effect on 1 July 1986 no Black of any of the independent states applied in terms of section 3 of the National States Citizenship Act 1970 (Act 26 of 1970) as amended by the National States Citizenship Amendment Act 1978 (Act 13 of 1978) for South African citizenship during 1988.

(b) Statistics on the bases as required by the hon member are not available

(2) (i) and (b) Fall away

CHE TRIPS 14/6/89

Wine prices 'too high'

By MEG BRITS

A LIQUOR industry cartel is responsible for the wine glut by keeping prices artificially high and cutting out market competition, Pick 'n Pay chief Mr Raymond Ackerman said yesterday.

He reacted to the KWV announcement of an unprecedented "lake of wine" which faces Cape wine farmers and marketing men this year.

Mr Ackerman said that since 1984, the number of wine licences granted to any one grocery chain had been limited to 36. This had been done to protect bottle stores and other retail outlets such as hotels, vertically integrated with the wine wholesalers.

The effect had been to limit competition and keep prices artificially high. This in turn led to reduced consumer demand and a wine glut.

Pick 'n Pay has 108 outlets but since 1984 has not been able to obtain one more than its quota of 36 grocery licences for wine.

If wine could be sold in these stores it would increase competition and demand, and force prices down.

Research figures show that total sales of natural wine in the past 18 months decreased from 216 million litres to 210m l.

However, the share of this market represented by sales from outlets with grocer's licences increased from 12,4% to 13,7% (or 28,8m l) from 1987 to 1988.

The grocers' market share of sales by sector in 1988 was 20,9% of high-priced

wine (5,4m l), 21,2% of sparkling wine (1,9m l), 19,1% of medium-priced wine (19,9m l) and 0,3% (1,6m l) of low-priced wine.

But Fedhasa executive director Mr Fred Thermann responded yesterday that grocers' licences had so far not succeeded in promoting the overall sale of wine.

"The pie is not getting any bigger. If grocers are showing an increase in market share it means they are taking sales away from the small retailer."

"If Mr Ackerman were to buy supplies at the same price as these retailers, the only way he could sell it more cheaply would be by cross-subsidisation from other products or by negotiating discriminatory discounts with wholesalers. The small retailer does not have these at his disposal."

Petrol price rise of 5c/l on the cards

244

RIAN SMIT

GOVERNMENT is expected to announce a petrol price increase of more than 5c a litre today.

The increase follows the 10c a litre hike on January 16.

It was not immediately clear whether the price of diesel, which increased by the same margin as petrol in January, would also increase.

The expected announcement, earlier than thought — almost certainly to minimise voter backlash ahead of the general election later this year — means motorists on the Reef will now pay at least R1,10 a litre for 93 octane and R1,06 for 87 octane.

Apart from rectifying an equalisation fund under-recovery because of a sharp rise in the price of oil and the declining rand, the increase may also be aimed at cooling down the economy.

Finance Minister Barend du Plessis said recently the economy was not responding as was hoped to an increase in interest rates late last year.

In July 1970 high octane petrol cost 9,2c a litre. In June 1979 it cost 54,18c a litre. From January to March 1986 the price was R1,02 a litre.

It was reduced three times until it cost 82c a litre in July 1987. In September last year the petrol price was increased to 95c a litre.

Meat producers seek price probe

14/1/54
GERALD REILLY (244)

PRETORIA — Agriculture Minister Greyling Wentzel has been asked to appoint a commission to inquire into the price forming process in the fresh meat trade and the meat manufacturing industry

Red Meat Producers' Organisation chairman Mame Schoeman said the producers' share of consumers' rands had not increased satisfactorily in recent years

This was in spite of higher producer prices and a relative increase in marketing costs. It appeared gross trade margins were becoming bigger

"Earlier investigations were made by the National Marketing Council and Pretoria University's Bureau for Financial Analysis on profit margins in the wholesale and retail trade, but the time has come for a broader investigation"

Price forming after the sale of the carcass needed investigation, Schoeman said. He added the Grove Committee had found no irregularities in price forming among producers

Schoeman said "Our organisation believes the time has arrived for the fresh meat and manufacturing industry to be subjected to a comprehensive scientific investigation regarding price-forming and trade margins," he said

Rises of 5c to 8c a litre in PWV area

Petrol up again from tomorrow

Star 14/4/89

244

Petrol, diesel and paraffin prices are to go up by between 5c and 8c a litre from midnight tonight, the National Energy Council announced today.

The biggest increase of 8c a litre is for 87 octane petrol in the PWV area, which will rocket from the present 101c to 109c a litre.

And 93 octane will rise from 105c to 112c a litre in the PWV area. The latest increase means the price of 93 octane petrol in the PWV area has increased by a massive 30c or 36 percent in seven months.

The announcement has immediately been greeted in opposition circles with the warning it would cause a price ripple through the economy.

The increase would spark a fresh round of price increases and boost the consumer price index, Mr Harry Schwarz, the Democratic Party's finance spokesman said today.

"The problem is that the country has just had an increase in petrol prices to cover Government's tax requirements."

'Forgotten by polls'

He said if the last increase had been used to cover the increased price of oil rather than for tax, the present increase would not have been necessary.

"The real issue is whether there should be such a large excise duty on petrol when GST is already so high," he said.

"The consumer price index is definitely on the way up and it looks as though it will go higher."

"It will have very serious indirect consequences."

"It was being done so that by the time of the elections, people would have forgotten about it."

"But it won't work that way as its effect on the inflation rate will take a while to be felt."

Besides the petrol price increase, the wholesale price of

By Peter Fabricius,
Political Correspondent

domestic illuminating paraffin for domestic users will increase by 6c in the PWV area and 5,3c a litre at the coast.

On September 1 the price of 93 octane rose from 82c to 95c and on January 16 to 105c.

The wholesale diesel price will rise 11,9c in the PWV area and 11,3c on the coast.

The NEC said the increases were unavoidable because international crude oil prices had increased by more than 40 percent since September and the rand had dropped against the dollar.

Average petrol pump price increase is 6,2 percent.

The NEC said that, although the Equalisation Fund was still in credit, it had been decided to increase prices now to avoid a larger increase later.

The higher fuel transport costs, averaging 10 percent, which were introduced on April 1 had been financed by the Equalisation Fund but were now included in the present increase.

Transport costs had increased by an average of 10 percent and only applied to inland areas.

In the PWV area, the increase in transport costs was 0,7c a litre for petrol and illuminating paraffin, and 0,6c for diesel.

The increased fuel levy of 2,5c on diesel earmarked for April 1 would only become effective from April 15. The retail profit margin of retailers would increase by 0,3c a litre to 8,7c.

The NEC said the increases would still not wipe out the under-recoveries. For example, there was a shortfall of 3,542c a litre for 93 octane petrol.

Shock reaction as fuel prices rise between 5c and 11c a litre

Petrol Up Again

11645 14/4/89 244

By TOS WENTZEL, Political Correspondent

THE price of petrol will increase tomorrow by 5c a litre for 97 octane and 7c a litre for 93 octane, while the price of diesel will rise by 11,3c a litre.

Retail trade, consumer and opposition political spokesmen reacted with shock to the decision

Announcing the increase today, a National Energy Council spokesman said "cost factors" had made a general price adjustment necessary

The wholesale price of illuminating paraffin for domestic users would be increased by 5,3c a litre

The wholesale diesel price for consumers in agriculture, forestry, fishing, mining and the construction sectors would go up by 8,8c a litre

The petrol price last went up by the same amounts on January 16

The spokesman said the landed cost of fuel had steadily increased since December last year and, coupled with the deterioration of the value of the rand against the dollar, price increases had become unavoidable

International crude oil prices had increased by more than 40% since September last year

The petrol price increases, were still insufficient to provide for the full under-recoveries presently being experienced

In respect of 93 octane there was still a shortfall of 3,542c a litre, which would be debited to the cumulative under- and over-recovery account, known as the "slate", and financed by the Equalisation Fund

In spite the fact that the Equalisation Fund was still in a credit position it had been decided to increase prices now to avoid a larger increase later

In view of the increase it had been decided that increased transport costs, which became effective on April 1, would be temporarily financed by the Equalisation Fund and implemented simultaneously with the necessary price increases

The increased fuel levy of 2,5c a litre earmarked for April 1 would now only become effective from tomorrow.

Mr Harry Schwarz, the Democratic Party's finance spokesman, said the increase announced today would spark a fresh round of price increases and boost the consumer price index

"The problem is that the country has just had an increase in the

petrol price to cover the government's tax requirements

Had the last increase been used to cover the increased price of oil rather than for tax the present increase would not have been necessary

"The real issue is whether there should be such a large excise duty on petrol when GST is already so high"

The timing was also unfortunate, coming so soon after the general round of price increases at the start of April — including postal and rail tariff increases.

"The Democratic Party's forecast that the consumer price index would be higher during the second half of the year looks like being right

"This will have serious indirect consequences on the economy."

The move had been made so that by the time of the elections people would have forgotten about it

"It won't work that way, as the effect of the increase on the inflation rate will take a while to be felt."

"Frightening"

Mr Clive Weil of Checkers described the increase in the diesel price as "frightening" and highly inflationary, as it had a profound affect on fishing, agriculture and transport.

"Assuming the reason for the increases is the rise in the oil price and the rand-dollar exchange rate, my comment would be that the government needs to take the consumer into its confidence as prices reach higher and higher into the stratosphere."

Because of the secrecy laws the public did not know what the global cost of petrol was — but it could run into hundreds of millions of rands.

Mrs Lynn Morris, national president of the Housewives' League, said although the increase was not unexpected it was still "little short of catastrophic for the hard-pressed consumer"

Warning

She warned that some retailers might use the opportunity to put up their own prices out of proportion to the fuel increase

Mr Raymond Ackerman of Pick'n Pay said he was "absolutely shocked" by the increase.

Retailers had responsibilities to avoid excessive increases in food prices and he would tell his buyers to "fight harder than they ever have before" in the next few days

Mr. Trivis 15/4/89 244

Petrol hike to make people poorer

Staff Reporter and Sapa

THE new hike in the petrol price "will make people significantly poorer", say economists and consumer bodies who ask why the government has not lowered the tax proportion to soften the blow.

In terms of the new price announced yesterday, motorists will now have to pay R1,03 for 93-octane (up by 7c) and R1,06 for 97-octane (up by 5c) at the coast.

Diesel (up by 11.3c) and paraffin

prices also rose

● The president of the Association of Chambers of Commerce and Industry of South Africa, Mr Syd Matus, called for "an urgent independent investigation, with private sector participation, into the fuel price structure and its role in the economy".

● Leading economists said yesterday that while the fuel price increase

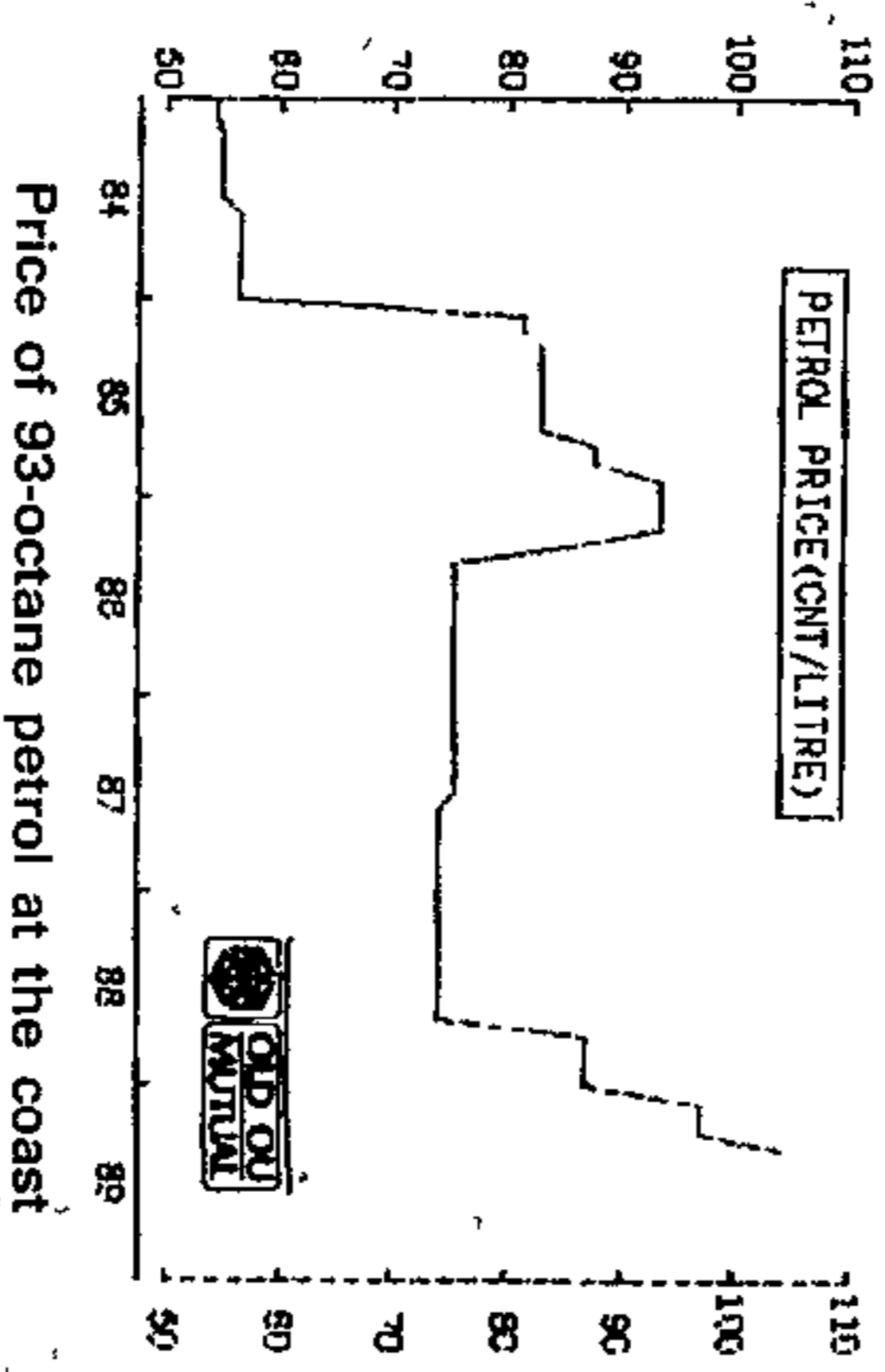
was "unavoidable and expected", it would have a devastating effect on consumers who would soon see most commodity prices soar

● The Motor Industries Federation president, Mr Alex Hawes, said he appreciated that a price adjustment was unavoidable, but could not understand why the government had still seen it necessary to impose an additional fuel tax of 12 cents on petrol between last September and

this January.

● The Federated Chamber of Industries said it was concerned that in the past eight months fuel had increased by more than 35% of which 10% had been in fuel tax

● The Director-General of the Automobile Association, Mr Peter Elliott, appealed to the government to review the tax element of the fuel price as a matter of urgency



244

NEWS

Garages make a killing from fuel hike

DURBAN — Windfall profits amounting to hundreds of thousands of rands were made by filling station owners when the price of petrol went up at the stroke of midnight last night.

Pick 'n Pay alone estimated it would make an instant profit of R25 000 from some 500 000 litres which it expected to have in its pumps for sale at the new price this morning.

Mr Alan Gardiner, non-foods director of Pick 'n Pay, said the profit would be used to finance a snap promotion on Monday in which discounts would be offered on products related to the motor trade.

But it is clear that many petrol station owners will gladly pocket the unexpected windfall for themselves.

An owner, who did not want

to be named, said the profits were "part and parcel of the overall profits that we expect to make out of this business."

Mr Ken Hall, chairman of Supertrans Holdings, slammed the increases as being "ridiculous".

"The Government should have looked elsewhere for the funds instead of hitting the transport industry again," he said. "We get hammered every few months with fuel price increases."

Said Mr Gardiner: "We think the Government's fuel policy has been totally unreasonable. What right do they have to dictate the amount of profit we make? And why should we be one of the only countries in the

world where petrol cannot be discounted?"

"We strongly believe they should deregulate the situation and allow us to sell at whatever price we would like to."

"It seems ridiculous to protect the many filling stations that spring up on every street corner."

The Federation of Salaried Staff Associations of South Africa (Fedasal), which represents about 160 000 workers in the banking, building society, mining, motor, steel, petro-chemical and industries, was also shocked by the fuel increase.

The federation expressed an understanding for the increase

of seven cents a litre on 93 octane petrol, eight cents a litre on 87 octane petrol and 11,7 cents a litre on diesel, due to the increased price of crude oil and the deterioration of the value of the rand against the dollar.

But it questioned the 35,9 cent a litre fuel customs and excise tax that is still being levied from the motorist.

"If some of our money is being diverted to pay civil servants' salaries and the losses of the TBYC states, what other government excesses are being covered up in this manner?" Fedasal asked.

In its reaction to the increase in the petrol price, the Federat-

ed Chamber of Industries said it was concerned that in the last eight months fuel had increased more than 35 percent of which 10 percent had been in fuel tax.

The chamber's executive director, Mr Ron Haywood, added that while it was understandable that the price of petrol had to be increased due to the rand exchange rate, this was going to be very inflationary.

Of further concern, was that the latest increase was still insufficient to cover the costs of fuel in South Africa.

The Motor Industries' Federation has also expressed shock at the increases.

Mr Alex Hawes, president of

the Federation, said he also appreciated that a price adjustment was unavoidable because of the deterioration of the value of the rand against the dollar and increases in the international prices of crude oil.

However, he could not understand why the Minister of Finance had still seen fit to impose an additional fuel tax of cents between last September and this January.

"In a country with a geographical composition such as South Africa, transport costs constitute a substantial component in the price structure of all commodities, and one could expect the already unacceptable inflation rate will further fuelled as a result Saturday Star Correspondent Sapa

Fuel rise inflationary — ASSOCOM

W/E ARGUS

15/4/89

244

Weekend Argus Reporter

THE latest substantial increases in the price of fuel will be highly inflationary, says Mr Syd Matus, president of the Associated Chambers of Commerce and Industry of South Africa.

The increases would inevitably push up the consumer price index

Mr Matus said it was acknowledged that cost factors were the main cause for the latest price rises but they came less than 12 weeks after the price of fuel was raised by more than 10 percent for tax purposes. Increases since last September exceeded 36 percent

Disturbing

"If the government had not increased the tax on fuel in January, the increase over the same period would have been about 25 percent, or R1.02 a litre in the PWV area. The rise in excess of 11c a litre on diesel is particularly disturbing considering the dependence of the economy on diesel-powered transport.

"In addition, these increases will be imposed on large sectors of commerce and industry which use diesel machinery. Therefore, the ripple effects on the cost structure of the economy will be substantial"

Mr Matus said Assocom was not convinced that by comparative world standards the price of fuel in South Africa was too low. Assocom also doubted that the arbitrary use of fuel as a source of tax revenue was desirable

Funds

"The further distortion brought about by this latest decision once again calls into question the wisdom of abolishing dedicated funds.

"Assocom believes that an urgent independent investigation, with private-sector participation, into the fuel price structure and its role in the economy is essential," he said

Sapa reports that the Federation of Salaried Staff Associations, which represents 160 000 workers in the banking, building society, mining, motor, steel, petrochemical and transport industries, was shocked by the new increases

The federation accepted that fuel prices were being increased because of the higher price of crude oil and the lower rand against the dollar, but questioned the 35,9c a litre fuel customs and excise tax that was still being levied on the motorist

"If some of our money is being diverted to pay civil servants' salaries and losses in the independent states, what other government excesses are being

covered up in this manner?" the federation questioned.

In a statement, the federation insisted the taxpayer — and the motorist — be told what the money would be used for

The president of the Agricultural Union, Mr Kobus Jooste, said the increases would delay the financial recovery of farmers

He was disappointed that the price of production diesel had to be increased

The price of agricultural diesel had risen from 49,9c to 80,3c — 60,9 percent — in nine months

● The Weekend Argus Correspondent in Pretoria reports that Finance Minister Mr Bar-end du Plessis has announced an increase of, on average, about 15 percent, in the level of fringe benefit taxation on the private use of company cars

In addition, the official rate of interest for fringe benefit taxation purposes on interest-free loans or loans granted to an employee at an interest rate less than the official rate, has been increased from 13 percent to 16 percent.

Both the increased fringe benefit tax on the private use of company cars and the rise in the official interest rate on loans by employees will come into effect from June 1 this year.

Diesel costs mean higher bus fares

Weekend Argus Reporter

CITY Tramways said today that bus fares would go up because there was "no way" they could absorb an increase of 11,3 cents in the wholesale price of diesel at the coast

"It is impossible at this stage to say by how much individual

fares will have to be adjusted, and a further announcement in this regard will be made once the necessary calculations have been completed," managing director Mr Barry Gie said

City Tramways said the increase meant their fuel costs had rocketed by 52 percent in less than seven months and the

additional price would add over R2-million to the company's fuel bill

"It is unbelievable that the government has increased the price of diesel, the lifeblood of industry and commerce, by more than double the increase in the price of petrol," Mr Gie said.

'Govt curbs to blame for wine prices'

SKW
17/4/87
By Helen Grange

The massive surplus in the Western Cape's distilling wine pool is largely a result of unrealistic prices set by monopolistic wholesalers as well as Government restrictions on marketing

This is the view of Mr Brian Sacks, Checkers grocery merchandise director, who pointed out that in terms of Government restrictions, only 36 of Checker's 170 stores countrywide were permitted liquor licences.

"We believe that if food giants were allowed to sell wine in more of their outlets they could greatly assist in selling off KWV's wine excesses," he said.

However, this view has been disputed by the executive director of the Federated Hotel, Liquor and Catering Association of SA (Fedhasa), Mr Fred Thermann, who says that issuing more liquor licences to grocers would merely shift established trade from liquor stores to food outlets "It would not increase consumption," he said.

Mr Sacks replies that selling wine in food outlets would attract a different market to that of liquor stores.

"Selling liquor in supermarkets would expose wine to consumers who, under normal circumstances, would not be exposed to wine. The average housewife for instance does not usually go to a liquor store.

Mr Sacks added that the monopolistic situation which existed in the wine wholesale industry was "not conducive to competitive pricing"

Mr Trevor Pearman, managing director of Rebel Liquor Stores, says that high wholesale prices on wine had the effect of outpricing itself against cheaper liquors

"The biggest problem lies with low quality wine which is affected by increasing beer consumption. High quality wine appeals to the white high income group, but there is not enough emphasis placed on marketing low quality wine," he said

KWV's distilling wine pool is well over 42 percent in excess of demand after the wine industry experienced its third largest crop in its history last year



'Average' shopping trolley costs R279,82

MRGUS 20/4/89

By CLIVE SAWYER, 244
Tygerberg Bureau

THE NATIONAL average price for a trolley of goods increased by 0,3 percent between February and March 1989, according to a survey by the South African Co-ordinating Consumer Council

The price of an "average" trolley increased from R278,96 to R279,82

The survey was conducted in 57 stores in Pretoria, Johannesburg, Cape Town, Durban and Bloemfontein. Researchers priced 98 products at each store on March 10.

According to the Cape Town figures, filling a supermarket trolley is cheapest at Pick 'n Pay (R277,66), followed by OK Bazaars (R282,40) and Checkers (R285,16).

In the hyperstore category, Checkers Warehouse was easiest on the pocket (R268,62), followed by Pick 'n Pay Hypermarket (R269,43) and the Hyperama (R280,02).

The council said there were limitations in its survey.

These included the limited list of products, some stores not being represented in some centres, "no-name" brands not being taken into consideration, and temporary unavailability of stock.

Tygerberg news please

PASS on your news from Tygerberg towns and the Boland to The Argus Tygerberg Bureau.

Call staff reporters Clive Sawyer and Sharon Sorour at 94 3671. If there is no reply bleep them on 591-0112 (Page number 809) or call The Argus news desk 208 4525.

News from False Bay towns can be passed on to staff reporter Michael Doman at The Argus Bureau at 32 7493.



Pictures DANA le ROUX, The Argus

OPENED: Mr Leon Wessels, Deputy-Minister of Law and Order, unveils a plaque at the opening of the new Bellville South police station.

Anti-police campaign 'based on ignorance'

MRGUS 20/4/89

By DALE KNEEN, Staff Reporter

THERE was a campaign to prevent the police from fulfilling their task of securing internal security by "characterising the police as people who had become power-drunk", said Mr Leon Wessels, Deputy-Minister of Law and Order.

Opening the new R2,2-million Bellville South police station yesterday, Mr Wessels said the police did not use internal security as an excuse for securing power. Accusations that they did showed a lack of understanding of the concept of national security.

Communist predators were active in the guise of organisations that played a legitimate role in politics.

Mr Wessels singled out "terrorist organisations" such as the United Democratic Front and Cosatu and said they aimed at "overthrowing our present democratic, free-market system in favour of a Marxist system of oppression and totalitarianism".

"The key to national security lies in the work domain of all government departments, especially those involved with constitutional, economic and social development, and in the last instance, those who work with the security situation," he said.

People of all cultures and races "still see the police as friends and protectors and as such want to have them in their midst".



HEAT HIT: Some policemen felt faint in the heat and took appropriate action.



TYGERBERG

'Average' shopping trolley costs R279,82

By CLIVE SAWYER, 20/4/89
Tygerberg Bureau

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The council said there were limitations in its survey.

These included the limited list of products, some stores not being represented in some centres, "no-name" brands not being taken into consideration, and temporary unavailability of stock.

Widespread condemnation of maize hike

CAPE TOWN — Most quarters yesterday reacted with outspoken condemnation to this week's Maize Board announcement that the consumer price of maize is to be increased

DP spokesman Harry Schwarz called for a minister of consumer affairs to be appointed, and said the 99% rise was just the latest in a series of price increases bombarding the consumer

He was reacting to the announcement on Monday that, while the producer price for white maize had been decreased by 12%, the consumer price had increased

He said basic economic laws were not operating because of price fixing. This was clearly illustrated in that a surplus maize crop had resulted in a

higher price being fixed for the consumer while the price to the producer was lower

It was time consumers stood up for their rights and a minister of consumer affairs was appointed to provide consumers with a voice in government to protect their interests

CP deputy leader Ferdie Hartzenberg said that in an above-average year, maize producers as a whole were now facing a loss. It was an example of the destruction of the production base by government policies.

In Pretoria, Transvaal Agricultural Union GM Johan Hartman expressed concern at the announcement

He said the 13% increase in the selling price of yellow maize could have a negative effect on various in-

dustries — including the poultry and pork sectors. The increase in white maize prices could affect sectors depending heavily on manual labour, as food prices would rise

In Johannesburg, Checkers announced it would delay for as long as possible an increase in prices

The increase will affect products such as eggs, poultry, dog food and margarine

Vice-chairman of the Red Meat Producers' Organisation's National Pig Executive Gerard Braak, Jnr, said the increase in the maize price could be considered justified

"The price of yellow maize has risen by less than the inflation rate and in real terms has declined over the past four years," he said. — Sapa

© Comment: Page 8

Latest fuel price hike will worsen inflation

ASSOCOM president Syd Matus said the fuel price rise would have further serious inflationary consequences for SA

He said the fuel price rise came at a time when the latest production price increase showed a sharp rise, which would inevitably be reflected in the consumer price index

The price of 87 and 93 octane petrol for Reef consumers increased 5c and 8c/l respectively, while the price for 97 octane petrol and diesel increased 7c and 11,9 c/l

Matus said Assocom acknowledged that cost factors were in the main responsible for the price increase, but the rise came just 12 weeks after the price of fuel was raised more than 10% for tax purposes

He added that Assocom was not convinced that by comparative world standards the price of fuel in SA was too low

FCI executive director Ron Haywood felt the recent comparisons of fuel prices in SA with, especially, Europe, were inappropriate

Insufficient

Haywood said considering SA's geographical structure differed substantially from that in European countries, and coupling that with the lack of public transport and dependence of the Third World component of the SA economy on the availability of liquid fuel, the transport sector should not be expected to bear such a high portion of taxation in SA

MARC HASENFUSS

The FCI believed the new increased fuel price was insufficient to cover the full cost of fuel in SA, and smaller, more regular fuel price adjustments were required. It urged government to investigate a streamlined process of price adjustments related to exchange rate variations and fluctuation in the crude oil price.

Bungling

Consumer Council director Jan Cronje said a further increase in fuel prices in the near future could not be excluded.

a CP spokesman for economic affairs said SA's consumers were once again being called on to pay the price for National Party bungling

He said overseas reports indicated that SA produced more than 80% of its own fuel.

"How much longer will consumers allow government to hoodwink them by linking increases on locally-produced fuel prices to world crude oil prices and the weak rand exchange rate, as if we were importing all our fuel from overseas?"

Nafcoc public affairs manager Gabriel Mokgoko said the hardest hit by fuel price hikes would be blacks

He said the increase was going to cause rumblings as it would affect the costs of day-to-day essentials and its consequences would be "disastrous."

244
DIPLO
15/1/74

Stainless steel price likely to rise by 2%

13 Dec 1974
20/11/74

EDWARD WEST

MIDDELBURG Steel & Alloys commercial manager Derek Engelbrecht says the 20c-40c alloy surcharge increase will push up the price of stainless steel by 2%

Alloy surcharges make up about 70% — R3,50 — of the R5/kg base price for stainless steel.

Engelbrecht says this high percentage causes great concern industry and subjects shipments to nickel price fluctuations on the London Metals Exchange

He adds nickel, a platinum by-product, is in strong demand and producers are enjoying handsome profits

Falling rand

Main users of stainless steel affected by price increases are tube and pipemakers, manufacturers of tank containers for export and Sats

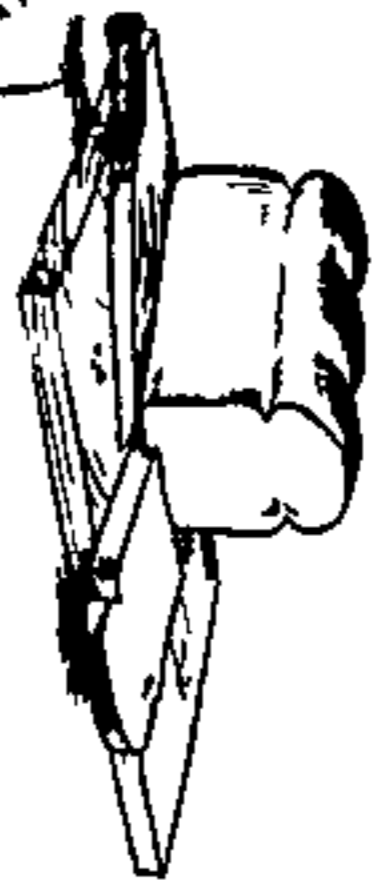
Salmac marketing director Andre Fourie says users of stainless steel in expected prices to drop, as a result of the falling nickel price, but did not take into account the fall in value of the rand against the dollar. This prompted the surcharge increase

Salmac is Dorbyl's welded stainless steel manufacturing division.

Engelbrecht says there is a good chance users of stainless steel will opt for substitute materials, like ceramics and plastics, but these are too costly for most stainless steel producers to develop at this stage.

Bread Prices Up

White loaf
to cost 90c,
brown 76c from Monday



By TOS WENTZEL, Political Correspondent

THE price of bread will go up by 5c for a white loaf and 7c for a brown loaf on Monday.

White bread will then cost 90c and brown bread 76c a loaf.

The Minister of Agriculture, Mr J J G Wentzel, announced this today.

He also announced that the government had made a further R35-million available to subsidise bread this year.

Soviets pressing ANC to opt for negotiations

From DAVID BRAUN of The Argus Foreign Service and Argus Africa News Service

WASHINGTON. — The Soviet Union is pressing the African National Congress to opt for a negotiated political settlement, the ANC's chief representative at the United Nations has disclosed.

Mr Tshogo Mafole, chief representative at the ANC observation mission to the UN, has told the Carnegie Endowment for International Peace in Washington that the Soviet Union appeared to be embracing a



The flag of
Red China

Big political
shift as SA

Without this additional subsidy the price of brown bread would have been increased by 11c a loaf.

The subsidy on white bread is being withdrawn completely and the total subsidy of R115-million would be used to subsidise brown bread.

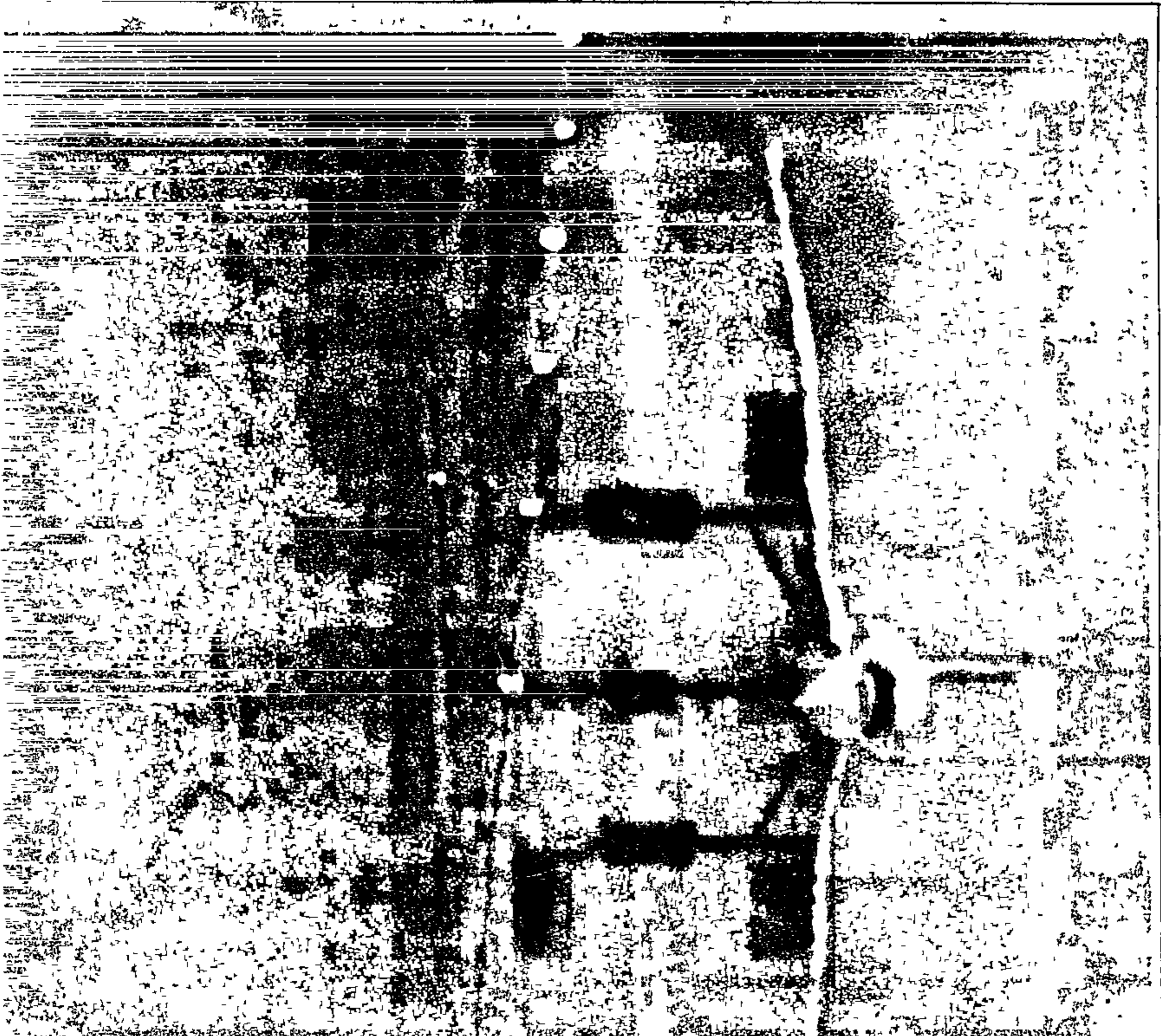
Brown bread was now about 60 percent of the total sales of standard bread.

The latest price increase was unavoidable because of cost increases in the baking and milling industries, especially higher salaries, wages, fuel prices and interest rates.

If the price increases were to be postponed it would result in a bigger increase at later stage.

Difficult

Mr Wentzel said that with a view to phasing out the bread



Monday

white loaf and 7c for a

6c a loaf today

R35-million available to subsidise bread this year

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If the price increases were to be postponed it would result in a bigger increase at later stage.

Difficult

Mr Wentzel said that with a view to phasing out the bread subsidy, only R80-million was initially available for the year.

But because of the difficult economic conditions, this had been increased to R115-million.

At the beginning of the wheat season in November, the Wheat Board and the milling industry had made available a substantial amount for the subsidisation of bread

Mr Wentzel said a thorough investigation was being conducted to find alternative methods by which more effective food aid could be rendered to the poor.

Strategy

"A committee appointed last year was investigating a nutrition strategy for South Africa," he said

Peninsula School Feeding Association chairman Mr Brem Jackson said the increase in the price of brown bread was a "great shock" to the association, which would have to find an additional R525 a day to continue supplying 150 000 needy children with a meal.

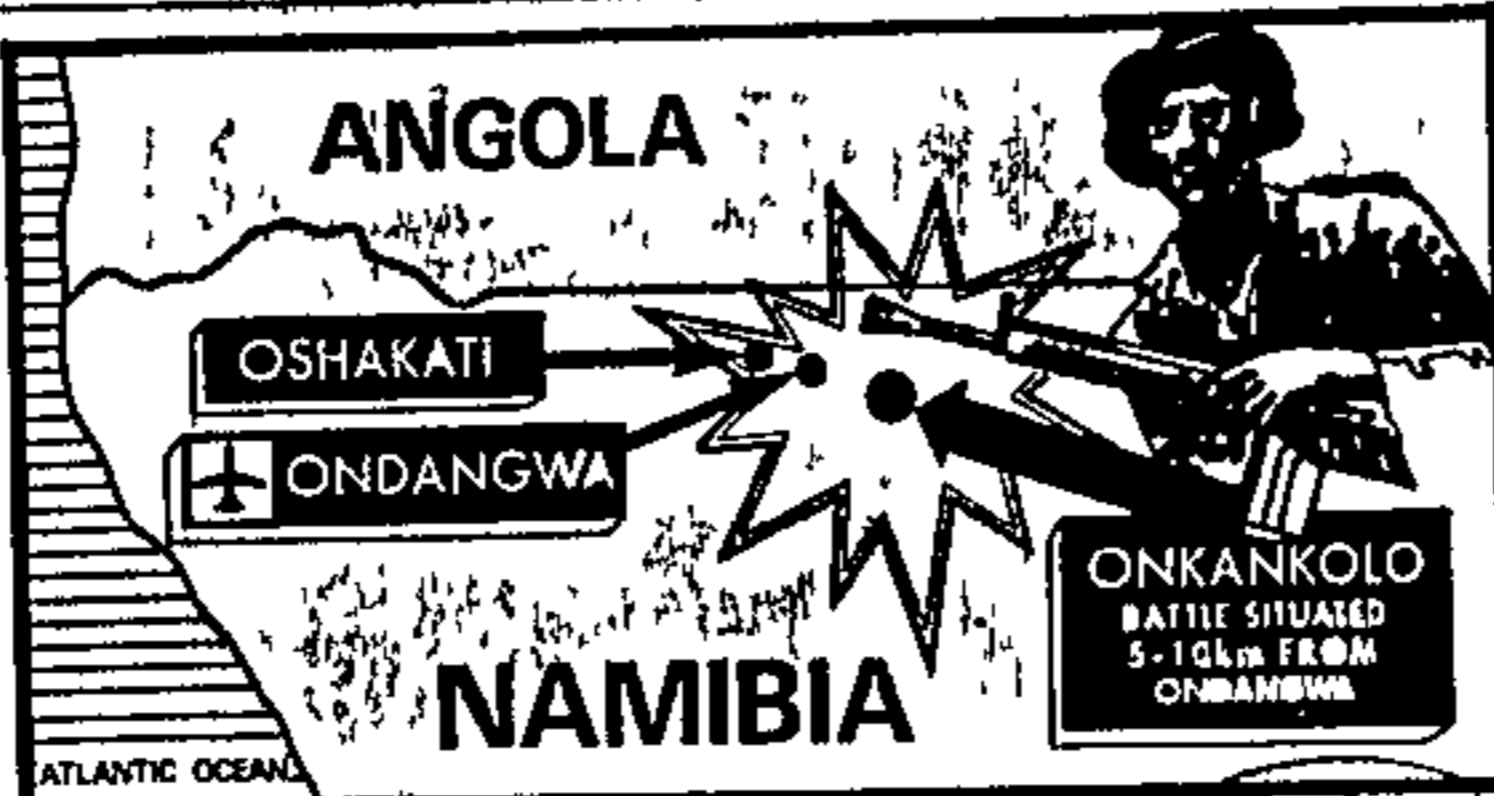
"We are already struggling but will simply have to find a way of getting support for this essential service," Mr Jackson said

The association buys 7 500 loaves daily.

Durban winter



SPOT THE BIRD: Is it a bird? Is it a plane? A Cape heron struts possessively around its territory yesterday while behind it the bigger, supersonic bird, the Concorde, looms out of a heat haze. Cape Town for its third visit. Five lucky Argus readers will be treated to a walk-on tour of Cape Town for its third visit. Five lucky Argus readers will be treated to a walk-on tour of Cape Town for its third visit. Five lucky Argus readers will be treated to a walk-on tour of Cape Town for its third visit. Five lucky Argus readers will be treated to a walk-on tour of Cape Town for its third visit. ● Full re



Three Swapo killed in clashes

WINDHOEK. Three Swapo fighters have been killed in clashes with security forces and there are reports of a battle, possibly a large one, in northern Namibia.

Mr Gerhard Roux, chief aide to Namibia Administrator-General Mr Louis Pienaar, said today that he was flying north to investigate the battle

The three Swapo deaths were confirmed today by a spokesman for the office of the Administrator-General, Mr Dawid Venter.

Two died in follow-up operations after a security force vehicle detonated a landmine in an ambush in the east of northern Namibia, while the third was killed in fighting in the west of the oper-

EMERGENCY UPDATE

Pupils stone Guguletu school head

PRETORIA — A Guguletu school principal was injured when pupils threw stones at him

The police unrest report said that while the principal was taken to hospital, his car was set alight and badly damaged.

The school and other vehicles on the premises were also damaged in the stoning.

At Louwville, near Vredenburg, a police vehicle was damaged when a group of pupils threw stones at it

A group of men stabbed a man to death at Inanda, Durban, while another was seriously injured when he was stabbed at Amawoti. — Sapa

Gold \$385,15

GOLD traded at \$385,15 an ounce in London today against \$385,50 at the close in New

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They also countered the ...
dens a 14% decline in gold's contribution.

To Page 2

Bread price hike expected next week ^{2/4/4}

PRETORIA — A bread price hike of at least 10% was certain to be introduced next week, government sources said.

They warned that unless the price rise was substantially greater than 10%, another increase was likely after June.

The subsidy was cut by R20m to R80m this financial year and was expected to run out by September/October.

The price was raised in August last year to 85c for a white loaf and 69c for brown. Government aimed to phase out the sub-

sidy and close the price gap between white and brown bread

Wheat Board deputy GM Andries Liebenberg said the milling and baking industries were given increased margins from April when the price of flour was raised. High interest rates, fuel price and transport tariffs increases had necessitated the adjustments.

The subsidy on brown bread was 13c a loaf and on white 4c, Liebenberg said.

Bridges 2/18/4

GERALD REILLY



Hospital fees to rise

MC TIPS
22/11/89
244

FEEES at provincial hospitals in the Cape will go up on May 1.

A statement from the office of the Administrator of the Cape yesterday said the maximum tariffs for the use of general wards, intensive-care and high-care units, private wards and theatre services would in future equal the medical fund benefit scales.

The statement emphasised that this applied to maximum tariffs, and that 90% of all patients would be assessed at a lower tariff.

The tariffs would be decreased on a sliding scale according to the income tax payable by the patient.

People who do not pay income tax will pay a nominal tariff of R2 or R3 per in-patient day or out-patient visit. — Sapa

Bread price rises take severe roasting

w/6 ARGA 5
22/4/89
244



Picture: DANA le ROUX, Weekend Argus

Kensington police station has been voted the region's neatest. The Mayor of Cape Town, Mr Peter Muller, popped in to inspect the work of Warrant Officer Johannes Erasmus, right, and to present the award to station commander Captain Abie Barnard.

by FRANS ESTERHUYSE
and VIVIEN HORLER

Weekend Argus Reporters

THE poorest people will be hit hardest by the bread price increases which come into effect on Monday

This is the main gripe of politicians, consumer bodies, housewives and others in a flood of protests condemning yesterday's government announcement that a white loaf will cost 5c more and a brown loaf 7c more

This represents a 10,1 percent increase for brown bread, which will now cost 76c a loaf, compared to 5,9 percent for white bread, which will cost 90c

The bigger increase for brown bread has drawn sharp criticism on the grounds that it is the only bread many of the poorest people can afford

Extra subsidy

Announcing the increases, the Minister of Agriculture, Mr J J G Wentzel, said they were unavoidable because of cost increases in the baking and milling industries, especially higher salaries, wages, fuel prices and interest rates

He also announced that the government had made a further R35-million available to subsidise bread this year

Without this additional subsidy the price of brown bread would have increased by 11c a loaf, he said

The Democratic Party's finance spokesman, Mr Harry Schwarz, called for an urgent investigation into the whole question of fixing the bread price and into monopolistic conditions

The bread subsidy, he said, was inadequate "To increase the bread price at this time is hardly desirable and must shock many people

"It is obviously being done now so that by the time the election comes around, people

will have got used to it and perhaps forgotten it"

The National Party MP for Caledon, Mr Lampie Fick, defended the increases, claiming that South Africa had the cheapest bread in the world

He told Parliament yesterday that consumers who felt they could not afford the price of bread should ask themselves whether they could afford the alternative — reducing the producer price of bread to the point where the farmer could no longer produce

A Labour Party spokesman on agriculture, Mr James Swigelaar, MP for Dysselsdorp, said the government should reconsider its decision

The senior social worker for the Afrikaanse Christelike Vroue Vereniging, Mrs Anna Vazirgiantzakis, said that at 76c a loaf brown bread was still good value for money

"You can cut 20 slices from it and, when you consider a can of soft drink will cost you 97c or an apple 56c brown bread is not such a bad buy — it's a bargain

"I think our job as a service organisation is to educate people to eat the right food — and that's often the food that's cheaper. Brown bread is cheaper than white bread and is better for you

Wheat surplus

"This way we end up with healthier people with more money in their pockets"

A spokesman for the National Consumer Council in Pretoria said the consumer did not understand why the price of bread increased when there was a wheat surplus

Council director Mr Jan Cronje said "The announcement of an increase in the price of bread hits the consumer very hard, especially at a time when he is bombarded by price increases"

Supermarkets to hold down price of bread

Staff Reporter

ALL three major supermarket groups have reacted to the bread price increase announced in Parliament yesterday by saying they will hold the price down

But Housewives' League president Mrs Lynn Morris says it is highly likely that there will be another price hike in November, the start of the new wheat season.

And opposition parliamentarians and consumer organisations have appealed to the government to recognise the extent to which consumers are being hit by a wide variety of price rises — and to find a way soon to grant assistance to the needy

The bread price, announced by Agriculture Minister Dr Greyling Wentzel, will increase by 5c for a standard white loaf and by 7c for a brown loaf from Monday. This will take the average price charged to 90c for white and 76c for brown bread.

Only an emergency addition of R35 million to this year's bread price subsidy of R80 million made this possible. The prices would otherwise have risen by 9 to 10c for white bread and 11c for brown.

The government announced three years ago that it intended to phase out the bread price subsidy, and this is the last year it will be granted. Last year it was R100 million, to which an emergency R32 million was added.

Supermarkets to hold bread prices down

Down Correspondent

CAPE TOWN — All three major supermarket groups — Pick 'n Pay, OK and Checkers — reacted to the bread price increase announced in Parliament last week by saying they would hold down the price

However, Housewives' League president Lynn Morris said it was highly likely there would be another price hike in November, the start of the new wheat season.

Opposition parliamentarians and consumer organisations appealed to government to recognise to what extent consumers were being hit by a wide variety of price rises — and to find a way to grant assistance to the needy.

The bread price, announced by Agriculture Minister Greyling Wentzel, will increase 5c for a standard white loaf and 7c for a brown loaf from today.

This will take the average price charged to 90c for white and 76c for brown bread



SIX-YEAR-OLD Karen Sesibe of Meadowlands, Soweto, with a loaf of white bread, the price of which is now 96 cents from an initial 85 cents. She holds four cents, the change after paying with R1. **PICTURE BY JOE MOLEFE**

Anger over bread rise

By SY MAKARINGE

CONSUMERS will from today dig deeper into their pockets following a huge hike in the price of bread announced by the Minister of Agriculture, Mr Greyling Wentzel, in Parliament last week

The price of white bread has been increased from 85 cents to 90 cents a loaf, while brown bread has gone up by 7 cents a

loaf — from 69 cents to 76 cents.

The increase — which means that the price of bread has more than doubled in the last eight years — was met with

● To Page 2

Bread rise anger

● From Page 1

anger by consumer bodies throughout the country.

Mr Wentzel attributed the increase — which averages about 15 percent — to the increasing costs of milling and baking, higher salaries and wages, increase in the price of fuel and higher interest rates.

He said if the increase was to have been postponed, it would have meant an even bigger rise at a later stage.

No subsidy would be payable on white bread and the total amount of R115 million would be used to subsidise brown bread.

The Bophuthatswana government also announced a price hike following Mr. Wentzel's announcement on Friday.

Meanwhile, three major retailers at the weekend announced that they would absorb the price rise for as long as possible.

244
Sowetan 24/4/89

Sowetan 24/4/89 *244*

ay April 24 1989

Increase is widely condemned

We'll sell bread at old price, say stores

Star 24/4/89

244

Staff Reporters

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

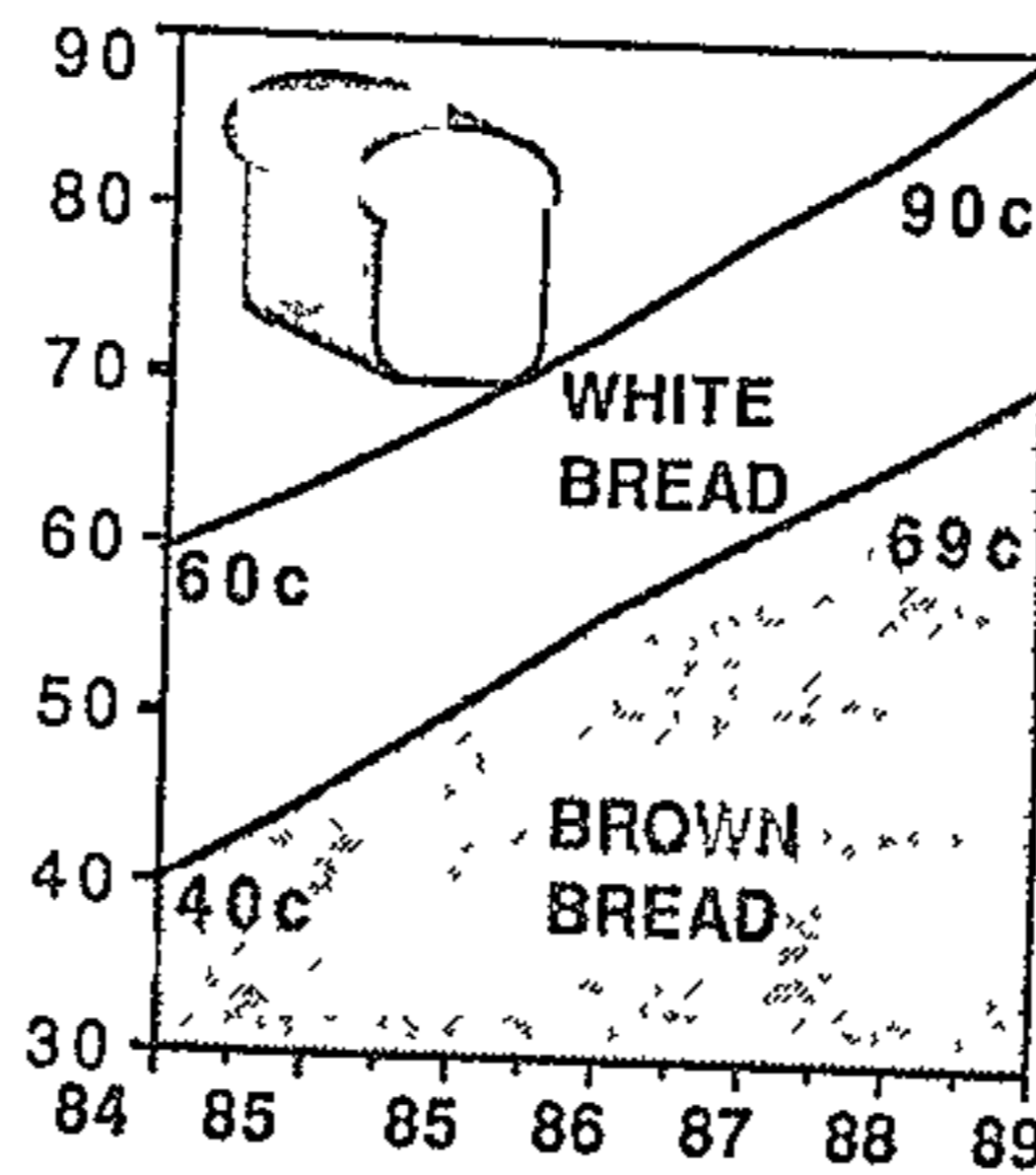
Consumer bodies have condemned the increase, announced last week by Agriculture Minister Mr Greyling Wentzel

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

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

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

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



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

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

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

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

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

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

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

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

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

Busfares in the city to go up by 8%

MT Times 24/4/89
24/4

Staff Reporter

CITY busfares are to go up at the end of the month.

City Tramways yesterday announced that increases averaging 8% will become effective next Sunday, April 30.

On most city routes the increase will be between two and six cents. On long-distance routes the increase will range from seven to 10 cents.

The company said the increase would affect subsidised clipcard passengers as well, and that an increase in concession fares, used by pupils and senior citizens, was also "unavoidable".

The increases were slated by community organisations, who said the increase would be a hard blow to people already reeling from a bread price increase.

On trips between 20km and 40km, fares will increase by between five cents and a maximum of eight cents a journey. For trips between 40km and 50km, increases of between nine cents and 10 cents will apply. On trips longer than 50km the increase will be a maximum of 10 cents.

Pupils under 13 will now pay R4,80 for a 10 ride clipcard as opposed to the present R4,50. Those between 13 and 17 will now pay R7,40 instead of R6,80.

Senior citizens will have to pay R2,70 instead of R2,50 for the 12-ride seniors' concession.

For clipcard users the increase will range from two to a maximum of four cents a trip on routes up to 20km.

City Tramways spokesman Mr B Gie said the latest diesel price increase of 11,3 cents had raised the company's fuel bill to the extent that the total additional annual expenditure was more than R6 million.

"Although we are deeply conscious of the hardship that any fare increase causes our passengers, we have no alternative but to pass on increases over which we have no control and which have such a substantial impact on our costs.

"We are also unable, as we did before, to avoid passing on some of the new increase to people using concession fares such as scholars and senior citizens."

Clipcards bought before Sunday April 30 would be valid for the normal two-week period, Mr Gie added.

A spokesman for the Cape Areas Housing Action Committee, Mr Henrie van Wyk, slated the increase and said that CAHAC "viewed the increases in the bread price and busfares as another attack on the living standards of the man in the street."

"We are amazed at the hardness and short-sighted action taken by the government, which wants to increase the suffering of the people in the Western Cape, already overburdened by high rent and massive unemployment," he added.

Competition Board urged to probe rise in building costs

Star 24/4/89 (244) (B) (B) (B)

By Tom Hood
CAPE TOWN — Housebuilders want the Competition Board to act against suppliers of building materials whose regular price hikes are blamed for a 60 percent jump in house prices in the last three years

"An additional 200 000 houses could have been built in the last decade if suppliers' price increases had been in line with those of other industries such as mining, which have been forced by difficult conditions to be more efficient year by year," the president of the South African Institute of Building, Mr Jannie Breed, said at the weekend.

He said he was "dead against" price controls but he believed the Competition Board should exert pressure on certain suppliers

He quoted an 89 percent price hike for stock bricks in two years to R190 a thousand, while other bricks rose by from 50 to 60 percent

Cement increased 49 percent in two years to R8,85 a pocket, while ready-mixed cement in the Cape Town area rose 72 percent to R139,95 a cubic metre

Sanitary fittings for one bathroom soared by 83 percent in less than three years from R602 to R1 104

Wage increases had been "moderate and were hard earned and well deserved," with rates for bricklayers on housing work, for example, rising only 17 percent

"But there is absolutely no question any longer in the minds of most people in the construction industry that certain suppliers enjoy

near monopolistic, cartel-type conditions and that they have been able to increase prices year by year at inflationary rates"

Suppliers should consider that they are damaging the building industry, particularly the home-building industry

The figures suggested that manufacturers of building products were either "taking us all for a ride or operating extremely inefficiently", added Mr Breed

"The dissatisfaction of the industry has been aggravated by price rises of goods continuing even in times when, to remain competitive, home builders and general contractors had to operate at very low mark-ups and do all they could to hold prices down, often absorbing losses on many aspects of the work," he said

Price increase anger — calls for inquiry and new Minister

By BRUCE CAMERON
Political Staff

THE government faced demands today for the appointment of a commission of inquiry as well as a Minister of Consumer Affairs following the latest spate of increases.

Opposition spokesmen were incensed today at the announcement that the price of maize was to go up for the consumer but go down for the producer.

This followed on the heels of the increase in the wheat price — also in spite of the surplus.

The boards controlling the grain products have claimed the prices had to go up because the surplus in maize and wheat had to be exported at a loss.

Mr Harry Schwarz MP, Democratic Party spokesman, in a statement today also accused the government of allowing a host of maize price increases now hoping the consumer would forget them by the election.

He warned that the latest increases not only created hardship for lower income groups but "it creates inflationary expectations which will result in more price increases and consumer exploitation".

"To argue this is a market-related price as has been done by the representative of the Maize Board is without substance as there is no internal market and no competition and prices are fixed.

"This is upside-down economics. The basic rule is that prices are set by supply and demand.

"The truth is the consumer is subsidising the losses to be incurred on exports in respect of a very high crop.

"The case for a Minister of Consumer Affairs to speak solely for the interest of the consumer becomes stronger by the day."

Mr Ralph Hardingham MP (NRP Mooi River) said the decision by the Maize Board "will have disastrous consequences for the industry".

"This is little more than an act of suicide. The effect of the decision will bring about an immediate drop in consumption, will create an even greater surplus problem and will result in the complete lack of producer confidence in the future of the industry.

"It is foolhardy to tamper to such a degree with the mechanisms of production and marketing. Market forces cannot be merely swept aside and ignored. The time has come for a complete reappraisal of the entire marketing structure for grain products."

Mr Hardingham said an impartial commission should be appointed immediately to investigate the situation.

Anger over hike

source in 20/4/81
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created hardship for lower income groups but "it creates inflationary expectations which will result in more price increases and consumer exploitation

"This is upside-down economics. The basic rule is prices are set by supply and demand"

STUDENTS' DEMAND

THE National Union of South African Students and black student organisations have called for national and international intervention against the presence of SADF troops at the University of the North (Turffloep).

Over 12000 students on Nusas-affiliated campuses around the

country have voiced their protest by signing postcards in support of Turffloep students Sapa

244

Lift price controls on bread, says SBDC

By Dawn Barkhuizen
Star 27/4/89

The Small Business Development Corporation has called on the State to lift price controls on bread in order to combat spiralling prices and allow cafes a greater profit margin. Mr Johan Naude of the SBDC said "The bottom line here is that price controls should be scrapped. Deregulation would make for more competitive prices."

Cafes — currently allowed a 3.4 percent profit on each white loaf and about 4 percent on a brown loaf — claim they are in fact losing money after forking out for plastic bags (1,8c each) and paying employees to package the loaves.

At the same time they are competing against supermarket chains which have vowed to sell bread at the old cost price of 82c until the end of June.

Trapped into selling State-subsidised bread — it comprises 20 percent of cafe sales and serves to draw shoppers to their stores — they are contemplating stopping sales for one day each week, lobbying the Minister of Agriculture or introducing "special bread days" highlighting non-subsidised bread.

LOSING

Executive director of the Catering, Restaurant and Tearoom Association, Mr Frank Swarbrick, supported the call for deregulation, saying the cafe owner was the biggest subsidiser of bread "and battling to scrape up the crumbs in order to survive".

"They are losing money with every sale — unless they sell something else like polony or cheese as well. They will be forced to increase prices on other items in order to offset their losses," he said.

Cafe owners, who sell 80 percent of the State-subsidised loaves, have had their profit margin narrowed dramatically over the past 10 years, he said.

This was illustrated by comparing prices in 1978 — 26 cents with a 2 cent handling fee — to prices in 1989 — 87 cents with a 3 cent handling fee.

This could also be seen against the 15 percent mark-up on milk — also a major commodity. Bread and paraffin are the only commodities subject to price regulation in South Africa.

Prices increases this week brought the maximum retail price for white bread up 5 cents to 90 cents and brown bread by 7 cents to 76 cents.

Public over-paying

Pharmacists in attack on tender system

Star
27/4/57

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244

By Helen Grange

The enormous cost of medicine in the private sector could be greatly reduced if retail pharmacists were able to purchase their stocks at the same rates applicable to state purchases

This is the view of Mr Gary Kohn, national president of the SA Association of Retail Pharmacists, who said this week that retail pharmacists were charged far more for medicines than was the State, which purchased medicines at tender prices

"The State purchases 85 percent of medicine produced at 20 percent of the overall cost, which means that the remaining 15 percent of medicine sold to the private market must have a high mark-up to sustain losses incurred at tender level," said Mr Kohn

"This results in the retail pharmacist having to pass the costs on to the patient, who ends up indirectly subsidising State medicine," he said.

Mr Kohn pointed out that efforts by the private market to gain access to the tender market had not been successful.

"Our association has appealed to the Government to help us narrow the gap in the tender and private market, and the Minister of Health and Welfare is looking into this problem," Mr

Kohn said. A Government report was expected to be tabled in September.

Examples of the disparate costs of medicine could be evidenced in the tender price of an antibiotic at R12,56 as opposed to the wholesale price of R45,10

An anti-gout preparation cost R1,30 at tender level and R21,97 at wholesale level, and an anti-inflammatory cost R35 at tender level and R128,90 at wholesale level

Another factor in the high cost of medicine was the substantial difference between the costs of generic (patent-expired) and normal medicine prescriptions.

"Generally, the doctor does not give sufficient consideration to the price of medicine he prescribes, and because medical aid tariffs are nominal, the patient often ends up paying the difference on an unnecessarily expensive medicine"

An anti-gout treatment, for example, cost R54,26 on a generic prescription and R95,37 on a normal prescription.

"The pharmacist is unable to change a doctor's prescription unless the patient gets the consent of the doctor," said Mr Kohn.

Mr Kohn added that customs duty on raw material or primary medicine ingredients also contributed to the high cost of medicine.

AGUS 27/4/87

Minorco's raiders win battle to control Cons Gold

By TOM HOOD
Business Editor

SOUTH Africa's raiders had the scent of victory today in their long and hard-fought battle to take over the British mining giant Consolidated Gold Fields

Their assault vehicle, Minerals and Resources Corporation — popularly known as Minorco and controlled by De Beers and Anglo American Corporation — succeeded last night in gaining 55 percent of the shares after more than R140-million of them changed hands in London dealings yesterday.

Minorco already held 29 percent of Cons Gold's shares, which it bought in a famous dawn raid on the London Stock Exchange some years ago, and was offering R15-billion to buy the rest

The acrimonious takeover battle — the most expensive in British history — began last September and almost developed into a feud between Cons Gold's leader Rudolph Agnew, who enlisted the Anti-Apartheid Movement and the British Labour Party, and Minorco's chief, Sir Michael Edwardes, who dropped a strong hint that if defeated he would bomb the market with Cons Gold's shares and collapse the price.

The battle was fought with the British Press unanimously hostile to Minorco and even yesterday the newspapers forecast Minorco would lose.

"FIGHT NOT OVER"

Normally, defeated directors hand over power to the victors of a takeover battle but Mr Agnew refused to budge and claimed the fight was not yet over

Before the South Africans can move into the board room, however, Minorco must dispose of a New York court action by Cons Gold subsidiary Newmont Mining that has blocked the takeover

Sir Michael disclosed last night a hard-selling job over the last 12 days had paid off. He and other Minorco executives personally spoke to 80 financial institutions and gained their support.

Luxembourg-based Minorco is expected to approach the UK Takeover Panel today about the possibility of calling an emergency meeting of Cons Gold shareholders to pressure the directors to drop the US court action.

An attempt by British insurance giant Royal, just before yesterday's deadline, to get Takeover Panel permission to change sides and back Cons Gold with its big block of shares added to the drama of the finish. Earlier it had pledged its support for Minorco.

● See page 35

Star 27/4/89

Maize rise 'defies the laws of ^{more} ~~of~~ _{law} economics'

A prominent agricultural figure has blasted the Maize Board over the maize price increase, saying the consumer was being "held to ransom"

The chairman of the SA Freedom Association, Mr Dirk van Reenen, said in a statement the price increase was a "rare phenomenon which is not .. rapidly found in economic text books, since it defies the law of supply and demand"

Many critics of the increase have pointed out the increase comes despite a good maize crop

"Neither the sellers nor the buyers are satisfied," Mr van Reenen said

"In the real world ... where there is no Maize Board influence, buyers are at times pleased and the sellers unhappy, or vice-versa

The question is how it was possible for a board ... to be responsible for such strange actions?

"The answer, I believe, is simple Due to the single channel marketing system, the board as such is the sole seller of maize, and has a captive consumer market they are holding to ransom"

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CONSUMER PRICE INDEX

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Upward march

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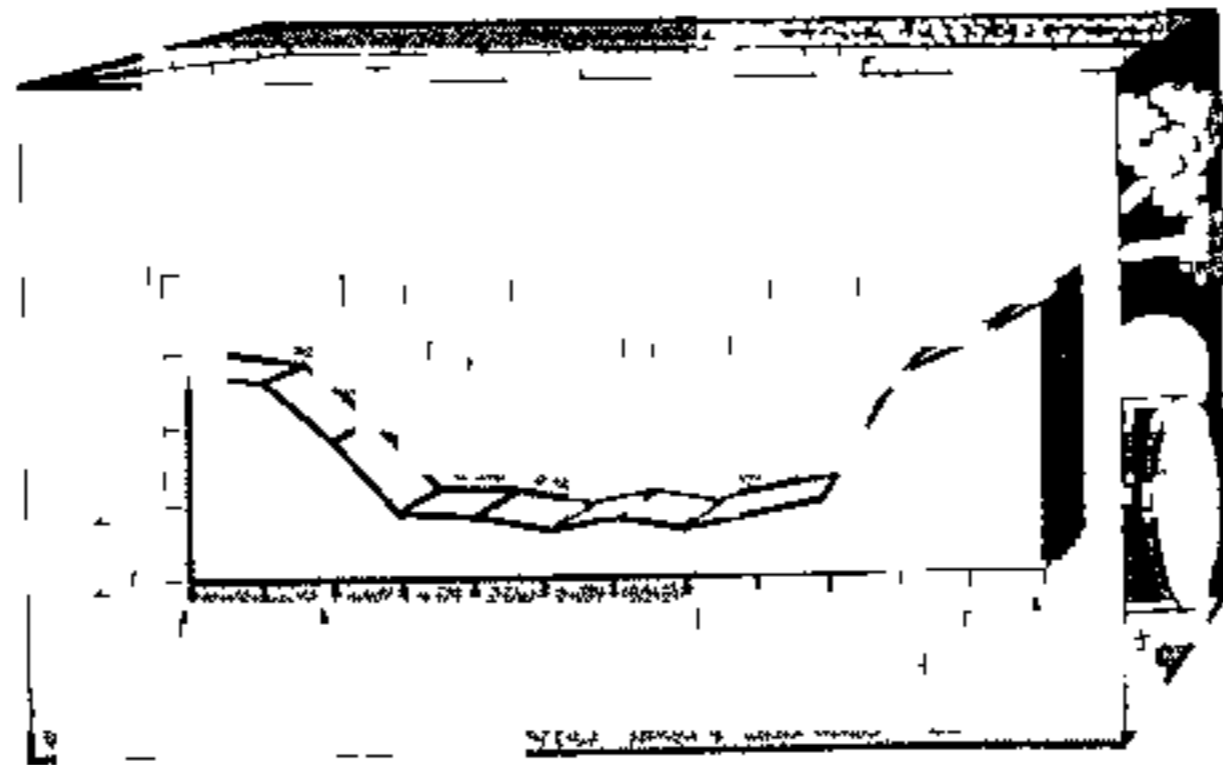
Consumer prices rose 1,6% in March, pushing the 12-month increase in CPI to 13,8% — the highest since January 1988's 14,2% — from 13,5% in February. The index rose to 170,4 from 168,2 (mid-1985=100)

Most economists expected a rise in CPI this year but some projections made late last year have already been revised — upwards. Trust Bank's Nick Barnardt predicted an average 14% — he now forecasts an average 14,5%, peaking around 15,5%. Southern's Mike Daly has revised his peak projection from 15,4% to 16%. And Nedcor's Edward Osborn forecasts 16,8%, up from 16,5%.

Barnardt sees the rate peaking in July while Osborn forecasts a year-end peak and Daly has it moving up into mid-1990.

Says Barnardt "The 1% increase in GST will be reflected in April and the latest petrol price rise will push May's figure upwards. However, abnormally low food price increases, because of good summer rain, will have a positive effect throughout the year."

This could partially offset higher oil prices and interest rates and the rand-dollar ex-



change rate

March CPI reflected higher food prices in recent months. Osborn says inflation was held down in September-December — it hovered between 12,3% and 12,5% — by the downward influences of food and meat prices. But, in January, they started to pick up again, reinforcing other components.

Daly agrees that food prices will increase less than last year or this year's overall inflation rate. "But pressure is still to come from the petrol price rise."

Main contributors to the March increase are higher interest rates on housing bonds and increased university fees and prices of furniture and equipment, which each contributed 0,2% to the 1,6% monthly rise. ■

PPI soars to 15,5 pct

The Production Price Index for March this year has risen substantially ²⁰⁰⁴

The percentage increase for the month was 15,5 percent compared to March last year and was up on February's 14,9 percent. The monthly increase was 1,5 percent.

The Central Statistical Service said the import component of the index increased by an annual 16,7 percent. In February the imported component was up at 15,2 percent.

The rate of increase for locally produced commodities was 15,1 percent compared to 14,8 percent in February.

statutory form the right of people who do not want an own community life, so the right of the other people must also be taken into account

I said that Homestead Park was in reality a closed off area. I also said that it was the cultural birthplace and milieu of the Abraham Kriel Afrikaner Children's Home. One cannot relocate that children's home to Houghton, Lenasia or Soweto. The children's home belongs where it is and where it has been all these years.

During the past 12 to 16 months we have had the situation in which approximately 70 families of Indian origin, rich people with a great deal of money, have been moving illegally into that neighbourhood [Interjections]. The question that may now be asked is whether we should not allow the market mechanism to take its course [Time expired].

*THE DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING. Mr Speaker, the hon member for Green Point said that I had made use of an advantageous situation. That is not true. The representatives of the Save Pageview Association spoke to me and asked me whether I would be prepared to support an investigation to establish whether Pageview should become a free settlement area or not. I told them that I would examine the facts. I did so, and also held talks with representatives of the White community. I wrote back to them, and my reply was that according to the facts I could not support such an investigation. That is what I said.

The fact of the matter is that I do not have the authority to take that decision. The Ministers' Council of the House of Assembly has the authority to decide whether there should be an investigation or not. All that I did was to express my opinion, as representative of the constituency concerned.

The hon member is now harping on the fact that we are not prepared to investigate free settlement in Pageview. I want to say the following to him. A representative of his party in Johannesburg, who is also a city councillor of Johannesburg, a certain Mr Strydom, is also an inhabitant of the Johannesburg West constituency and resides in Melville. When I confronted him with the facts and asked him whether he would be prepared to support an investigation into Melville as a free settlement area, his reply was

Answer

"No, not until the whole of Johannesburg has been thrown open." However it is good enough for Pageview, which falls in the lower income group, to be thrown open as long as the other residential area in which he lives is protected [Interjections]. I think that this type of hypocritical standpoint which the hon members adopt should really be exposed. Considering all the circumstances, I am not prepared to change my standpoint in the case of Pageview. However, I do think it is important—I shall concede this point to the hon member—that we should in fact consider the throwing open, by way of free settlement, of higher income areas in Johannesburg. I think there are grounds for instituting such an investigation [Interjections]. When we have done that, we can indeed involve a balanced cross-section of the society of Johannesburg in that way, because then we have Mayfair as such an area and, for the sake of argument, an area such as Houghton as well [Time expired].

Debate concluded

Fuel prices: increase

2 Mr D G H NOLTE asked the Minister of Economic Affairs and Technology

- (a) What were the reasons for the recent increase in the price of petrol and diesel and (b) what are the present components of the total price of fuel?

B823E INT

THE DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett). Mr Speaker, the recent increase in the price of fuel consists of four basic components. The first was the increase in transport costs which were previously announced to become effective as of 1 April. These were delayed until 15 April and they were financed during the interim period out of the Equalisation Fund. This increase varies between 0,6 cents and 0,7 cents per litre.

The second was the increased fuel levy levied on diesel for road users of 2,5 cents per litre which was to become effective as of April 1, but which was deferred until 15 April.

The third component was the rising international prices of fuel which makes up the largest component of 6 cents to 9 cents per litre. The reason for this was the increase in international prices which since September last year have been something like 40% in United States' dollar terms. As a result of these increases there had also to be a

slight increase of 0,3 cents per litre in the resellers' margins

*The components of the total for 93 octane fuel price as at 15 April 1989 in the PWV area are as follows

(i) Landed cost	40,142 c/ℓ
(ii) Zone differential or transport cost	9,2 c/ℓ
(iii) Delivery differential	1,9 c/ℓ
(iv) Customs and Excise	4,0 c/ℓ
(v) Motor Vehicle Accident Fund (MVA)	3,6 c/ℓ
(vi) Retail margin	8,7 c/ℓ
(vii) Wholesale margin	5,558 c/ℓ
(viii) Equalisation Fund levy	7,0 c/ℓ
(ix) Fuel tax	31,9 c/ℓ
(x) Pump price in the PWV area	112,0 c/ℓ

Therefore the pump price increase was as follows

Landed cost	6,4 c/ℓ
Retail margin	0,3 c/ℓ
Transport costs	0,7 c/ℓ
Rounding off at pump	minus (0,4) c/ℓ
Total increase	7,0 c/ℓ

The increased wholesale price for diesel in the PWV area was the result of

Landed cost	8,8 c/ℓ
Transport cost	0,6 c/ℓ
Total increase	9,4 c/ℓ

In addition to the above-mentioned increase the fuel levy on the price of diesel was increased by 2,5 c/ℓ for road-users who do not qualify for a rebate on the diesel price.

*Mr D G H NOLTE. Mr Speaker, the NP Government is being accused today of overburdening the consumer with fuel price increases. The Government wants to link these increases mainly to the world price of crude oil and the weak exchange rate of the rand, as if all of South Africa's fuel is imported from overseas.

For years now the consumer has contributed to the pump price in order to make South Africa less vulnerable to outside influences. In addition to the weak rand and the increases in the crude-oil price which put pressure on the fuel price, we know that the price of petrol is an easy method of taxation.

We know the Government is desperately seeking new ways and means of taxation. Therefore we can understand why the inland price of petrol

was increased by 37% last year and the price at the coast by 39%.

The latest increase in the petrol price is going to cause the general inflation rate to sky-rocket. It is therefore clear that the hon the State President's prediction and intention to bring the inflation rate down to 9% by 1990, are going to come to nothing as a result of these increases.

The National Energy Board has predicted that an additional increase in the petrol price later this year will be inevitable. This comes as no surprise, as it is in line with the trend we have noticed since the NP started to reform in all earnestness. This has been the case since August 1983 when a certain kind of petrol which cost 59,6 c/ℓ cost 88,0 c/ℓ in January 1985, 102 c/ℓ in January 1986 and 105 c/ℓ in January 1987.

It is striking not only that the frequency of the increases has become alarmingly high during this period, but also that the increases themselves have risen to such an extent each time that the increase between September 1988 and the next price announcement in January 1989 was higher than the price of a single litre of petrol in July 1970—95 c/ℓ to 105 c/ℓ, whereas the price was 9,2 c/ℓ in July 1970.

At present we are experiencing the third increase in eight months. I can therefore understand that the Government has become so embarrassed by these periodic increases that it no longer wants to make the announcements itself and leaves it to the National Energy Board to do so on its behalf. The fuel tax on every litre of petrol is 31,9 cents. When one adds the extra 4 cents for customs and excise plus the 7 cents for the Equalisation Fund the Government's share out of each litre of fuel amounts to 42,9 cents.

Once again this proves to us that the Government is in a financial bind. If I may be so bold as to make the understatement of the year

Mr R R HULLEY. Mr Speaker, the present high price of petrol and diesel, seen together with the recent price increase and the threat of a further price increase later this year, probably just after the general election, represents one of the main costs which the long-suffering consumer has to pay for the NP's mismanagement of the economy.

In spite of the generally favourable crude oil price on the world market compared with earlier

Answer

years. South Africans are forced to pay one of the highest fuel prices in the world, mainly for two reasons

Firstly, there is the Government's inability to control inflation or its own expenditure has led to the rapid depreciation in the value of the rand which in turn affects the price of all imports, not least fuel. Each time the consumers of South Africa fill up their tanks, they are paying for this economic mismanagement

Secondly, there is the Government's policy of treating the fuel price as a tax mulch cow. It is clear from the figures that the fuel price at the pump far exceeds the direct commercial costs to be covered. The difference is what the Government takes in hidden tax revenue to finance its misguided political policies. Some 40% of the money on every litre is spent on the Government's policies. The increase in the price of fuel will have a negative ripple effect right throughout the economy and further accelerate inflation in South Africa

In the end the increase in fuel affects the price of bread and all other commodities to a greater or lesser degree. This Government's stated policy of controlling inflation lacks all credibility as a result of its failed attempts to keep its own expenditure within budgeted targets. When this NP Government allows the prices that it administers, such as the fuel price, to rise so dramatically in such a short time, how can it expect others to exercise restraint?

THE DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett) Mr Speaker, I believe the two speakers who have just commented on this have overreacted and are very emotional. I say this because first of all this recent fuel price increase had nothing whatsoever to do with taxation. It had to do with rising costs.

The hon member for Constantia says he expects another increase just after the election. I would suggest that it might even come before that because international prices are rising at the moment and the South African Government does not control international fuel prices. The hon member says that this is NP mismanagement of the economy. This has got nothing whatsoever to do with mismanagement or otherwise of the South African economy.

was the case with the recent increases in transport tariffs

This brings me to the next point. Producers are alarmed that the price of petrol, which is mainly a consumer item, has been increased by 7 cents whereas the price of diesel, which is mainly a production item, has been increased by 9,4 cents in the case of agricultural diesel and by 11,3 cents in the case of road diesel. This begs the question as to whether the increased fuel price will be to the disadvantage of the producers, the economy or the consumers. Whatever the case may be, productivity and economising, which form the most important foundation for a sound economy, are being thwarted by these efforts.

Expenditure on fuel as a part of agricultural requirements has increased from R192,5 million in 1987 to R991,7 million in 1988. Worse still is the fact that the increase from 1978 to 1987 works out to an average of 17,81% per year. By comparison the latest increase has been 21,71% between 1987 and 1988. [Interjections.] At present it seems as if the increase for 1988-89 is going to be even higher percentage-wise. This points to an enormous increase in the price of fuel and this increase is becoming unbearable.

This afternoon I want to appeal to the hon the Minister, or the hon the Deputy Minister, on behalf of all the voters and consumers, and in particular on behalf of the CP farmers and the handful of remaining NP farmers. [Interjections.] I note that the NP MPs have no intention of doing anything about these prices on behalf of their voters. I want to ask the hon the Minister to reconsider the price of fuel and in particular the price of diesel. The hon the Minister knows as well as I do that the farmers cannot pass the increase in fuel prices on. They have to foot the bill out of their farming activities.

THE DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett) Mr Speaker, I would like to say to the hon member for Delmas that as a farmer I have great sympathy for the farmers of South Africa. I speak as a farmer who uses diesel. [Interjections.] I accept that the rate of increase in fuel has been considerable in recent times but the question I want that hon member to answer is how one can stop international prices from rising.

The hon member pleads for the Government to do something as far as diesel prices are concerned. Already the diesel price to farmers is 21,1 cents per litre less than the price paid by other diesel users throughout South Africa. If we decrease the price of diesel to farmers—the hon member may want to have that for his voters in his constituency—what does that mean? It must mean that he is asking the Government to pay a subsidy on diesel for the farming community. [Interjections.] The hon member says nonsense. Then where will the money come from to pay the shortfall? This is the question that one has to ask. [Interjections.] If there is a subsidy, who pays for it? The taxpayers of South Africa! We know what has happened in Europe as a result of the tremendous subsidies which are paid to agriculture by the governments of those countries.

There is another aspect that I want to put to that hon member. How would he suggest the Government controls the abuse of a differential diesel price system which creates tremendous incentives because of the low price of diesel for the farmer and the higher price for other users? I am referring to the abuse which occurs with persons using rebated agricultural diesel to power their vehicles operating on public roads. [Time expired.]

Debate concluded

QUESTIONS

† Indicates translated version

For oral reply

General Affairs

Questions standing over from Tuesday, 25 April 1989

Meetings with Soviet Ambassador

*12 Mr H J COETZEE asked the Minister of Foreign Affairs.

(1) Whether he, his Deputy Minister or any officials of his Department held meetings with the Soviet Ambassador in Mozambique during the latter half of 1988, if so, what was the purpose of these meetings,

Petrol price may go up



FURTHER increases in fuel in the near future were possible as a result of the rising cost in world oil prices, the Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said in Parliament yesterday. *Southon 3/5/67*

Speaking in an interpellation debate, he said the Government had no control over world oil prices which had increased sharply in recent months.

Replying to Mr Daan Nolte (CP Delmas), who said a further price increase could be expected after the coming general election, Mr Bartlett said the increase could be even before that if world prices continued to rise.

Mr Roger Hulley (DP Constantia) said the recent increases in the fuel price and threats of further increases represented one of the main costs which long-suffering consumers had to pay for the NP's mismanagement of the economy.

Pricing system 'unfair'

Star 3/5/89

Clash over 'subsidy' of State drugs

By Helen Grange

A dispute has arisen within the pharmaceutical industry over whether medicine costs should be reduced in the private sector.

The SA Association of Retail Pharmacists argued last week that patients could buy medicines at a much reduced cost if retail pharmacists were able to purchase their stocks at the same rates applicable to State purchases

The association's national president, Mr Gary Kohn, pointed out that the State purchased medicine at tender prices (20 percent of overall price) while pharmacy retailers paid much more in order to sustain losses incurred at tender level

He appealed to the Government to balance these price differences so medicines could be more accessible to private patients

However, a spokesman for one of South Africa's largest pharmaceutical companies (who cannot be named) said he saw Mr Kohn's argument as a "simplification of a very complex problem".

"If the private sector was able to purchase medicines for less, State medicine would have to be subsidised another way, probably through higher taxes

No guarantee

"Also, if retail pharmacists could buy medicines for less, there is no guarantee these prices would be passed on to the patient," the spokesman said.

He added that many pharmacists purchased medicines for discount prices, but rarely passed these on to the customer

"Because pharmacists are not allowed to compete in the price market, hundreds of pharmacists would go out of business if they had to reduce their selling price by 20 percent," the spokesman said

Mr Kohn also argued that patients were often given brand name prescriptions when they could get a generic (patent expired) prescription at a reduced cost

"Generic prescriptions are not always as good as brand name prescriptions. The best available treatment should be prescribed by a doctor," the pharmaceutical company spokesman said.

BUSINESS**DP's Schwarz calls for 'alternative food'**

INCREASES in the prices of staple foods — bread and maize — have led to calls for an urgent investigation into an alternative food scheme for the poor.

Democratic Party finance spokesman Harry Schwarz said that such a scheme could be implemented through increased or additional subsidies, or a system such as food stamps, which was introduced in the United States a few years ago.

But he said food stamps were open to abuse, as the system was difficult to control. It also tended to strip people of their dignity. "To be put into a category where you are forced to buy stamps is to admit that you are completely impoverished," he said.

It was ironic that South Africa could provide enough basic food for its entire population, yet food was going to waste as wages were so low that consumers could not afford to buy it.

Schwarz also advocated a minimum wage level to enable people to live above the breadline. "Anyone who is prepared to do a decent day's work should be entitled to a basic minimum wage. It is ludicrous to work solidly all day long without being able to keep above the minimum subsistence level."

The DP would be campaigning about wage gaps, the redistribution of income and minimum wages in the run-up to the

Weekly Mail Reporter

forthcoming election. The declining state of the economy would be a major issue in the DP's campaign, Schwarz said.

Schwarz said the government should consider appointing a minister of consumer affairs. Consumer issues were only a very small part of Minister of Agriculture Greyling Wentzel's portfolio. The minister and his department dealt mostly with the interests of the owners of the means of production instead of directing their energy towards the plight of the workers, he said, which resulted in a fatal conflict of interests.

He described the maize and bread price increases announced Wentzel as "utterly unacceptable", especially as the harvest had been a good one this year.

Increased supply led to higher rather than lower prices, as local consumers had to subsidise the losses on exports, Schwarz pointed out.

Increases pushed the price of brown bread up from 69c to 76c and white bread from 85c to 95c per loaf. Brown bread constitutes about 60 percent of subsidised bread consumption.

Schwarz said the government's decision last week to write off almost R460-million in debt incurred by the maize board could mean the government had to

**Harry Schwarz**

spend up to R1,4-billion in interest and capital payments in the next 10 years.

The move came at a time when the country was told there was no money to keep the bread price down. "Now suddenly there is money for this kind of thing," he said.

He attributed the price surge in part to the fact that competition was stifled, since the maize and wheat prices were fixed. Private bakeries catering for upper-income consumers charged up to R3,50 a loaf.

Schwarz said the government should be assisting people who could not afford the market price, since the lower-income groups spent most of their money on essentials.

Shareholders' body probes CPI accuracy

W/F 6/5/87 By TREVOR WALKER (2458) Business Staff
AKUS

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 the homogenised one produced by 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.

... been for

Egg price rise
latest in string
of new shocks
for consumers

Staff Reporter

South African consumers, already hard hit by high taxes and galloping inflation, will be paying 15 percent more for eggs from today

Mr Zach Coetzee, director of the SA Poultry Association, said the price increase would come into effect in many areas of the Transvaal, Free State and Cape

Mr Coetzee said he had spoken to five or six of the bigger producers who advised they would be increasing their prices by about 15 percent

The SA Poultry Association has blamed the price rise on increases in production costs

According to the Sunday Star, inflation — estimated by an expert to be running at no less than 31 percent — and the latest shock austerity measures have “trapped South Africa’s consumers on a headlong roller-coaster ride to poverty”

LONG LIST

More alarming still, the article says, is the latest round of price increases which have not yet filtered through to South Africa’s embattled households

- The prices of both petrol and electricity went up in January
- The price of sugar rose in February
- The price of milk went up in March
- The prices of bread and mealie meal went up in April and petrol prices rose again

It takes about three months for the full impact of price increases and their “ripple effects” to be felt

Increases in bank interest rates take effect from today
Rises in mortgage bond rates are expected shortly

Dr Karl Posel, a former professor of applied mathematics, has been reported as saying after a detailed analysis of the budgets of three “model” households, that the real inflation rate ranges between 30,4 percent and 33,5 percent.

Cape Times 8/5/89 (266)
Eggs up 15% today

JOHANNESBURG. — The price of eggs is going up about 15% today in the Transvaal, Western and Eastern Cape and OFS. It is not yet certain whether Natal will follow suit

The director of the South African Poultry Association, Mr Zach Coetzee, said last night that according to egg producers with whom he had spoken, the increase had been "motivated by the price increases in fish meal, maize, equipment, electricity, packaging, transport and wages".

An independent egg producer said last night: "One of the biggest influences on the price increase has been the hike in the price of maize, a basic commodity in egg production, which went up 13%." — Sapa

Schwarz calls for an urgent look at consumer price index

CAPE TOWN — There was an urgent need for an "examination and re-assessment of the consumer price index" which should be done without delay, Democratic Party consumer affairs spokesman Harry Schwarz said yesterday.

He was reacting to weekend reports that the CPI was 31% and not 14% as stated by Government.

● SCHWARZ

Schwarz said that for a considerable time, consumers had complained that the CPI was not a true reflection of price increases.

He said the method of compiling the CPI including not only actual

Political Staff

costs, but also the weighting to be given to the various components, was being questioned.

"Once an index loses credibility it also loses value" and it is now time for a reassessment.

Reacting to the egg price increase, Schwarz said in the existing inflationary climate, the increase was another impetus in the spiral of increasing living costs.

Stating that one price increase obviously lead to others, he said the Democratic Party had objected to the maize price rise when there was a surplus.

He said the increase had now been used as one reason to raise the price of eggs.

CSS defends figures with counterattack

B1 Day 10/15/89 . GERALD REILLY (244)

CENTRAL Statistical Service head Treurnicht du Toit said yesterday he was convinced of the accuracy of his organisation's consumer price index

He was responding to criticism that the CPI was a sham and an accusation that the CSS was hiding the truth.

Du Toit said expenditure averages used in CPI calculations were derived from scientific sample surveys of 10 000 households

He added many of them were identical to the three households Professor Karl Posel — sceptical of CSS figures — called mathematical models

Du Toit said the CSS based calculations on many specific households representative of urban families. The major difference between Posel's results — which put the CPI at more than 30% — arose from the annual price increases for each of the goods and services

CSS data were derived from a sample of more than 3 000 respondents and more than 250 000 price quotations for more than 600 goods and services

Du Toit added "It is scientifically unfounded and even ridiculous to use the experience of three households as being representative of all urban households

"It was also illogical to try and determine the accuracy of a scientific calculation through an opinion poll among the man in the street"

Du Toit claimed the mass of the CSS's economic statistics, and those of other bodies, should result in a coherent picture of the national economy

Dentists may charge twice med aid rates

By MONICA GRAAFF

DENTISTS have been advised to charge fees of up to 100% more than the amount medical aids are prepared to pay — and patients will have to pay the difference

Thus if a dentist charges the new recommended rate of R28 for an ordinary filling when medical aids are only prepared to pay R14,70, the patient will have to pay the R13,30 difference

This recent Dental Association of South Africa (Dasa) recommendation was made because the scale of benefits determined by the Representative Association of Medical Schemes (Rams) had not kept pace with the increasing costs of dental practices, the Dasa director, Dr Helmut Heydt, said yesterday

Dentists had therefore been advised to follow the guidelines of Dasa's annually-updated National Schedule of Fees which recommended rates that were more-or-less 100% higher

These guidelines recommended annual increases in excess of the annual average cost of living increase as they took the increasing costs of imported dental products and other factors like

the education of dentists' children into account

"While we understand that it will be difficult for Rams to improve the scale of benefits, we cannot advise our members to charge Rams rates," he said

The chairman of Rams, Mr Nic van Rensburg, declined to comment yesterday on whether his association would consider increasing the amount medical aids would be prepared to pay

Charging more than the Dasa rate is illegal, but dentists are under no legal obligation to inform their patients that their rates are higher than what the medical aids will pay

But a pamphlet explaining the necessity of the increased rates to patients has been sent to all Dasa members for inclusion with their accounts

It tells patients that they "are personally responsible for professional services rendered" regardless of whether they are members of a medical scheme

"Fees are usually charged by dentists and dental specialists according to individual circumstances and you are free to discuss this matter with your dental practitioner," it adds

Kemol

Average white person 'is no poorer' ^{How} 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



PARLIAMENT
1989

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 was 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

17 18 19 20

Nail the food price fixers!

Angus
544
19/5/89

FOOD prices have rocketed in recent years and seem to keep soaring even higher every month. Some consumers blame the giant food chains for not using their financial muscle to keep the prices down.

Supermarket supremos Mr Clive Well of Checkers and Mr Raymond Ackerman of Pick 'n Pay faced a critical audience, led by Mrs Lynn Morris, President of the Housewives' League, at a Cape Town Press Club lunch yesterday to answer the charges. This was how the debate went.

Report by ANDREA WEISS and JOHN YELD

MRS MORRIS criticised areas of supermarket operations in South Africa that were not "particularly efficient".

DEBATE

She expressed concern about the "back door" where goods were received and distributed, and suggested that a form of consolidated central distribution should be considered. She also expressed concern about damages within stores as in "thawing and retreating situations" and "shrinkage" caused by staff theft.

Criticising the system of "confidentiality" — where discounts are offered for delivery of goods above the targets required by stores — Mrs Morris argued that the manipulation of the market place was contributing towards the loss of the smaller manufacturer and to a monopoly situation.

But Mr Well disagreed. "The supermarket industry is one of the most competitive and the margins among the lowest in the world. We don't claim to be as efficient as we might be, but the competition has to be an insurance policy for consumers in this country," he argued.

However, he conceded there were areas where savings could be affected — "if we had the confidence to discuss these problems on an industry wide basis".

"Food inflation is a national problem. We all have responsibility whether consumer, manufacturer, a representative of government or politician to address the problem," he said.

Mr Ackerman said Pick 'n Pay's figures showed a food inflation rate of 14 percent to 16 percent. Inflation was "critical" and he accepted there were areas in the retail trade which could be improved.

"The Housewives League does an excellent job but it could do far better by tack-

ling issues such as the rand-dollar situation," he said.

In many lines, suppliers had to pay for some of their raw materials in dollars, which meant a huge increase in price before the item got to the store.

"I believe we have an enormous role to play to keep food prices down. The intense competition and animosity between food chains is a protection of the consumers in this country," Mr Ackerman said.

Questioned about Pick 'n Pay's profits, Mr Ackerman said that according to the group's latest results, the profit on turnover was 3 percent, and 1.5 percent after tax. On capital investment it was "about 28-30 percent".

Told that profits were 31 percent last year — the highest in the retail trade in the world — he replied to laughter. "But that's fantastic."

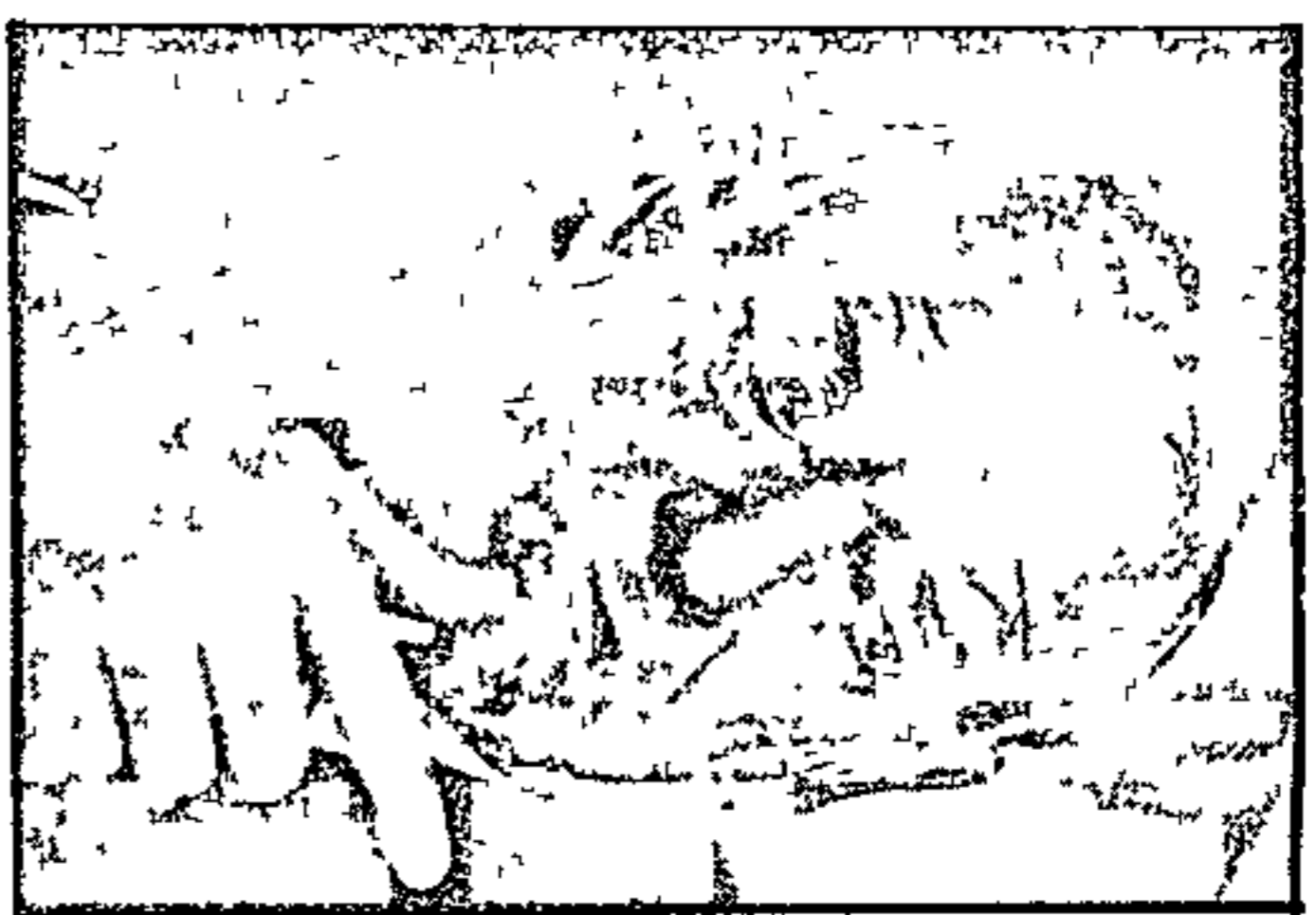
Mr Ackerman pointed out they had very little room to manoeuvre because margins were so tight. "If shrinkages go up 1 percent, we're blown," he claimed.

Questioned about supplier efficiency, Mr Well conceded that South Africa didn't measure up to standards in the United States.

"The out-of-stock situation in the US is infinitely better than here as well as the predictability regarding time of delivery. Stock turns have benefited as a result of that. In the US it is not unusual for a supermarket doing 20 or 25 stock turns a year. We don't do anything like that in this country which has major effect on the prices we have to charge," he said.

There are many problems with delivery structures, including the lack of decentralised depots, inefficient rail-suppliers and inefficient suppliers.

"We haven't been able to effect the savings they have in the US," he said.



Mr Raymond Ackerman of Pick 'n Pay. Businessmen have stood up and been counted — we've fought a lot of issues in our time."

A questioner wanted to know why prices varied from store to store in the same chain.

"That's not the case and it's not a question of old stock," replied Mr Ackerman.

There was a "clear policy" in all his stores including the convenience stores (traditionally more expensive) that prices were the same, except in the hypermarkets which were run as a separate chain.

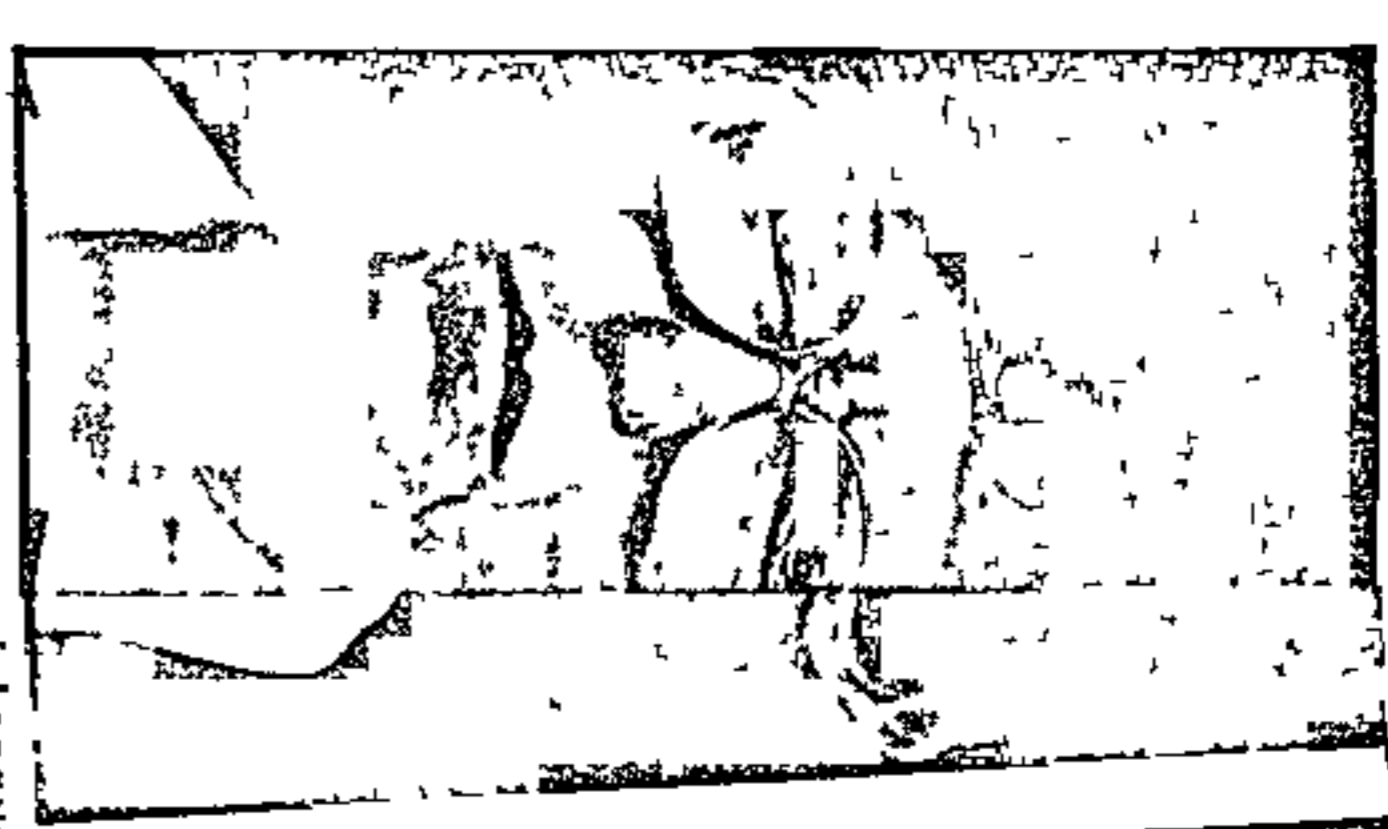
But — and there's only one but — when we have a particularly aggressive competitor right next to a store, we allow our managers a certain degree of flexibility," he added.

Mr Well said the situation was complicated because none of the big chains marked up on the shelf.

"Some people are cynical about this, but it is a fact. If a store doesn't sell out a promotion as fast as another store, that stock will be sold at the old price where another store has run out. This often causes a lack of understanding. We are being castigated for being honest in other words."

The supermarket chiefs were then tackled about the poor quality of fruit and vegetables.

"I don't pretend our fruit and vegetable operation is as good as it could be," Mr Well replied. "There were many reviews for this but it is important."



Mrs Lynn Morris, Housewives' League. When we had a 19c drop in the price of petrol we had absolute benefit."

For my own chain the fruit and vegetable section has been the fastest growing segment over the last couple of years. One interesting thing is that over the last year inflation on fresh fruit and vegetables has been much lower than the public gives us credit for."

Mr Ackerman agreed that fresh produce was the most difficult department to handle.

"We've had lots of problems over the years, but we really are improving."

Were the supermarket chains prepared to tell their customers matters would only improve with another government, a questioner wanted to know.

"With respect businessmen have stood up and been counted — we've fought a lot of issues in our time countered Mr Ackerman.

This had included tackling the government on issues like cartels, the wheat board job advancement group areas and home-ownership.

"I believe we've got a lot to do still but I don't think we are guilty of sitting back and doing nothing," he argued.

Mr Well was forthright in his views — South African politics had been "absolutely absurd over the years."

Bread and butter has never featured as an election issue and I think the politicians should take note of fact that this is likely to be if an issue this time round. I wish such



Mr Clive Well of Checkers. Supermarkets are competitive and the margins among the lowest in the world."

But bread and butter is that in Parliament we not get a square deal for consumer."

Mrs Morris said the League is very conscious that its members covered the whole social spectrum in South Africa.

We have people to the left of the Democratic Party and the right of the AWB with nobody in between," she said.

They had therefore always a variety of taking stands — there is a vast difference between party political and position to the government of the country."

Mrs Morris she had called for a stop to rule by party decision and had appealed to members to talk to the government for all candidates for the September election.

We want things like tax on petrol and an increase in GST ought into Parliament and discussed.

It would be very nice if we had a true Minister of Consumer Affairs so at least the consumer's thoughts could get into the Cabinet room even if they did get shunted aside and not acted upon.

Why was South Africa importing products like marmalade with micky mouse money? Why local products were subsidised? One of the audience wanted to know.

Is a good point conceded Mr Ackerman.

Why do prices soar when price of petrol goes up, some one asked.

Mrs Morris "knew exactly" what he meant. Suppliers claimed petrol was a substantial part of their costs when any increase was applied, she said.

"Yet three or four years ago when we had a 19c decrease in petrol, we had absolutely no benefit from it whatsoever. When I asked about it, the answer I got was that distribution was such a terribly small portion of the costs."

Mr Ackerman replied that they "really tried." When the price of petrol went up he had personally issued an instruction to every buyer around the country to fight with suppliers and not to accept one price increase.

"We did do something because petrol is such a small percent of any increases."

"Then when the petrol price did go down, what we tried to do was say to the suppliers 'Fine, now we're immediately cutting our margins on about 40 lines. We told the suppliers 'Now we expect you to bring your prices down immediately.' And in fairness, about 20 of the suppliers did."

Mr Ackerman said when they tried "really hard" and took lines off the shelf, there were "enormous problems from consumers who wanted their favourite brands."

"We don't get much joy from the consumers — so it's a tough one — when we really do take firm action, we have this reaction."

A questioner wanted to know whether they couldn't take some joint action against manufacturers.

"One of the reasons is we're petrified of talking together because of the accusation of price fixing."

However, he agreed it was "about time" for collectively try to fight with a stronger voice.

There is so much more the government can do as well. We're dying to be allowed to cut the price of petrol — we're not allowed to. We'd love to bake government bread and not raise the price as much — we're not allowed to, to protect those bakers."

"I think collectively if we went to the government on petrol on bread on other issues like that we could definitely curb the inflation spiral," he said.

Employers left without 'yardstick'

CAPL. Times 16/5/89

123 244

By AUDREY D'ANGELO
Financial Editor

DOUBTS about the accuracy of the consumer price index (CPI) have left employers without any yardstick for deciding on annual wage and salary increases, says a leading firm of management consultants

A director of P-E Corporate Services, Jon Cole, said that all employers in the country used the CPI "as a basis on which to begin remuneration planning and negotiations"

Economist Adriaan Mocke of the Stellenbosch Bureau for Economic Research said the CPI had been used as the basis for its recent forecast that wages and salaries would rise by an average of 17.5% this year

"Adding 2% to the CPI enables staff to maintain their purchasing power. They are at least then standing still and not going backwards"

But the director of the Cape Chamber of Industries, Colin McCarthy, said the CPI was never intended to be used for this purpose but was only a short-term measure to show the movement of a basket of prices

McCarthy said that pegging wage and salary rises to the CPI without any equivalent rise in productivity was inflationary

He thought the PPI a more realistic basis for pay rises. But he thought the best way was a comparative survey among employers "to show what the market will bear"

Cole said he thought an admission by the head of the Central Statistical Services, Treurnicht du Toit, that the CPI was not an accurate guide for companies to use as a basis for pay structures or to conduct wage and salary negotiations "has made a strong case for the service to be closed down"

Cole added that if the figures had no

practical application in wage and salary planning the service was a total waste of taxpayers' money and should be stopped

"In 13 years of being involved with organizations as a consultant in wage and salary structuring and negotiations we have always used the CPI as an official guide to the rate of inflation

"This policy continued even after the CSS changed the shopping baskets a year ago and it was widely accepted that the CPI presented a conservative view of inflation"

Now, Cole said "Du Toit has wiped out the only indicator by which standards are set in this country"

It would be almost impossible for individual businesses to construct their own index and have meaningful results without a common approach

"It would mean taking on extra staff and at the end of the day the measure would be challenged by unions and possibly even the industrial court

"Surely the CPI must be turned into a meaningful measure"

Cole said that while inflation was obviously running well ahead of the CSS estimate of 13.9% there were other factors undermining the relative wealth of all South Africans

"Account must be taken of factors such as increased taxation and fiscal drag"

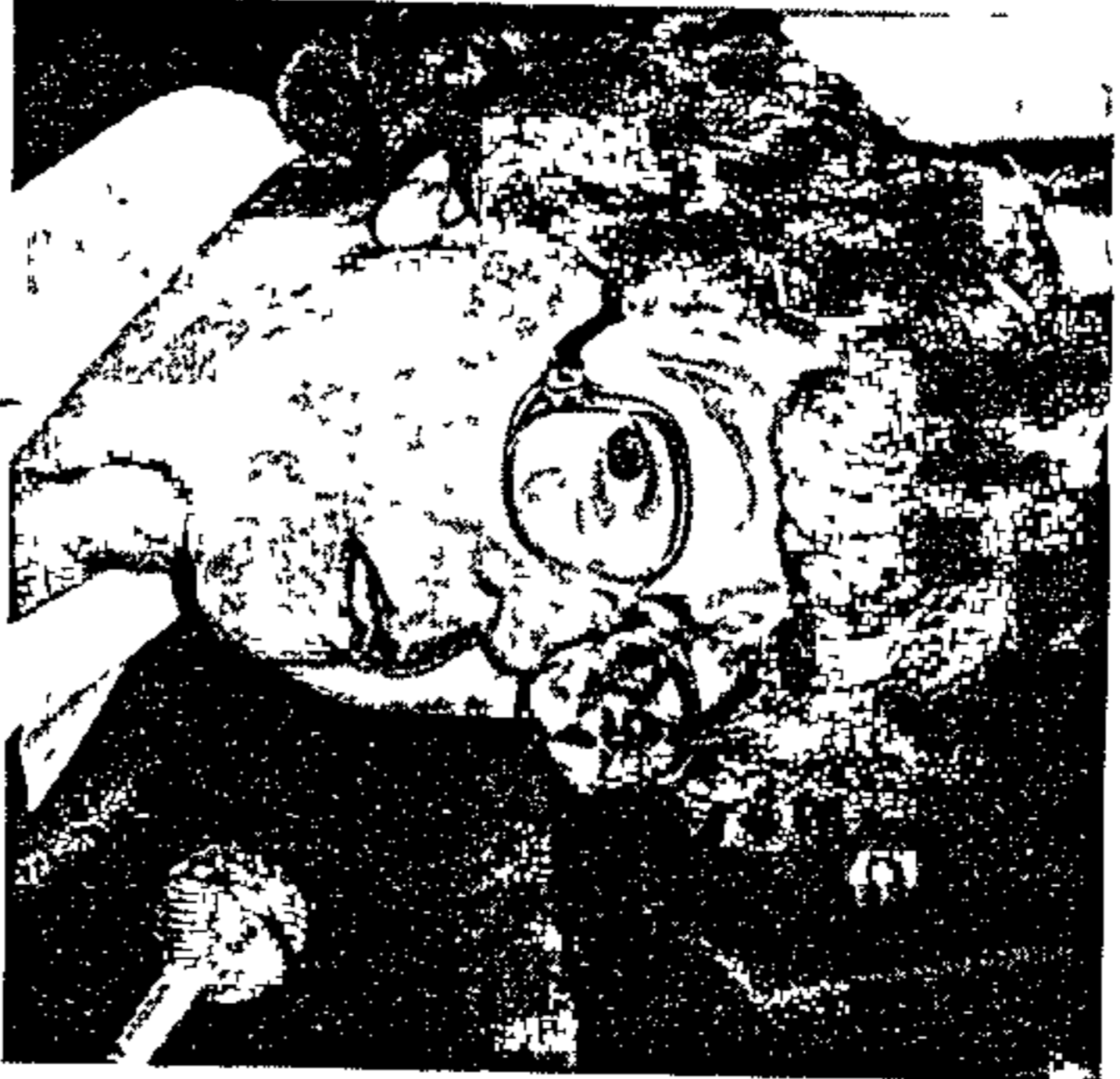
McCarthy said "The CPI is not reliable enough over the long term to be used as a guide when fixing pay rises. It was never intended to be that.

"Very often when there is a massive hike in the CPI the ability of the employer to give a large pay rise goes down. It is at such a time, when people should be tightening their belts, that they say they want more money

"To peg pay rises to the CPI is to fuel inflation. It is market forces, not the CPI, that should decide pay levels"

Square deal for consumers?

Cape Times 19/5/87



LYNN MORRIS . . . notes that inefficiency adds significantly to prices



RAYMOND ACKERMAN . . . still on the war-path about petrol and bread prices

Call for public debate on all SA price rises

Staff Reporter

SUPERMARKET chiefs Mr Raymond Ackerman and Mr Clive Weil yesterday found themselves, for once, on the same side as Housewives' League president Mrs Lynn Morris. All agreed that there would be no square deal for consumers unless "bread-and-butter" issues became the focus of the September election and a subject for ongoing parliamentary debate.

In contrast with their previous fiery confrontations, Checkers managing director Mr Weil and Pick 'n Pay chairman Mr Ackerman also found themselves agreeing on problems with suppliers and of inefficiencies within their own organisations.

Mr Ackerman also added fuel to the inflation rate debate by throwing into the ring a third estimate — 18% to 20% as opposed to the official 13,8% or Natal mathematician Dr Karl Posel's 31%.

'Consumers have real voice'

At a debate organised by the Cape Town Press Club, Mrs Morris said she had issued a call to all members of the League to approach all candidates in the coming election, regardless of their political persuasion, to campaign on consumer issues.

She also called for a stop to "rule by cabinet decision". "For example, any increase in fuel prices, in GST or the introduction of VAT, must be open to parliamentary and, consequently, public debate. We would also like to see the establishment of a ministry of consumer affairs, so that, at cabinet level, consumers have a real voice."

Mr Ackerman said Pick 'n Pay had a long history of fighting, at government level, over issues such as petrol price cutting and the right to bake "government" bread in its own bakeries. About 9c a loaf built into the cost of each loaf for distribution would be saved.

He said Pick 'n Pay was also fighting government "all the way" to stop the implementation of VAT on fresh produce, which is at present free of GST.

Mr Weil said that politicians should take note that bread-and-butter would become an all-important election issue and that, until these issues were open to parliamentary discussion, there would be no square deal for consumers.

In answer to a question about how a 2-3% fuel



CLIVE WEIL . . . notes that consumers are protected by fierce competition in the "toughest supermarket industry in the world".

price increase could trigger a 10% increase in the cost of transported goods, he said many price increases borne by the consumer were apparently unrelated to specific increases in costs of raw materials or distribution costs. Most manufacturers for example revised their cost structures only once a year, taking into account all increases which had happened since the last revision.

He appealed for a close look at the structure of the national price increase mechanism.

Mr Weil also said that, though there was a "litany of accusations" against supermarkets, the industry in South Africa was the most competitive in the world, with margins among the lowest.

He said the best insurance for consumers was the fierce competition which existed in the industry.

Mr Ackerman said the worst trigger for inflation would be if grocers were prevented from negotiating discounts from suppliers, called "confidentials", in a free market.

"These discounts make up our gross profit, and the worst blow to consumers would be if we had to operate without them."

He also said a closer look should be taken at the profits being made by food-manufacturing companies and the lack of competition in this sector.

"There are still some who are price-fixing in the dead of night."

Mr Weil said South African suppliers did not measure up, in terms of efficiency, to those elsewhere in the world, particularly the US.

Grocery Manufacturers' Association executive director Mr Jeremy Hele said yesterday that it was time for all players in the industry to stop blaming their inefficiencies on each other and expecting other people to pay for it.

He said there was room for further co-ordination on the lines of recent agreements between supermarkets and manufacturer on loading facilities and handling equipment.

Pumps primed for price rise

PRETORIA — Motorists can brace themselves for another petrol price hike.

Government sources said at the weekend the battered rand might force another price rise — the third this year — within the next two months irrespective of the effect this could have for the NP in the September 6 general election.

The rand, reeling from the impact of the surging dollar, last week touched a low of R2,7150 to the dollar.

In Parliament a few weeks ago, Deputy Economics and Technology Minister George Bartlett warned another increase in the fuel price could not be ruled out.

Sources said there was no immediate threat of a price hike.

Timing would depend on the price of crude oil, now between \$18,50 and \$21 a barrel, and performance of the rand.

GERALD REILLY

Sources added the stabilisation fund was strong enough to maintain the current price in the short term but it had been draining away since the beginning of the year.

□ CHARLOTTE MATHEWS reports motorists in the PWV area underpaid 4,716c/l for 93 octane petrol in the last two weeks of April because of a rise in the landed cost of fuel.

The landed cost in the second half of April was 44,858c/l compared with 43,684c on April 15.

Since January the under-recovery and over-recovery account — the slate — has been debited with an under-recovery varying from 1,017c/l to 6,025c/l.

Margarine prices set to increase

Margarine prices can be expected to rise immediately by little less than 10 percent to recover the oilseed price increase, which became effective from April.

Self-sufficiency in vegetable oil "means the consumer faces a price rise in margarine", the SA Margarine Manufacturers' Association said yesterday. — Sapa.

Date set for TV price rise

SKV
23/5/87 Staff Reporter

244

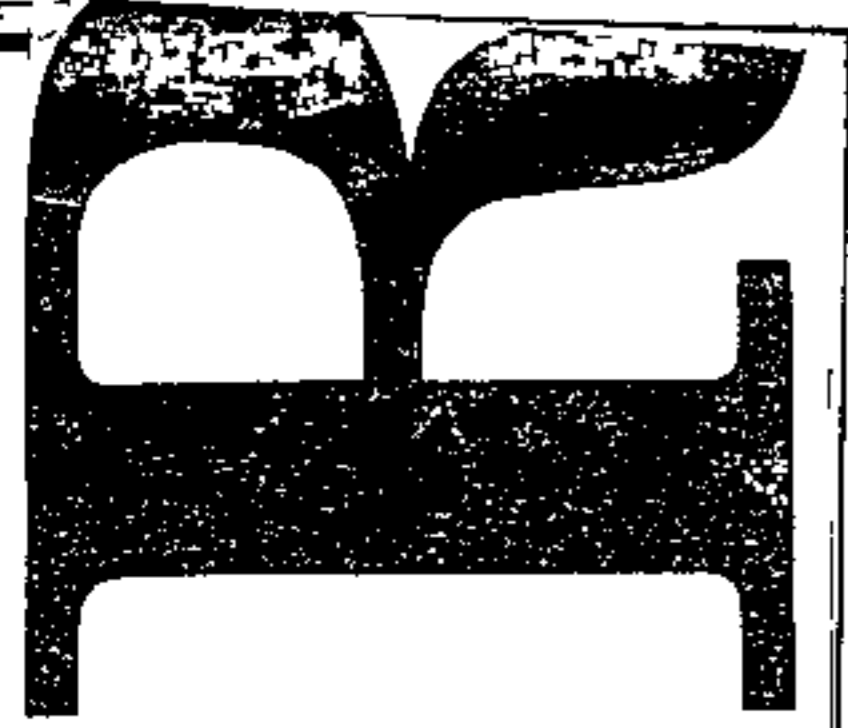
Television and audio goods prices will increase on July 1.

The government's decision about two weeks ago to withdraw exemption permits (to surcharge rebates), together with a local content programme and the low value of the rand, are expected to result in a 20 percent rise in the price of televisions and video tape recorders.

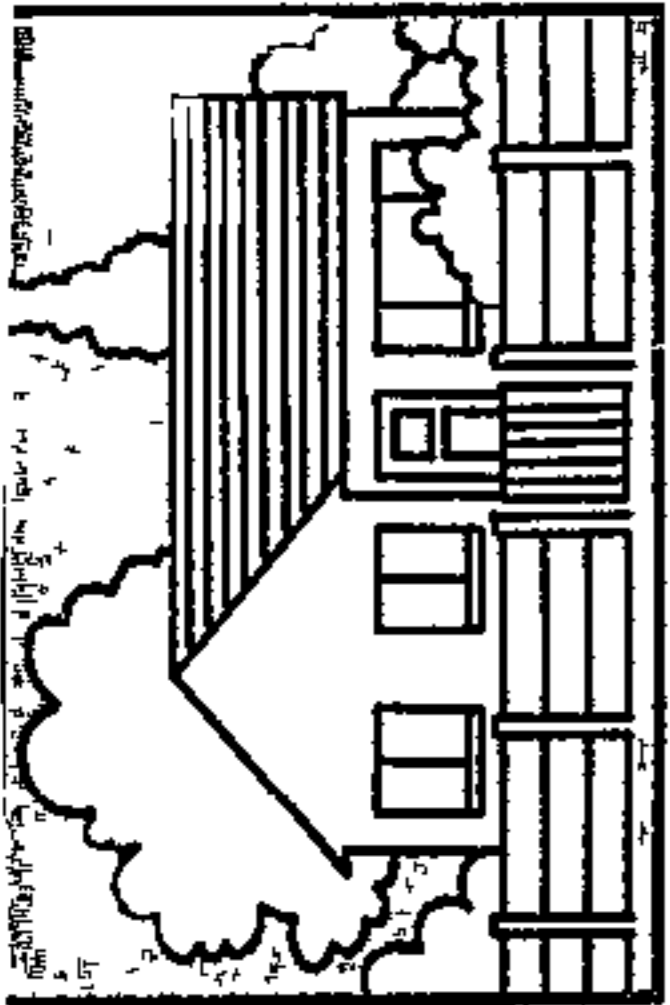
Radios and stereo equipment will be effected later.

Mr Richard Frost, brand manager for Telefunken, said: "Whenever a bubble appears in the economy, or it seems people are spending too much money, we are blamed and snapped at."

ates rise



COST OF LIVING CRISIS



Cape Town rates to rise 12 percent

Why an elderly woman eats dog food

ARCUS 23/5/89

244

By DAVID YUTAR Staff Reporter

A SOCIAL pensioner was forced to exist on dog food when her money ran low at the end of the month — because it was the cheapest food available.

Her plight was one of many revealed yesterday when pensioners gathered in Claremont to protest against the escalating cost of living

Another pensioner was found alone and without food by a messenger from a chemist, who went to her home to deliver urgently-needed medicine.

They may be alive, but only just, and many of them are far from well. They are struggling to make ends meet.

GRIEVANCES

This was the message of about 600 angry pensioners, who filled the Claremont Civic Hall for a meeting called by the Association for Retired Persons and Pensioners (ARP&P) to discuss their grievances.

They all seemed to agree that their pensions were far from adequate when it came to meeting their ordinary day-to-day needs.

Many of them, particularly those living on social pensions, and on the rapidly-diminishing interest from money saved during many years of hard toil, are having to cut back drastically on necessities like food and clothing.

Race discrimination is a harsh reality when it comes to state pensions, which are about R250 for whites, R200 for col-

By ANTHONY DOMAN, Municipal Reporter and MICHAEL DOMAN, False Bay Bureau

CAPE TOWN'S rates are to rise by 12 percent as the city's total budget for the 1989/90 financial year increases to R1,277-million.

And rates in Fish Hoek will increase by 22,5 percent for the year starting July 1, said councillor Dr P J van der Walt in the town's budget speech last night.

This means with this year's increase Fish Hoek ratepayers are now paying nearly 70 percent more than they did three years ago, following increases of 23,5 percent and 23,4 percent over the previous two years.

Cape Town's operating budget stands at nearly R1-billion. An electricity tariff increase is also on the way later this year, but this is expected to be no more than 11 percent.

Executive committee chairman Mr Dick Friedlander said the 12 percent increase was, in the present circumstances, "a very creditable achievement."

Last year's increase was 12,4 percent. "I am satisfied that the increase has been restricted to the lowest possible level."

Residential properties are now liable for 3,763 cents in the rand after the usual rebate. The total rate is 5,085 cents in the rand.

Rents for council tenants will also increase, probably from August.

Mr Friedlander warned that increasing demands for more services were straining the city's resources to the limit. It was possible Cape Town might once again have to borrow money to finance projects.

And if present demand continued, user charges for services like refuse removal and sewerage might have to be introduced.

He raised the possibility of availability charges where serviced land was left undeveloped.

Asked to expand on his comments that inequities resulted from the out-of-date land valuations as a basis for rates payable, he said the city could not continue using "1979 values in a 1990 context."

The last general valuation was carried out a decade ago.

City treasurer Mr Donald Geyer agreed the city faced an "almost untenable situation." But a revaluation would merely "shift the incidence of rating around." The object would not be to increase income.

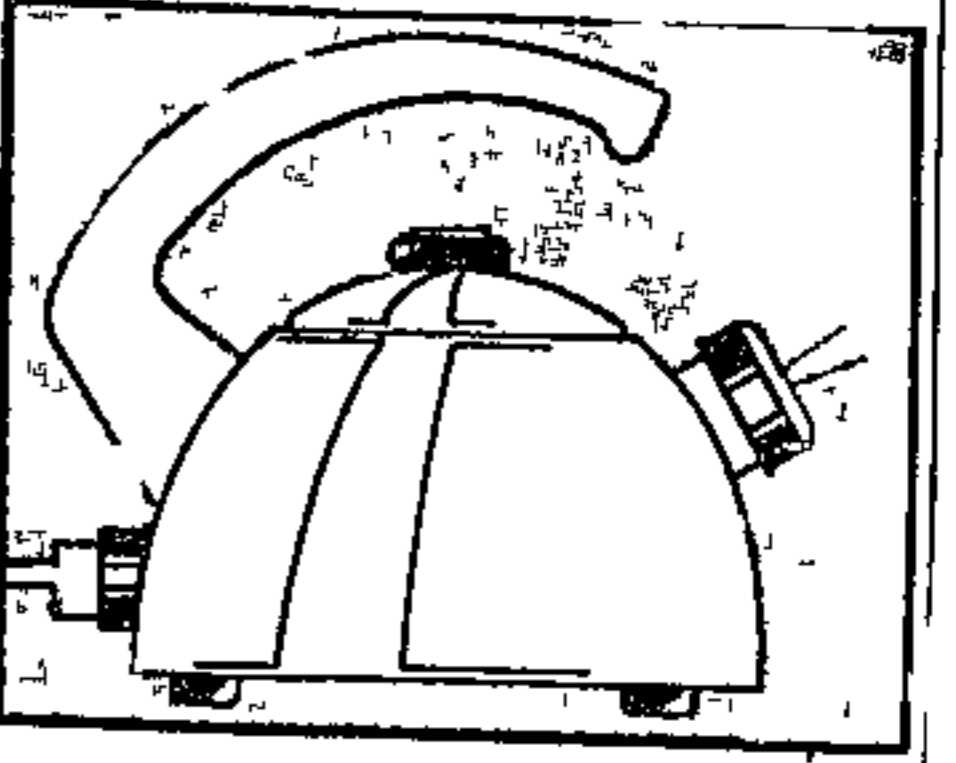
He agreed that valuations in some city areas — the Clifton bungalow area for example — were way below their market value. Other areas such as certain parts of Maitland might actually have a market value below their municipal valuation.

Delivering his budget speech at a special council meeting today, Mr Friedlander said much of the growth of the budget in rand terms had been caused by inflation.

"There has also been a significant growth in requirements for the various services and in the demands of the population."

"The pressure on the city for services and facilities by ratepayers and residents in peripheral areas is a cause for grave concern given our limited financial resources."

Mr Friedlander said that in view of criticism both inside and outside the council on the city's method of rating, the executive committee had recom-



Electricity up later this year

(Turn to page 3, col 8)

Cont

ARGUS 23 May 1989

Said Mrs Sheila Curtis of Claremont: "We don't buy red meat, and live on chicken and fish."

HEATERS

"We don't use heaters and try to buy pre-cooked food. Hundreds of things which we previously did not consider to be luxuries, now are."

Pensioner after pensioner gave vent to the same complaints, and said they were managing to make ends meet only by exercising extreme frugality, and having to do without many of the items they once took for granted, and still consider to be necessities.

Mr Bill Ferreira, 64, has been a pensioner for four years. He is "definitely not able" to make out.

"My wife and I haven't been on a holiday for five years. I drive a 1964 car and couldn't afford to replace it.

"When I was 21, I took out a policy for £300. After it reached maturity 21 years later, it was worth absolutely nothing."

Another man, who has been a pensioner for five years, chuckled when I asked him to list some of the items he and his wife were forced to do without. "It's easier to tell you what we can have," he said.

LUXURIES

"We have no more luxuries. I have just enough money to feed my wife and myself.

"We can't afford to invite the children round anymore"

Mr Victor Heiden, who has been branch chairman of ARP&P in Clarewyn for three years, says many state pensioners cannot afford to pay the association's annual fee of R4. Many do not attend meetings because they cannot afford public transport.

● Pictures, page 5.

and 28. TV — Page 3 of Today

Passports cost more

Sowetan 23/9/89

236 240

THE tariffs for travelling documents, including passports, will increase in some cases by 50 percent from June 1.

The Director-General of Home Affairs, announced the increase yesterday.

An abridged South African passport, previously R10, will now cost R15.

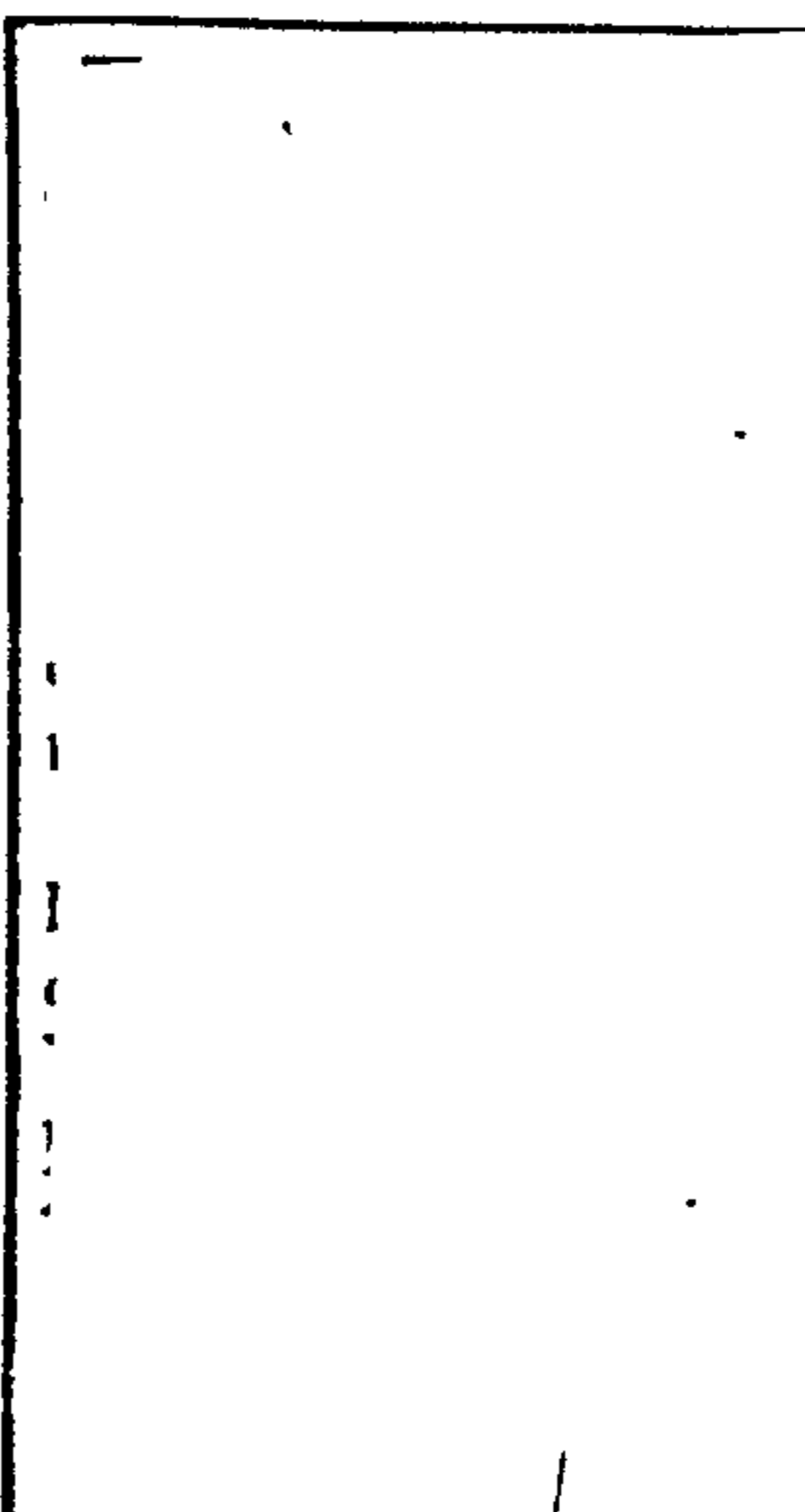
For the lengthy South African passport, the increase is from R20 to R25.

A document for travel purposes will cost R15 and the resumption of South African citizenship will cost R25.

A spokesman said in his statement that the department endeavoured to keep the tariffs as low

as possible and no increases were announced the past few years.

However, the increase in the cost of production is said to be the reason for the price increase.



NO fuel price rise expected

Journal 23/5/57

244

THE director of the National Energy Board, Mr Pieter Jacobs, said there would not be another increase in the petrol price in the foreseeable future.

Mr Jacobs said that although there had been pressure for an increase in the petrol price because of the higher landed cost of crude oil and the poor rand/dollar exchange, a decision on an increase would not be taken at this stage.

Mr Jacobs said that one of the main factors influencing the price of fuel was the continued weakening of the rand, which had fallen from an average R2,54 against the dollar in April to R2,75 yesterday morning.

24/5/89.

Divided views on further petrol price rise

By Helen Grange

An increase in the price of petrol is not imminent in spite of the weak exchange rate, says the Automobile Association

This view is contrary to the forecast by the National Energy Council, which has warned that a rise is "possible in the near future"

Mr Lourens van den Berg, spokesman for the Council, said last week that it will "have to be considered in the light of the weak exchange rate, unit under-recovery and higher food prices".

"We are hoping the exchange rate will at least improve. But we still have to consider the fact that unit under-recovery was not accounted for in the last increase."

Unit under-recovery arises when the consumer price does not balance



Filling up ... can be a costly exercise.

with the costs incurred in transport, taxes, as well as the retail and wholesale margins.

However, Dr Romano Del Mistro, executive director of the AA Traffic Foundation, says that the indications are such that an increase is not imminent.

"The deterioration in the rand/dollar exchange rate amounted to an increase of 1c per litre since the most recent increases last month. It must be hoped that the performance of the rand will improve."

Obviously, if either the exchange rate or oil price continued at present levels or worsened, this would erode funds available to the Equalisation Fund.

The petrol price has risen by 33 percent in the past seven months.

Wool price strengthening

(24) 5 Feb 24/15/59 Pretoria Bureau ~~24/15/59~~

The average price of wool strengthened for the second consecutive week, the Wool Board announced this week.

The market indicator increased by a percentage point to 1928c/kg. The Wool Board says that, in contrast, the Australian market decreased by 0,1 per cent this week.

Prices for 22 and 24 micron fleece wool rose by 2,5 percent and 1,5 percent respectively while prices for all other categories were mainly unchanged.

Lambs decreased by one percent and locks by 3,5 percent.

Competition was limited and 63 percent of about 10 800 bales of merino and other wool was traded.

Dr. Org Speaks Out



Dr. Org Marais

Oil Costs

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.

Another accurate measurement of a country's wealth was its gross domestic product (GDP).

"Gross domestic product by definition increases at a rate less than the population growth, this indicates a process of impoverishment."

Dr. Stuart said that from 1960 to 1969 the per capita GDP increased by 0.5 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.

(Turn to page 3, col 1)

By TOS WENZEL
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 circumstances. 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

the past 15 years' 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 government 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 1980.

(Turn to page 3, col 1)

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 percent, 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

AK645 24/5/87
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

ARGUS 24/5/89 (10) (20) (204)

Big three may unite to tackle food manufacturers

The Argus Correspondent

DURBAN. — Leading South Africa retailers — Pick 'n Pay, Checkers and the OK — are likely to join forces soon to take on the food manufacturers in a battle where the consumer is expected to emerge the winner.

The powerful retail opposition force with a combined food buying power of R9-billion a year will come into being as a result of high levels of profits being made by the manufacturers and because of the "sometimes dictatorial" attitude they have shown at a time of soaring inflation

"It has also been made possible by a softening in Mr Raymond Ackerman's opposition to

any form of joint discussions with his competitors

The group's prime task will be to negotiate lower prices from the food giants and to bring about greater efficiencies to benefit the consumer.

PROFITS

All the big food manufacturers have reported significantly increased profits, the latest being the Premier Group whose profits were up 38 percent on a turnover of over R4-billion.

C G Smith Foods profits were up 35 percent on a six-month turnover of R4,2-billion.

Turnover and profits of Unilever, the other of the trio of powerful food groups, cannot be determined as the company is not listed and is not required

to produce public financial accounts

Mr Ackerman and Checkers director, Mr Sergio Martingengo, emphasised that any negotiations between them would not involve any collusion to create an enhanced power base, or to discuss pricing in any form but to oppose the "sometimes dictatorial attitude" of some manufacturers

Chairman of Premier Foods, Mr Norman Fowler, said he was flabbergasted by the move and that consumers should be aware of the return on assets of the food companies compared to that of the retailers.

"Our return on shareholders' funds is 13 percent compared to certain retailers whose return is multiples of that"

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 it 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%.

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."

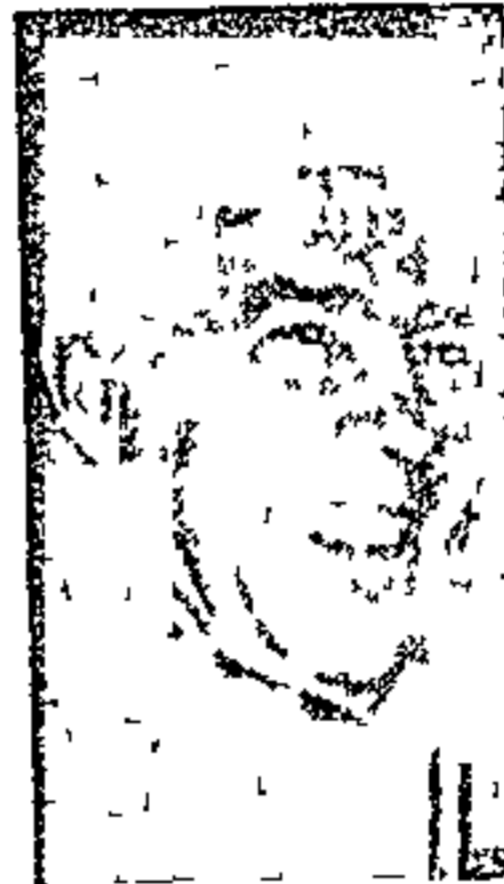
In contrast to SA, Britain was becoming one of the cheapest countries in the world, according to a survey published to guide international companies on cost of living allowances for employees sent overseas.

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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



● MARAIS

Information 'was available to police'

Editor gives details on mine murders

Staff Reporter

Information on the 1986 murders at Western Holdings gold mine published by *Business Day* was also available to the police

This point was made in a newspaper column yesterday by the editor of *Business Day*, Mr Ken Owen, after he was subpoenaed on Tuesday to give evidence before a Johannesburg magistrate on his newspaper's reports.

The magistrate refused *Business Day's* application for a public hearing, upholding the State's submission that the public did not have a right to attend the hearing as it was part of a police investigation.

Mr Owen was subpoenaed following publication of two investigative stories quoting eyewitness accounts of "executions" at Western Holdings in July 1986 and a recent column in which Mr Owen criticised the Minister of Law and Order for the police's failure to solve the crime.

After Mr Owen's appearance in court, two *Business Day* reporters were subpoenaed to furnish police with further information.

According to the newspaper, four mine leaders were executed at No 6 Mine Hostel in front of 2 000 other mineworkers.

Yesterday, Mr Owen named the sources for the stories as:

- A report compiled by Mr Dan Bregman, SC, in which he named witnesses, who, in turn, named killers. The names were not published in the newspaper "to avoid jeopardising police investigations".

- Several miners present at the murders who were interviewed by a reporter at the mine
- The police themselves

"The newspaper reports were based on the sort of information that the most cursory inquiries by any police officer must have yielded," Mr Owen wrote yesterday

243
243

Economists forecast acceleration . . .

CPI rises to 14% in April

Cape Times 25/5/89 244

By AUDREY D'ANGELO
Financial Editor

THE cost of living rose by 14% in the 12 months to April, compared with 13,8% in the 12 months to March, according to figures released by the Central Statistical Services (CSS) office yesterday. The month-on-month increase was just over 1,3%.

But economists pointed out that excluding food prices, which were seasonally lower, the CPI had risen at a faster rate than this and that there were strong underlying inflationary pressures.

They forecast that inflation would accelerate in the coming months, with the CPI rising to 17% or 18%.

The release of the CPI figures coincided with a statement by Assocom that business confidence had fallen in the past two weeks and that it expected the inflation rate for 1989 to average between 15% and 16%.

Assocom now expects real gross domestic product (GDP) to be between 1,5% and 2% this year, and the surplus on the current account of the balance of payments to be between R3bn and R4bn.

The CPI figures released by the CSS show that the monthly rise in the all-items index (base 1985) slowed slightly to 1,3% at 173,1 in April after quickening to 1,6% at 170,9 in March.

The monthly rise in the food only index slowed to 0,1% after rising 1% in the year to March.

In April 1988, the all-items index stood at 151,9 and year-on-year consumer inflation at 13,3%.

Volkskas economist Adam Jacob commented "On the face of it a 14% rise in the CPI does not look too bad. But look at the underlying trend.

"Food price inflation has been very low because of seasonal factors such as vegetable and fruit prices coming down.

"But if you look at the CPI excluding food, it has risen by 16,1%.

"The underlying trend is strongly upward. Given the weak exchange

rate for the rand, inflation will reach 17,5% or 18% by the end of the year and I expect it to average 15,5%."

Jacob said it seemed that government spending was still not under control "They will have to do something about that."

Old Mutual chief economist David Mohr said the figures confirmed inflation was on the increase. Inflationary pressures were strong and he expected this to continue into next year.

Southern Life economist Mike Daly said he was surprised the month-on-month rise was so low. "I was expecting 1,6% or 1,7%."

The rise in food prices had been low but this was highly seasonal. He expected "a fair-sized increase" in the CPI next month.

Pointing out that inflation had already started to accelerate, he said that at an annualized rate it had risen by 17% over the past three months.

The director of the Stellenbosch Bureau for Economic Affairs, Ockie Stuart, said he expected the CPI to rise more steeply in two months' time when the effect of the weakening rand had filtered through.

The rand was likely to recover by the end of the year but in the meantime the trend was downwards.

He expected the CPI to reach 17% by the year-end.

Boykie Kovensky

FORMER President of the Federated Hotel, Liquor and Catering Association (Fedhasa), Mike Kovensky, is trying to contact friends of his father, Boykie Kovensky, who died yesterday to inform them that the funeral is at Pine-lands Cemetery No 2 at 3pm today.

Boykie Kovensky, formerly a leading businessman in Namibia, entered the liquor business in SA in 1973. He was chairman of Aroma Liquor Holdings at the time of his death.

It happened too late yesterday for his son to insert a funeral notice in the Cape Times.

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Weekend Argus Correspondent

JOHANNESBURG. — South Africa's three biggest food chains are to band together to help struggling consumers to fight escalating inflation.

This has been made possible because Mr Raymond Ackerman of Pick'n Pay agreed this week to come in from the cold and to work with his two major competitors — OK Bazaars and Checkers

Checkers confirmed that they are right behind the move. Mr Gordon Hood of the OK was not available for comment but it is believed the OK will join the venture

Their decision comes as reports from around the country indicate growing hardship for more and more consumers, especially at the lower end of the scale, as the economic climate worsens.

Mr Ackerman said the time had come for supermarkets to stop fighting prices individually and to join forces "to fight together against actions which are wrong for the consumer"

Powerful force

Such a merging of effort has previously been suggested but nothing came of it because of Mr Ackerman's opposition to joint ventures among competitors.

He emphasised that the proposed alliance would not discuss price setting. He is to attend the Retail Distribution Committee meeting next month and will propose that the committee be "built into a powerful force to protect the consumer"

"I realise I'm partly to blame because I have been paddling my own canoe at Pick'n Pay. But the time has come to beat this now."

Mr Ackerman's decision comes in the wake of rising anger over the enormous profits reported this week by major food producers while the cost of living is rising alarmingly.

He said the initiative, if accepted, would run on similar lines to the large retail units in the United States, acting primarily as a watchdog against rising prices

Act as watchdog

It would also encourage manufacturers not to disinvest from the country, which has resulted in the market being monopolised by fewer companies.

Mr Ackerman said that in addition to the big three, smaller retailers and the Housewives' League could take part if they wished.

"Most importantly, we will oppose any form of price fixing by manufacturers and cartels in an attempt to pave the way for a more competitive society."

An additional problem was that local manufacturers were being forced to buy raw materials being produced in South Africa at dollar prices "We will use our force to expose this and will approach producers of raw materials to ask them to keep prices down"

Checkers director Mr Sergio Martinego said it was encouraging that the large supermarkets, "who usually steer clear from one another", had now agreed to embark on joint discussions

Stop spending

"The way things are now, we all do our own thing and don't want one to have an advantage over the other. This does not benefit the consumer"

Mrs Lyn Morris, president of the Housewives' League, said the way to repair the economy was for the government to stop spending "It must start being a good housewife and budget properly — just as the ordinary person has to"

She was willing to take part in a joint supermarket venture, such as that proposed by
Turn to Page 3

Inflation busters

From Page 1

the big three, but emphasised that she could not be involved in any form of price fixing.

The league had convened a meeting on August 2 of retailers, distributors, manufacturers and all those involved in the food business to seek ways to stop the inefficiency in the industry which had resulted in the consumer paying higher prices

She said the supermarket industry was not blameless in contributing to this inefficiency

WISPIKIN FOOD PRICES

SUPERMARKET GIANTS OK, CHECKERS AND PICK 'N PAY JOIN FORCES

RV JANET HEARD 27/5/79
w/r ARGUS

Rand 'will affect local content'

MARC HASENFUSS

THE weak rand would mainly affect the new local content programme — requiring extensive tooling up — where much of the equipment was imported and could result in huge forex losses, motor industry analysts said

They also felt the rand distorted the local content by value regulations

If a small passenger car cost R20 000, it meant R10 000 was locally produced by value and R10 000 were imported components. The fall in the rand, however, meant the imported cost could actually be around R12 000, and would result in manufacturers chasing a moving target in trying to reach the required 55% local content by value

The price increase forecasts of new vehicles made earlier this year had considered the possibility of a big fall in the rand

Toyota marketing MD Brand Pretorius said the rand's steady decline against the dollar would have a profound effect, particularly on the price of vehicle replacement parts

As far as new vehicle prices went, Pretorius said because the yen had also dropped against the dollar there would be no dramatic price increase

"The direct impact of the weak rand will be felt in the price of replacement parts, not in new vehicle prices"

The weak rand and the fall in the gold price undermined general economic confidence, causing people to postpone purchasing an item such as a new vehicle

See Page 3

CP move backfires on Boksburg council

EDYTH BULBRING

A CP move to rid Boksburg Town Council's management committee of a CP member who defected backfired when their Manco chairman was ousted by an NP- and independent-backed CP councillor

The CP called a special council meeting on Friday night to declare a motion of no-confidence in Manco to legally oust Stephanie Greyling, who resigned from the CP supporting independent two weeks ago

Once the Manco was dissolved, the NP nominated CP councillor Gloria Bosch as their candidate for Manco chairman against the CP's Gideon Fourie

The two candidates drew equal votes

and Bosch was elected when her name was drawn from a hat

Furious CP members called Bosch a "traitor" and "adder" for accepting the nomination against the caucus decision to re-elect Fourie

CP chief whip T J Ferreira said yesterday the CP would welcome the disbandment of the council by the Administrator and the holding of fresh elections

"In this way we could rid ourselves of dead wood," he said

He said the CP had decided against suspending Bosch from the party

AM TMS 15/5/89 (244)

Estimate of rise in food prices 'low'

Own Correspondent

DURBAN. — The government's estimate that food prices rose by just 10,8% in the past year is "just not feasible", says a former professor of applied mathematics.

Dr Karl Posel has compiled figures for three model families which show that the real inflation rate is not 14% as the Central Statistical Services would have the public believe, but closer to 31%.

Speaking at his Kloof home, the author of books on investment and the stock exchange said he was stunned to discover that instead of working on similar mathematical "models" in calculating the inflation rate, the CSS merely went on the figures revealed in thousands of questionnaires they send out

It was "conceptually incorrect" to average out everything, he said.

"Take a man who has one foot on a red-hot plate and another in a bucket of iced water — according to the law of averages, he is feeling very comfortable!"

Regarding the 10,8% suggested as the increase in the price of food from March '88 to '89, Dr Posel said this was possibly calculated by comparing two identical baskets of foodstuffs

"This would explain the error, but that doesn't excuse it — they (the CSS) should know better," he said, explaining that the average person would consume one tube of toothpaste and 15 litres of milk in the same period

Dr Posel is after "an honest admission" from the CSS that their methods of establishing the inflation rate are incorrect

"Once the government knows what the real inflation rate is they can act

on it .. this won't happen if they believe it's 14%," he said.

People are beginning to sit up and take notice of Dr Posel, as evidenced by the numerous media calls he answered yesterday.

When he appeared live on an SABC radio programme last week, dozens of listeners phoned in, many saying they believed the inflation rate was even higher than 31%.

Democratic Party finance spokesman Mr Harry Schwarz last week called for an immediate scientific investigation to establish the credibility of the official CSS inflation index, having referred to Dr Posel's reports

And Mr Issy Goldberg, chairman of the Shareholders' Association, said his organisation's research indicated that Dr Posel's 31% inflation rate was accurate

• Dr Posel's family models' rates of inflation range from 31,53% for a non-working wife, middle-management husband and two primary school-going children to 33,5% for a retired couple living in a bond-free home

Yesterday he calculated rates for two single reporters in their mid-twenties, neither of whom paid the car instalments, bond repayments or education costs of the average family

The first, who paid a monthly rental of R350 and R200 for petrol, had an inflation rate of 25,7%, while for the other, who cut down on expenses by living in a commune, it worked out at 20,8%

Although they did not have some of the most inflationary expenses, Dr Posel said, the reporters' inflation rates, indicative of many young single South Africans, were still way above the official figure

Substantial economic growth seen . . .

Inflation expected to 'skyrocket'

244
CMT Times 11/5/89

By AUDREY D'ANGELO
Financial Editor

SA will achieve substantial economic growth in 1989 — but inflation will "skyrocket", according to the latest forecast by the Stellenbosch Bureau for Economic Research (BER)

BER director Ockie Stuart and economist BA Mocke expect average pay increases of 17,5%. But they also expect an increase in direct taxation, due to fiscal drag

As a result of this and rising prices they expect real disposable income to go up by only 0,7% this year and to fall by 1,2% in 1990

Consumer demand

They expect income from property to rise more rapidly this year and consumer demand to slow down

But although private consumption expenditure is expected to increase by only 1,9% in real terms compared with 4,8% last year, they think "the propensity to save will average out at a mere 0,6% in 1989"

They forecast that interest rates will remain high and the rand will depreciate further

They expect the inflation rate for 1989 to average 15,5% and the inflation rate for 1990 to average at least 14,5%

This is the first time that the BER's Economic Prospects report has given a detailed forecast of trends for the next two years

Pointing out that exports increased in the first quarter of this year, the report says economic growth towards the end of last year was stronger than most people expected

"The buoyancy of the year is reflected in the fact that gross domestic expenditure achieved a high growth rate of over 7%"

Stuart and Mocke expect domestic demand to taper off substantially in the third quarter of 1989

"This outlook, together with an expected depreciating exchange rate throughout the year, ought to boost export performance from the third quarter onwards"

They expect merchandise exports at current prices to grow by an average of 20% in the current year and 9,6% in 1990

"In value terms merchandise export earnings are expected to increase from R31,4bn in 1988 to an estimated R37,8bn in the current year

"Merchandise and non-factor services export volumes are likely to increase by an estimated 4%"

World trade is expected to grow at a

slower pace "and with lower expected commodity prices it is important to export larger volumes to benefit from the lower anticipated exchange rate."

Stuart and Mocke expect a current account surplus of R2,9bn for 1989 and R6,7bn for 1990

"It is thus anticipated that the performance of the current account will improve as the year progresses and that the trend is due to continue in 1990"

Capital outflows of approximately R4bn are expected for 1989 and R5,3bn for 1990.

"Short-term capital outflows will amount to about R1,9bn and long-term outflows to around R2,1bn for the current year

"The implication of this is some inroad into reserves with capital outflows exceeding the surplus on the current account."

Stuart and Mocke think policy measures will remain restrictive until the first quarter of 1990

"The current account may not perform as desired and this will put strong pressure on foreign exchange reserves

"Sustained strong policy measures such as positive real interest rates could help to accumulate reserves to effect large debt repayments due in 1990"

Direct taxation

They say that, since no provision was made in the last Budget for fiscal drag, growth in direct taxation could be as high as 22,4% on average

"Mention should also be made of the fact that the Minister of Finance recently announced that taxation on fringe benefits — cars in particular — will become more stringent from June 1.

"The net outcome of the above trends is a projected increase of 16,2% in nominal disposable income in 1989"

Stuart and Mocke expect 1990 to be "a difficult year", with higher unemployment and lower pay rises and an increase of 13,1% in direct taxation

Stressing that inflation in 1990 could be higher than the 14,50% they forecast now, Stuart and Mocke say the nominal increase in disposable income of 13,1% which they expect "will convert into minus 1,2% in real terms

"After provision has been made for population growth we find that in per capita terms real disposable income will decrease by 1,8% in 1989 and by a hefty 3,6% in 1990"

So, why do eggs cost more?

AGS

9/5/89

Staff Reporter

244

EGG price increases are negotiated between producers and retailers, according to the general manager of the Egg Board, Mr Dawie Gouws.

"Egg price increases do not occur at regular intervals, as they are not controlled.

Egg producers and the retail trade regulate the prices from month to month and region to region," said Mr Gouws.

PRICES

In effect the Egg Board had nothing to do with the price of eggs, he said.

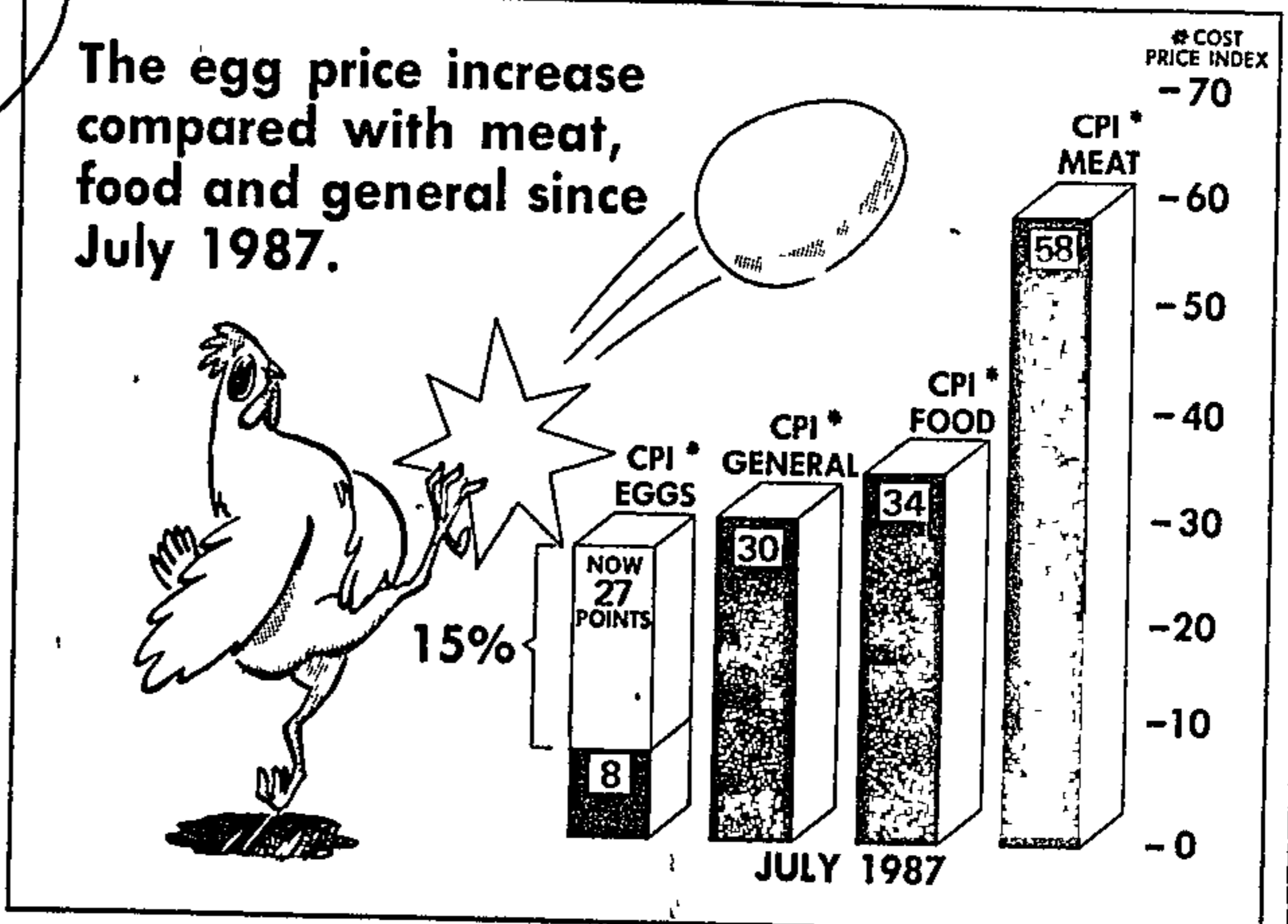
"Should the egg price increase generally in all the provinces, by 15 percent now, the increase since July 1987 will be in the order of 27 index points on the Consumer Price Index. This is quite low.

"It compares favourably with the meat price which rose by 58 index points, food prices by 34 index points and general prices by 30 index points over the same period.

"Eggs are still the best buy. A kilogram of eggs will cost about R3,15," Mr Gouws said.

South African Poultry Association director Mr Zach Coetzee announced yesterday that about six big egg pro-

The egg price increase compared with meat, food and general since July 1987.



Graphic: BOB GRIERSON, The Argus

EGGXACTLY: This graph shows the increase in the price of eggs, its effect on the consumer price index and compares it to other price rises including meat.

ducers would be implementing the 15 percent increase in all the provinces, except Natal.

Producers say the increase is a result of rising input costs for maize, fish meal, equipment, electricity,

packaging, transport and wages.

Checkers marketing manager Mr Hennie van Rooyen said: "Suppliers have approached us to push up our prices immediately, but we will be selling our eggs at the same price for the time being."

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E.S.S.

City pensioners protest

600 call on minister to quit, slate govt's 'golden handshakes'

Staff Reporter

NEARLY 600 senior citizens yesterday rallied behind the call for the resignation of Deputy Minister of Finance Dr Org Marais at an emotion-charged meeting in Claremont Civic Centre.

Adopting the slogan "Grey power to put South Africa on the road to recovery", the massed audience of elderly people and pensioners heard speakers stress the need for united consumer action against the rising cost of living.

Asking the meeting to adopt a resolution calling on Dr Marais to resign, the regional chairwoman of the Association for Retired Persons and Pensioners (ARRP), Mrs Kay Altman, said "It would take more than one meeting to tackle all the problems confront-

ing the aged. And yet a man who is deputy finance minister and who earns R130 000 a year, who receives generous perks, dares to tell us we are no poorer than 20 years ago."

A forest of hands and a round of applause carried the motion, and others which called for an independent investigation into government spending, increased social pensions, the appointment of a Minister of Consumer Affairs, a national voluntary pension fund for all senior citizens, and withdrawing metered telephone calls.

Speakers from the floor angrily condemned non-taxable "golden handshakes" to departing government officials, slated taxation on private medicines and called for a return to "bread and butter" politics.

National Housewife's League vice-president Mrs Sheila Baillie said regular surveys

of basic household goods had shown "mind-boggling" inflation, to which a speaker from the floor shouted to approving claps "What can we do about it?"

Mrs Baillie replied "If everybody stands together, if the oldies stand together, we can get somewhere. But what do the young do?"

Saying the National Party had been in power "too long", Councillor Mrs Joan Kanley added "Get involved, use your leverage. Get candidates who are concerned with bread and butter issues — economic issues are affecting every person in this country."

Reacting to pharmacist Mrs Ros Smart's suggestions on controlling expenditure on medicines, a speaker from the floor replied "Your speech was smart but will not affect the price of medicines. It will not bring the

costs down nor bring these problems to the ears of government."

Asking why the Minister of National Health and Population Development, Dr Willie van Niekerk, was not present, the speaker added "We must send the message to the government that we are not going to put up with this any more."

Tax consultant Ms Lizette Labuschagne warned that the change to Value Added Tax would "cost a lot of money", adding that foodstuffs, medicine, electricity and telephone bills would not be exempt from the new system.

"Unless we make our opinions felt, and not just before the election, it is going to be to put into practice. The bottom line is we're going to pay," she said.



SENIOR CITIZENS RALLY . . . Nearly 600 elderly people yesterday packed the Claremont Civic Hall to express their anger at the rising cost-of-living, steep taxes and government expenditure



JUST MARAIS! . . . Mrs Kay Altman urges 600 people to accept a resolution calling for deputy minister Dr Org Marais to resign.

A decent plate of food is a luxury for some

By REHANA ROSSOUW
Staff Reporter

A DECENT plate of food has become a luxury for some South African pensioners battling to survive in the face of rising prices.

Tragic stories of elderly people whose pensions have not kept pace with the rising cost of living have marred many dreams of a leisurely retirement.

One social pensioner was forced to eat dog food when her money ran low at the end of the month.

White social pensioners get R251 a month, coloured people and Indians R208 and blacks R150. For many, this is their only income.

The economic crisis has sent food prices spiralling. And worst hit are the pensioners, whose fixed incomes have not kept pace with the cost of living.

The cost of food has risen a staggering 1 000 percent in 17 years and with increased taxes through GST, the average income would have needed to grow tenfold since 1972 simply to keep pace with inflation.

In 1972 a loaf of brown bread cost 9c. Now it costs 76c. White bread was 11c. Now it is 90c, the government's department of statistics revealed.

Mealie meal sold then for 42c for 2,5kg is now R1,83. Rump steak was R1,43 a kilogram and is now R16.

At 66c a kilogram chicken was considered expensive in 1972, but is now selling at R5,93 a kilogram for a dressed bird.

An average trolley of goods cost R279,82 in March this year, according to a survey by the South African Consumer Council.

A 78-year-old pensioner who lives alone in a "cheap flat" in Wynberg on an income of R262 said food had become a luxury. She asked not to be named because her pride is one of the few things she has left.

"My medication costs R100 a month and my rent is R80," she said. "I try to eat healthily, but it is impossible. Items like cheese and even fresh vegetables are getting beyond the reach of the pensioners."

She said her standard of living had dropped dramatically. She could no longer buy great and lived on chicken and cheap fish.

"Even the chicken and fish is a luxury. I buy the cheapest possible brands of food and then use as little as I can to stay alive. I can't remember when last I treated someone to dinner. I get lonely sometimes, but unless my guests bring their own food."

She laughed when told about the cost of a trolley of food. "A trolley I haven't used one of those for a long time. Even my basket gets lighter each time I go to the shops."

Worse off than this pensioner is Mr Dawood Edwards of Heidelberg, who supports his entire family on his pension of R206 a month.

Mr Edwards retired from his job at South African Transport Services two years ago. His rent is R30 a month and electricity R50. He is fortunate to get his asthma medication at a nearby hospital at R1 a visit.

He has been buying less food in the past year than he did when he was earning a wage.

"What hits us hardest is that the prices of staple foods like bread and milk keep going up," he said.

"We've cut down on luxuries. In fact we have luxuries only on special days. But we can't cut down on bread and other staples."

Mr Edwards said he had not been buying butter and cheese regularly. Meat was added to food in only small quantities to add a little taste.

He had not bought clothing for himself or his wife since he retired and had to "lay by" for clothing for his grandchildren, who he supported.

"What hurts me most is that I really laboured for years to get the little money the government is giving me. But I have to be satisfied with what I do."

"We do our shopping weekly and buy only the absolute necessities like coffee, tea and other foods which keep our stomachs full."

"We have to leave behind a lot of things we would like to put in the trolley."

"I can't cope with the little I get. My money never lasts until the next payment and we often don't eat as much as we need."

Mr Edwards said his life was a "misery" because of the lack of money.

Food chains in push on prices

27/1/54
● FROM PAGE 1. (244)

The number of summonses for debt in the first three months of this year was 220 163.

The cost of food has risen a staggering 1 000 percent in the past 17 years, and with increased taxes, the average income would have needed to grow tenfold since 1972 to keep pace with inflation.

In 1972 a loaf of brown bread cost 9c; now it costs 76c. White bread was 11c; now it is 90c, the government's department of statistics revealed. Mealie meal which cost 42c for 2,5 kg 17 years ago is now R1,83. A kilogram of rump steak cost R1,43 and is now R16!

At 66c a kilogram, chicken was considered expensive in 1972, but is now selling at R5,93 a kilogram for a dressed bird.

The executive director of Operation Hunger, Mrs Ina Perlman, said at a press conference yesterday to announce the organisation's sixth Million Rand Gold Rush competition that the organisation still had to raise R2 million to help those in need.

"Confronted with a massive and terrifying unemployment figure, particularly in the urban and peri-urban areas, Operation Hunger should be feeding 1 610 296 people now.

"But we need money. This year thousands face a desperate winter and their survival depends on donations," she said.

The growing hardship of many ordinary people coincides with reports this week of enormous profits made by the major food producers.

Mr Ackerman said that in addition to the big three, smaller retailers and the Housewives' League could co-operate if they wished. "Most importantly, we will oppose any form of price-fixing by manufacturers and cartels in an attempt to pave the way for a more competitive society."

He said an additional problem was that local manufacturers were being forced to buy raw materials produced in South Africa at dollar prices. "We will use our force to expose this, and will go to producers of raw materials and ask them to keep prices down in South Africa," he said.

Checkers director Mr Sergio Martinego said it was very encouraging that the large supermarkets, "who usually steer clear of one another", had agreed this week to embark on joint discussions.

"At the moment, we all do our own thing, and we don't want anybody to have an advantage over anyone else. This does not benefit the consumer."

Mrs Lyn Morris, president of the Housewives' League, said that the way to revitalise the economy was for the Government "to stop spending. It must start being a good housewife and budget properly like the ordinary person has to."

Mrs Morris said she was willing to participate in a joint venture, such as that proposed by the big three, but stressed she could not be involved in any form of price-fixing.

She said the league had convened a huge meeting of retailers, distributors, manufacturers and all those involved in the food business, to come together on August 2 to seek ways to stop inefficiency in the industry, which had resulted in higher prices for the consumer.

She said supermarkets also contributed to this inefficiency.

ROW OVER

inflation rate

CPI Tm's
8/5/89

31
204

By MEG BRITS

A ROW is brewing over calculations which put the inflation rate at 31% — rather than the 14% suggested by the Consumer Price Index, calculated monthly by Central Statistical Services

The author of the 31% figure, Dr Karl Posel, former professor of applied mathematics at the University of Durban Westville, says the only thing which would bring the inflation rate under control now is an immediate price and wages freeze — and an immediate halt in the increase of the money supply.

He said yesterday that his calculations based on the monthly expenditure of specific model families, showed that the "real inflation rate" — the amount by which expenditure of disposable income increased — was close to 31% a year.

This does not include the effects of the latest petrol price increase or Friday's economic package, which will push up the costs of all consumer goods, hire-purchase payments and mortgage bond rates.

Consumer organisations support his theory — but supermarket spokesmen said yesterday that his figures were way out.

Drawbacks

Assocom statistician Mr Ed Verberg took a middle path saying that Dr Posel's figures were "in a certain sense correct", in that they were based on the experiences of individual families.

"However, one cannot take issue with the CSS figure, which reflects a national average. Its drawbacks might be that the weightings of items of expenditure in the CPI are incorrect because the last household survey was done more than four years ago, and that the 'average' CSS family is fictitious."

Dr Posel has previously taken issue with the CSS for the manner in which it calculates the CPI, saying that its lack of a "model family" means that its postulate is unsound, in that it conflicts sharply with reality.

His latest figures are based on the expenditure of three different types of family, for which he has made assumptions of monthly outlay on various household goods and services.

The weightings of items — or the percentage of the

Inflation

CAP & Times
8/2/89 (10) 244

income spent on a certain type of goods — differ markedly from those used by the CSS. For example, the CSS gives food and household supplies as making up 22,72% of expenditure, while Dr Posel calculates a minimum 32%.

He also says observation has led him to believe that food increases by as much as 40% a year.

The CSS figures are based on a five-yearly survey of thousands of households in various income groups in 12 areas of the country. It also receives monthly price updates from more than 3 000 suppliers of goods and services.

The Housewives League, though, believes the CSS figures are not anywhere near reality. National president Mrs Lynn Morris said yesterday "The latest CSS release says that food increased in price only 10,8% in March, showing a continued downward trend. This is nonsense, as any regular shopper can tell you."

She said the league's surveys showed a minimum increase of 14% in the price of a basket of household goods over the past year.

However, Checkers deputy managing director Mr Sege Martinengo said observation led him to believe food and household prices in the groups' stores had risen by an average of only 12 to 13% in the past year.

Meanwhile, the likelihood is that Dr Posel's figures will be noted by those seeking wage increases.

He said that matching the 31% inflation rate would not help — "it will simply contribute to the inflationary spiral. Hopefully, what will happen now is that government's eyes will be opened to the urgency of the situation and the need for a drastic solution."

He predicted that, if the government were immediately to freeze wages and prices, the rate might drop to 28 to 29% by the end of the year.

"But it is questionable whether they will, given that there is an election in September."

Stoffel: 'Cuts' in phone metering

CAPL.
Tmk's
2/6/89

264

Political Staff

MAJOR cost-saving changes to the proposed controversial new telephone metering system were last night announced by the Minister of Posts and Telecommunications, Mr Stoffel Botha

They will almost double the time for an ordinary call — from three to five minutes — and push it up to 10 minutes a unit for calls between 8pm and 7am

The announcement followed widespread opposition to the new system and various representations to Mr Botha from individuals, consumer organisations and the National Council of Women

"In light of the of the current level of the cost of living and the specific economic circumstances most people in South Africa are experiencing, the Post Office also wants to contribute towards economic stability in our country," said Mr Botha After thorough consideration, the following concessions had been decided on

- The metering period of three minutes for a local call which was proposed for the new metering system is now extended to five minutes. Calls from public phones are also extended to five minutes

- After-hours calls will now be metered as follows From 6pm to 8pm, 7,5 minutes, and from 8pm to 7am the following morning, 10 minutes From 1pm on Saturdays to 7am on Mondays, 10 minutes (Previously the metering periods were 4,5 minutes and six minutes respectively).

- What used to be a trunk call over a distance of less than 50k, which used to be metered in units of 72 seconds, will now be metered in units of five minutes

Mr Botha said it had also been decided that the new system would be introduced a month later than originally proposed in the PWV area, on July 1 or 2, while the implementation date in other areas remained the same — Natal, beginning of 1990, Western Cape and part of south-eastern Transvaal, last quarter of 1990 and the rest of the country, last quarter of 1991.

FOOD PRICES

244 *maail*
26/89

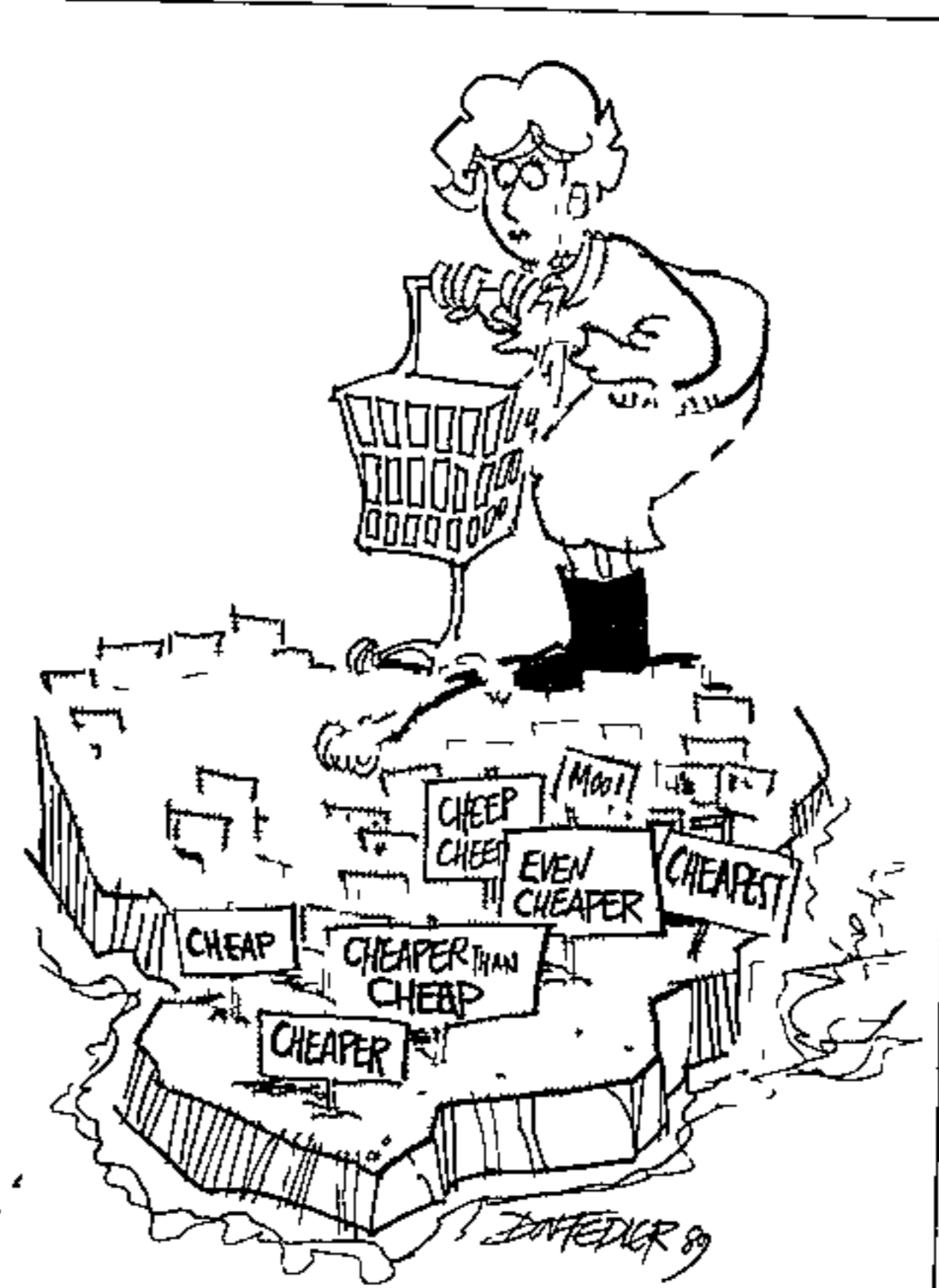
Running costs

No wonder everyone's running in Durban this week it's got the cheapest prunes in the country

However, Comrades Marathon runners couldn't find anywhere worse for last-minute carbo-loading Rice is more expensive in Durban than anywhere else

Government's latest comparison of regional food prices shows consumers need to undertake an awful lot of travelling to find SA's bargains

If you're looking for a good, inexpensive steak, don't expect to find it in Cape Town



Rump sells there for R15,49/kg and sirloin for R15,06/kg Rather head for Port Elizabeth, where rump is R12,21, or Maritzburg, for its R11,34 sirloin

Capetonians do enjoy some bargains They pay R1,48/kg for grapes that sell for R3,42 in the Free State Oranges that cost R2/kg in the OFS goldfields, are only R1,20 in the Cape Peninsula

If you enjoy milk or boerewors, aim for East London, where a litre of milk sells for 93c compared with R1,48 in the goldfields

244 *maail*
26/89

At R7,61/kg, East London also boasts the cheapest wots

Lettuce costs more than twice as much in the OFS goldfields (R2,76/kg) as it does in Pretoria (R1,33) Cabbage that sells for 20c/kg in Maritzburg more than triples in price by the time it reaches the Cape markets

Then again, Maritzburg pays almost three times as much for carrots (R2,05/kg) as does Klerksdorp, whose tomatoes (R1,50/kg) are also a bargain compared to Bloemfontein (R2,26).

Klerksdorp is also the place to be for potatoes (71c/kg), sweet potatoes (94c/kg), beetroot (66c/kg) and pumpkins (51c/kg). The same can't be said for Durban/Pinetown, where pumpkins cost double Klerksdorp's price and its beetroot nearly triple

Durban/Pinetown gets away with the cheapest breakfast oats (R2,35/kg) but has the most expensive rice (R1,57/kg). On the flipside, the least expensive rice is found in Port Elizabeth (R1,15/kg), and the most expensive oats in East London (R2,83/kg) ■

w/c Argus 3/12/87

Anger at 'food war' plan

But Big 3 deny aiming at local manufacturers

By CHRIS MOERDYK
Weekend Argus Correspondent

JOHANNESBURG — Food manufacturers have reacted angrily to what they believe to be a plan by South Africa's three major supermarket chains to join forces in an effort to squeeze supplier prices

However, the supermarkets have moved to allay the manufacturers' fears by insisting that any joint effort would have nothing to do with bringing pressure to bear on suppliers to lower their prices

Pick 'n Pay chief Mr Raymond Ackerman said that only those suppliers who were monopolies or involved in price collusion or cartels could expect the combined wrath of the supermarket alliance should it get off the ground

"The idea is certainly not to try to collectively negotiate price reductions from suppliers. That is something that only the individual supermarket chains can do," he said

Four-point plan

Mr Ackerman confirmed that earlier this week he had written to the other major supermarket chains in South Africa as well as local consumer organisations, suggesting a four point plan to be implemented on the proposed alliance had been brought into being

The primary objectives of any joint action by the major

supermarket chains and consumer bodies would be to

- Lobby government on any thing that affected the interests of the consumer;

- Fight against cartels, monopolies and price collusion in the manufacturing or supply sector;

- To send delegations backed with the combined power of all the groups concerned to overseas countries with manufacturing operations in South Africa to try and persuade the multi nationals involved not to disinvest their South African interests, and

- To co-operate with each other in the interests of the consumer, in every way other than combined attempts to force suppliers to lower prices

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

Reacting to the supermarkets plans published last week, the national vice-chairman of the SA Institute of Marketing Management, Mr Ray Wood, said "It's fine and about time the giant supermarket chains combined efforts to look for ways to cut costs

"However, they already have taken so much out of the food manufacturer's hides that they should think hard before tightening those particular screws"

Checkers MD Mr Clive Weil said yesterday he had not yet received Mr Ackerman's letter, but confirmed that he would

welcome any joint venture as long as this did not encroach on any competitive element.

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

"I am not talking about getting together to squeeze our suppliers for lower prices, that's something that must be left to the individual retailer. However, we need to look at jointly improving productivity as a means to make our products available to the consumer at the lowest possible price

Dishonesty register

"We need to look at ways of cutting down on shoplifting, getting together to reduce the incidence of bad credit cards and cheques, combating internal theft and fraud — perhaps by having a register of dishonest employees

"We need to eliminate the growing tendency among local suppliers of pricing their products in dollars"

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

He said however that the OK was well represented on Assocoms retail and distribution committee and already did as much as possible to promote the interest of the consumer, "but if anyone approaches me I would be pleased to join in"

■ See also Page 6



Picture: BRENTON GEACH Weekend Argus

After a long walk all that Mr Adi Behrend needs is to get his feet up with a cuppa — served by Mr Gordon Oliver, deputy mayor of Cape Town.

BRAVING ELEMENTS ON FOOT FOR SCOUTS

By DENNIS CRUYWAGEN
Weekend Argus Reporter

IT finished a week ago for Mr Adi Behrend but there was no fanfare, pomp or ceremony

Today the city made up for it — the man who braved the elements and "crazy drivers" in

his walk from Windhoek to Cape Town was officially welcomed to the Mother City by deputy mayor, Mr Gordon Oliver

Mr Behrend entered the city in a symbolic walk which started at the Good Hope Centre

Waiting for him at the City Hall were scores of Boy Scouts, Mr Oliver, Mr Radish Radmore, deputy area commissioner of the Boy Scouts in SWA-Namibia, and Mr Garnet de la Hunt, the Chief Scout of South Africa

The 1 500km slog was all part of a campaign to raise cash for the Boy Scouts in soon-to-be independent Namibia

Mr Behrend, whose tanned, rugged face gave no indication that he is 51, covered the dis-

tance in 26 days

His worst experiences were crazy drivers trying to force me off the road", he said

Generally, though, motorists were friendly, tooting their hooters at him as they passed "I walked at night for the

most of the time and the longest distance I covered was 134 kilometres in 22 hours, non stop"

He was accompanied by Mr Roland Nick who drove his support vehicle and cooked his meals

APR 21 1989

Smokers pay higher price

Star 7/6/89 (244)

Staff Reporter

South Africa's smokers will have to cough up more for their cigarettes from today

A spokesman for the United Tobacco Company (UTC) last night confirmed the price increase, saying that a packet of 20s would go up by six cents and a packet of 30s by nine cents

The increase will not, however, affect the price of cigars and pipe tobacco

The two largest cigarette manufacturers, UTC in Johannesburg and the Rembrandt Group in Stellenbosch, effected the increase.

The price of cigarettes was last increased when the 1989-90 Budget was announced in March. The duty on cigarettes increased by one cent per 10 cigarettes

Welsh are digging in

Star 8/6/89

LONDON — The Welsh Rugby Union is unlikely to heed any demands by Labour Party politicians to reverse its decision to allow its players to go to South Africa for the SAIB celebrations in August

News that 24 Welsh Labour Party MPs had tabled a House of Commons motion calling on the WRU to change its mind was received without undue concern at headquarters in Cardiff.

"There is no chance of a rethink," said a leading Welsh rugby figure "Like the Scots, the WRU is digging in. The executive expected the flak to fly when they made their decision and nothing that has happened since has caused them to have any doubts — The Star Bureau-Sapa



How much lolly do you spend on a trolley?

Argus 13/6/89/244

By SHARON SOROUR, Tygerberg Bureau

TROLLY for trolley, Cape Town consumers still pay the least for groceries, according to a survey conducted by the Consumer Council throughout South Africa.

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

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

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

Checkers Warehouse, Parow	R277,94
Pick'n Pay Supermarket, Bellville	R281,50
OK Bazaars Supermarket, Bellville	R281,65
Pick'n Pay Hypermarket, Brackenfell	...	R281,84
Checkers Supermarket, Durbanville	..	R284,97
Hyperama, Parow	R289,19

These were the only stores tested in the Peninsula.

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

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

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

COST OF LIVING CRISIS

Limitations

According to the council, the price survey "is useful in reflecting price tendencies over a period of time", but there are limitations.

- The list is limited to 98 products with meat, fresh fruit and vegetables comprising only a small part in the survey as they are covered by the consumer price index.

- Only 57 stores are tested countrywide and there are no Checkers Warehouses in Bloemfontein and Pretoria; and.

- No-name brands, often the consumer choice due to low prices, are not considered.

PPI signals still higher inflation

244

By Sven Lünsche

Producer prices have been rising at an annualised rate of about 20 percent over the last three months, pointing to an inflation rate which could be well above the 15.5 percent most economists are forecasting

Central Statistical Services (CSS) figures released yesterday show that the producer price index (PPI) increased by 1.6 percent in April from March

This follows on monthly rises of 1.5 percent in March and 1.9 percent in February. The increases in producer prices are likely to continue in the near future, with Southern Life's economist Mike Daley predicting it will peak over the next two months

The upward pressure is likely to derive from price rises of both imported commodities and locally produced goods

The annual rate of increase for local goods was 14.9 percent in April, compared with 15.1 percent in March 1989

On a monthly basis, producer costs of these items rose by 1.3 percent in April over March

While austerity measures and the resultant fall in demand

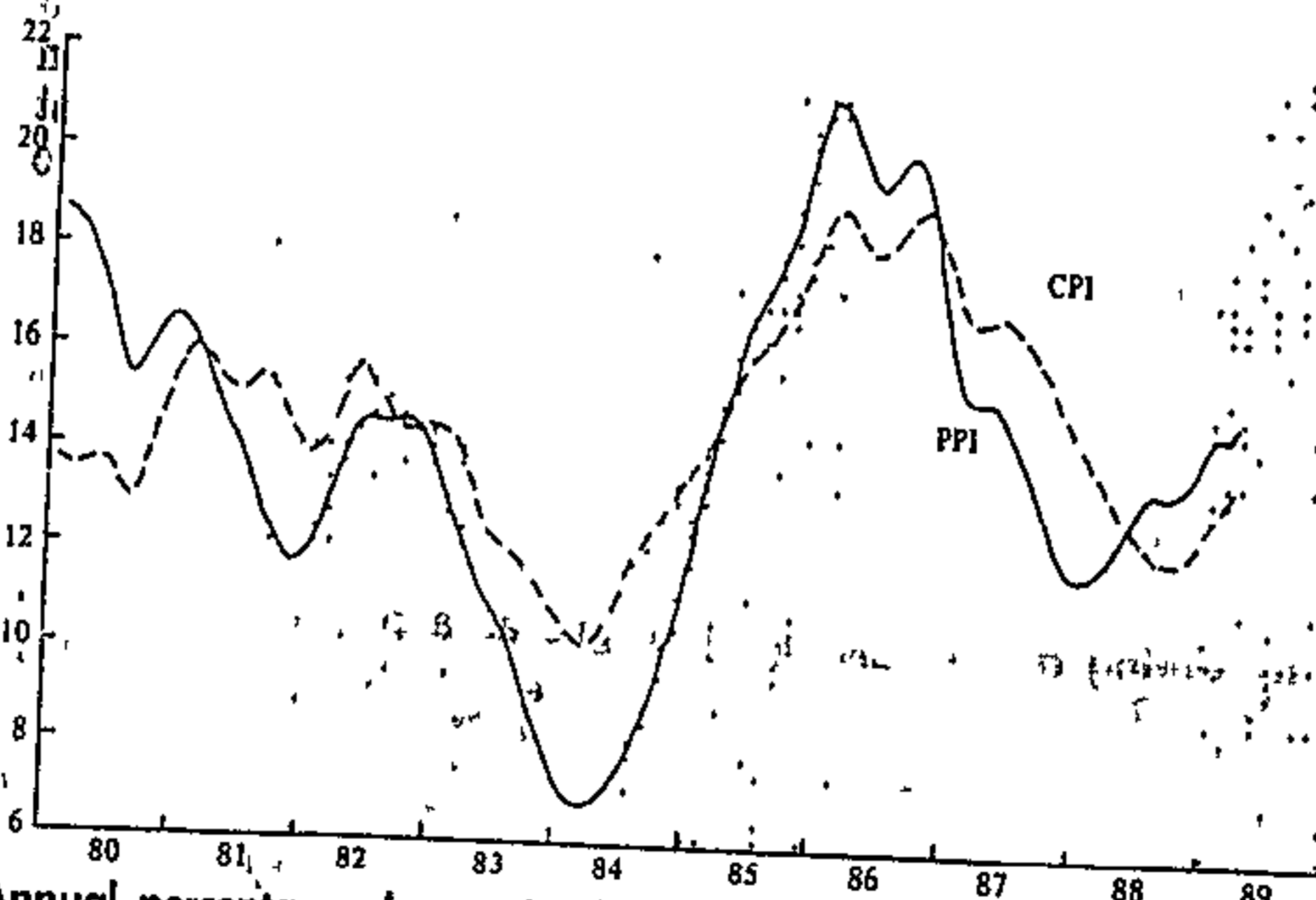
should lower the rate of increase further, there might still be some upward pressure because of unfilled orders and high capacity utilisation in the manufacturing industry, says Mr Daley.

The annual rate of increase of imported commodities for April was 17.8 percent — 1.1 percentage points higher than the rate for March, which was 16.7 percent.

But the monthly rises tell the true story. Over the last three months the respective increases for February, March and April have been 2.2, 2.1 and 1.9 percent, which, on an annualised basis, pushes price rises of imported goods to 24.8 percent.

Imported prices account for only 25 percent of the total PPI. But the 25 percent fall in the rand against the dollar last year and the 20 percent plunge since January obviously had a dramatic impact on the cost of overseas goods, as did the introduction of import surcharges and duties

As the graph shows, producer price inflation usually precedes consumer price inflation by four months and it is quite likely that consumer inflation will hit 17 percent by year-end



Annual percentage change in the consumer and production price indices. Shaded areas indicate economic downturns.

Crippled rand may force fuel price hike soon

GERALD REILLY

(244)

PRETORIA — The crippled rand could force another petrol price increase — the third this year — within weeks, according to sources here.

However, government is considered certain to use the already-strained equalisation fund to hold prices at current levels until after the September 6 elections — “and then the increase will be a big one”.

Earlier this year, Deputy Economic Affairs and Technology Minister George Bartlett warned of the likelihood of another fuel price rise before the year's end.

According to government sources here, oil companies' under-recovery on April 15 amounted to 3,542c/l. Two weeks later the under-recovery had increased to 5,4c/l.

Although no official assessment has been made yet, against a background of the crippled rand the under-recovery could by now have escalated another 3c/l.

With support from the equalisation fund, it was possible to hold fuel at current prices for a time, but a price adjustment was considered unavoidable by the end of the third quarter.

If the rand's value continued to sink in terms of the US dollar, an earlier adjustment might have to be made.

Motor Industries Federation director Jannie van Huysteen estimated under-recovery at between 8c and 10c a litre.

The equalisation fund's strength was unknown. How long it could continue to support current prices was anybody's guess, he said.

What was certain was that an adjustment was strongly justified, and could not be avoided.

Since last September the price of 93 octane on the Rand had increased 30c/l.

Retail sales figures start to level off

By Derek Tommey

244

The monetary authorities must be overjoyed with the latest retail sales figures — even though retailers themselves are probably taking a different view.

Central Statistical Services (CSS) reports that retail sales are levelling off

Sales in the five months to May and estimated for June have risen only 0.5 percent in real terms, says CSS.

The news should gladden the authorities' hearts for this is their intention

Commenting on the slowdown, Dr Azar Jammine of Econometrix says that key components of domestic spending have been declining in response to higher interest rates and deteriorating discretionary spending power.

"The measures of May 5 will simply amplify these trends"

Commercial bank credit to the private sector has declined after peaking in the fourth quarter of 1988

Merchandise import volumes had also declined since the fourth quarter

He says there is a possibility that import volumes could decline more rapidly than the increase in inflation, which would stabilise the real value of imports

The adjustment process of lower spending, lower imports and lower credit demand required for an improvement in the trade surplus and lower interest rates is under way, he says

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By Don Robertson

BUMPER wheat and maize crops in the past season promise the fertiliser industry a boost in sales this year.

But because of rising raw material costs and the disappearance of discounts, fertiliser prices are expected to jump

It is expected that last year's total sales of 2.2-million tons will rise by between 5% and 10%. Many farmers are now better off than in the drought years and are using the early delivery rebate (EDR) system to buy fertiliser ahead of requirements

Hilmar Venter, executive director of the Fertilizer Society of SA, says "The two good wheat crops in the Western and Eastern Free State have helped a lot, and nitrogen and potash-based fertilisers will be the main requirements"

First-quarter sales to the

Sales, prices of fertiliser set to rise

sugar industry were good, but a 35% rise in the price of potash-based fertiliser has made farmers unhappy

John Skeen, managing director of AECI's Kynoch Fertiliser, says there will be an improvement in demand for fertiliser this year, but much will depend on international grain prices and the rand's value

Should America have a drought similar to last year's, grain prices could rise. American prices dictate world values. If prices move above \$120 a ton for maize,

SA exports could be profitable

The Maize Board expects between \$110 and \$120 a ton for last season's crop

Fertiliser prices have risen because of rationalisation in the industry after the withdrawal of Sentrachem's Fedmis operation. The Fedmis plant was sold to the three remaining contenders — Kynoch, Sasol Fertilizer and Omnia

The "quality" of the market has improved, says Dr Skeen, and as a result discounts, which ranged from

15% to 25% last year, have vanished. The 16% to 17% rise in the price of fertilisers caused by increased costs of raw materials has aggravated the problem

Increased demand for fertiliser has made it necessary for all plants to work at full capacity, probably for the next three months

Peter Viljoen, managing director of Sasol Fertilizer, says the stabilisation of the industry after the Fedmis withdrawal will be in the long-term interests of farming because it will allow producers to absorb increased costs

Uneconomic capacity has been removed and with a better supply-and-demand equation, destructive price wars have ended

The price of rock phosphate rose by 15% last year and is expected to go up by 17% this year. The price of sulphur on international markets increased by 18.4% last year and is expected to go up 12.2% in 1989

Sulphuric acid prices have risen by 5% this year

S/Times 18/6/89

244

Assocom to join anti-inflation fight?

Drive to cut food prices is widened

Steve 21/6/81

244

By Michael Chester

Supermarket magnate Mr Raymond Ackerman, chairman of the Pick 'n Pay chain, is aiming to recruit Assocom to back the drive he announced several weeks ago to counter the steep spiral in food prices.

The move to bring the muscle of the Association of Chambers of Commerce and Industry into the action shows Mr Ackerman now wants the whole retail sector to join forces to hold down increases in food bills.

Assocom has confirmed the issue will be discussed by its food technical committee.

The first announcement by Mr Ackerman about an anti-inflation campaign mentioned only supermarkets as potential supporters. But the news was greeted with bewilderment by rival giants who said they had not been consulted.

Widen attack

Mr Ackerman said at the weekend he was still seeking support from all the main supermarket chains as a basic platform for the campaign, but now wanted to widen the attack on inflation, running at 14 percent at the latest official count and threatening to move higher inside the next few months.

He outlined the new strategies on the eve of his departure to London and Geneva to collate information on how western Europe had reduced food prices.

The data would be added to information already collected on how the US Food Marketing Institute had

countered the prices spiral. He said he regarded the institute as a basic model for a proposed Supermarket Institute for South Africa.

Insiders said the move to widen the campaign was a significant change in tactics by Mr Ackerman, who had normally insisted on go-it-alone strategies in the marketplace.

They added that by taking the issue to the discussion table at Assocom, the move also promised a solution to suspicions by rivals that Mr Ackerman was trying to reap all the glory for Pick 'n Pay as a champion of consumer interests.

However, they also forecast possible sharp conflicts inside Assocom, whose members come from the industrial as well as the commercial side of the retail business, if the big foodstuff manufacturing companies come under flak.

Assocom president Mr Sidney Matus has already warned that retailers could run into trouble with the Monopolies Act and the Competition Board if they attempted to negotiate agreements between themselves on price levels — an infringement of legislation on collusion.

But Mr Ackerman responded by stressing that he does not intend to propose all retailers joining forces to demand uniform price reductions by suppliers.

That assurance alone has prompted Mr Jeremy Hele, executive director of the Grocery Manufacturers' Association, to pledge full support to any anti-inflation campaign devised at Assocom discussions.

"In fact", he said, "we have been offering ever since 1981 to sit down

with retailers to thrash out inflation problems. Our association is still willing and anxious to co-operate."

However, Mr Ackerman says he believed supplier companies would still come under pressure about price levels as a whole.

Even though individual retail companies would negotiate their own price terms with suppliers, he said, investigations were still needed in broad terms into suspicions of price collusion among suppliers, monopolies, cartels and infringements of fair trade practices.

And, he argued, the investigations would be all the more effective if the retail trade as a whole instigated them, rather than leaving it to individual companies.

Cartels

He intended to press Assocom to

- Lobby the Government as a collective voice on all consumer affairs, with reviews of the role of control boards and talks on such issues as a better distribution of food items during surpluses
- Lobby suppliers to join the fight against cartels and monopolies, insist on retailers being allowed to offer discounts on petrol, to set up their own bakeries to produce such basic items as bread, and have more licences to sell wine
- Form lobbies to discourage overseas sanctions and any disinvestment moves by multinational supplier companies
- Solve inefficiencies inside the retail trade with new hi-tech systems and better productivity

Petrol price set to go up

Sowetan 22/6/89

THIRTY-SIX cents of every R1,12 South African motorists pay for a litre of fuel — and the price is expected to leap again soon — go to the taxman, a spokesman for the National Energy Council confirmed yesterday.

He said 31,9c was actual tax and the other four cents went for customs and excise duty.

In addition, another seven cents from the purchase of a litre of petrol went to the Equalisation Fund, which normally employed its share to cushion the

under-recovery and over-recovery account known as "the slate".

This means that a litre of fuel in South Africa — exclusive of levies, taxes and excise — cost only 69c at the moment.

244 48

The NEC spokesman said the weak Rand-dollar exchange rate meant that fuel companies in South Africa were presently paying much more to bring fuel to the country and also getting less for it

No rise in fuel price

NO increase in the price of fuel was planned immediately, said a spokesman for the national energy council yesterday

One spokesman said the Minister of Economic Affairs and Technology, Mr Danie Steyn, was briefed on a daily basis on the fuel situation inside the country

some from 27/6/87
Losses

A decision on when the widely expected increase would be announced — and how much it would be — still remained to be made

A NEC spokesman on Wednesday said that South African motorists were paying at least 12c less than actual cost for every litre of fuel used and the next round of fuel price rises would "probably be as high as 12c a litre" to recoup present losses

Economists expect further increases

Cape Times: 23/6/89
(244)

CPI rises to 14,9%

By AUDREY D'ANGELO
Financial Editor

HIGHER food prices, fuel prices and GST helped push the official consumer price index (CPI) for the 12 months to May to 14,9% compared with 14% in April. The monthly rise was 1,6% compared with 1,2% in April.

Economists said yesterday that they expected the rise to continue, reaching 16% or 17% by the end of this year.

Old Mutual chief economist David Möhr said he thought there was little chance of a soft landing for the economy — "it will probably be rather hard".

He said the steep monthly rise "again underlines the fact that inflationary pressures are accelerating".

He expected this to continue into 1990. He thought the CPI would reach 16% by the end of this year and average 15% for 1989 and 16% for 1990.

At this stage in the business cycle, it was increasingly unlikely that pay rises this year would keep pace with inflation and it would be tougher for the consumer next year. "Things will get worse before they get better."

Southern Life economist Mike Daly said the higher petrol price had made a big impact and there was almost certain to be another rise of about 10c a litre soon.

"I expect the CPI to rise to 16% or 17% by the end of the year — and there is a chance it might be higher."

Trust Bank economist Nick Barnardt commented "The rising inflation trend will continue and a rate of 15,5% is expected in June or July."

"Thereafter a slight retreat could occur but a large fuel price after the September election would kick the inflation rate up to around 16% and keep it there into the first quarter of next year."

"The rising inflation rate will probably peak below 16,5% and begin to subside from about March next year."

Boland Bank economist Louis Fourie said the 2% month-on-month rise in food prices had been substantial. And although the year-on-year rise in food prices of 9,3% had been below the inflation rate it should be remembered that it was from a high base.

He expected the CPI to rise to 16% or 17% by the end of this year but thought it would stop short of 18%.

Pointing out that the rand was strengthening, Fourie said the balance of payments (BoP) would improve in the second half of this year.

He thought it encouraging that the pressure on interest rates was tapering off and he did not foresee any further rise in the prime rate.

Staff reporters

FOOD prices surged by a monthly two percent in May as the recent rise in general sales tax to 13 percent and higher fuel costs impacted on consumer prices.

If this trend continues, food prices could soar by 24 percent in 12 months

Food prices were virtually unchanged in April as the GST increase was not included, but last month the full impact of the tax hike was being passed on to consumers

As a result of the surge in food items, which make up 22 percent of the basket of goods used to measure the consumer price index (CPI), the inflation rate continued its steep climb in May, justifying recent forecasts that it could hit the 17 percent mark by the end of the year

The monthly rise of 1,6 percent would bring inflation over the 19 percent level unless prices ease off, but the full impact of higher petrol prices have still to be felt and another petrol price rise could be on the cards as a result of the depreciation of the rand, which makes oil imports more expensive

Prediction

Inflation rose by a year-on-year 14,9 percent, compared with annual increases of 14 percent in April and 13,8 percent in March, the Central Statistical Services reported

Southern Life's economist, Mr Mike Daly, earlier this month predicted a rate of 17 percent by year-end, citing the recent sharp increases in producer prices as a major reason

From February to April producer prices rose by an annualised rate of about 20 percent and once these increases filter through to the CPI the consumer could end up paying substantially more

Producer prices were largely pushed up by the rapid decline in the rand and since there is no immediate end in sight to the fall in the currency, pressure on prices from this quarter will continue to be substantial

Less pessimistic

Trust Bank economist Mr Nick Barnardt is less pessimistic

He expects the rising inflation trend to continue to a rate of 15,5 percent in June/July, but thereafter a slight short-term retreat could occur

Mr Barnardt adds, however "A large fuel price increase after the September election would kick the inflation rate up to around 16 percent and keep it there into the first quarter of next year

"The rising inflation cycle will probably peak below 16,5 percent and begin to subside from about March next year

"The extent of the decline next year will depend largely on the behaviour of the rand exchange rate in coming months"

Another factor is the extent of the slowdown in consumer demand, which, judging from the continued decline in the broad money supply in May, is on its way to a soft landing and could help slow down the rate of increase in consumer prices

A spokesman for the Housewives League, Mrs Sheila Bailie, said the government and the Reserve Bank should examine the low value of the rand, which was a factor influencing the high price of fuel

"The league feels the fuel price is the crux of inflation as it influences the prices of so many other things, especially food," Mrs Bailie said

"How much lower can the rand go? Only three weeks ago we heard that the world price of oil was dropping, surely we should benefit from that at some stage?"

"Bedevilling"

Mrs Bailie said the authorities should investigate the problem of the low value of the rand as soon as possible as it was "bedevilling" the economy

"The rise in the price of petrol gives a poor outlook on the economy for the rest of the year and consumers can't stand much more"

Old Mutual's chief economist, Mr David Mohr, said the petrol price increase announced in May accounted for about a quarter of the increase

"Inflation rates tend to be rather volatile when calculated on a monthly basis rather than from year to year, but it is clear inflation is accelerating and is likely to continue to accelerate until at least the end of the year," he said

He said inflation was likely to be sitting at around 16 percent by the end of the year

A spokesman for the Consumer Council described the trend as "shocking"

"Consumers are being hit incredibly hard and no one knows where it will end All one can do is shake one's head and pay up"

FOOD

Prices Shock

Soaring inflation delivers another belly blow

REGISTRAR (ACADEMIC)

9/12/89

TOTAL NUMBER OF STUDENTS

Mkus 23/6/89 244

Star 23/6/89

244

~~255~~

No increase in fuel price as yet

Staff Reporter

No increase in the price of fuel was planned immediately, said a spokesman for the National Energy Council (NEC) yesterday

He said the Minister of Economic Affairs and Technology, Mr Danie Steyn, was briefed daily on the country's fuel situation, and a decision on when the widely expected increase would be announced — and how much it would be — still remained to be made.

Another NEC spokesman told The Star that South African motorists were paying at least 12c less than the actual cost of a litre of fuel, and the next round of fuel price rises would "probably be as high as 12c a litre" to recoup present losses

Mr Steyn this week told the SABC that no fuel price increase was on the cards for the near future, but he did not altogether rule out a sudden rise

A NEC spokesman yesterday said an increase in the fuel price was a real possibility within the next few months

"I am not prepared to answer that question," said another NEC spokesman when asked what the possibility was of the increase being announced after the general election on September 6

Top menswear 'overpriced'

Cart Times 24/6/89 284c

Financial Editor

TOP quality clothes sold by most men's outfitters are overpriced, says Sid Hurwitz, the former director of SA Druggists who has been appointed GM of Romens

He intends to expand Romens into a national franchise chain, doubling its present 10 branches within a year, and is confident of capturing a major share of the market by selling "at prices which consumers find reasonable"

Market share

Hurwitz, while at SA Druggists, built up the Link Pharmacy franchise chain of independent pharmacists, which now consists of about 2 800 pharmacies

He said yesterday that this represented about 22,5% of all pharmacies in SA and had about 42% of market share

"Its market share grows every year."

He believes that selling menswear is not very different from selling pharmaceuticals.

"There are too many independent outlets on the market.

"Good ones should get together in a chain with enough buying power to secure a good deal from the manufacturers and should pass this saving on to the consumer, relying on sales volumes rather than a high mark-up for their profit."

This, says Hurwitz, is what Romens is already doing successfully

It sets maximum prices for its franchise holders and trains them in its way of doing business — which includes having a large stock available to give customers a variety to choose from

It has already grown from two shops at the time of its listing on the JSE, in 1987, to 10, one of which is in Windhoek

An 11th will open in Bloemfontein next month, followed by a 12th in Ver-eeniging

Hurwitz is going to Durban on Tuesday to meet a would-be franchise holder. Romens prefers long established family firms, already doing well

"The guy has to be right and so has the position," said Hurwitz

Although it would prefer to own only its "flagship" store in Cape Town's Waterkant Mall, Romens will occasionally start an operation itself, for sale later to a suitable franchise holder, if it is offered premises too good to turn down

This has happened in a shopping centre at Port Elizabeth

"But we refused a very good site in the Checkers Warehouse shopping centre because it would not have given us the right image"

Hurwitz emphasises that Romens are "not discounters. We don't sell job lots, factory seconds or exports bought at the back door".

A-desire group

"We sell good branded clothes but we believe that the prices recommended by manufacturers are too high

We can sell at well below the recommended price, and the volume of sales still enables us to make a good profit"

These lower prices, he says, make it possible to sell "to the A-desire group as well as the A-income group. It enlarges our potential market"

Price of paper products set to soar

Price

W/KA663 24/6/89 244

SILVER JUBILEE!

From CLAIRE GEBHARDT

JOHANNESBURG — Huge price increases in paper and packaging products are on the cards as a result of paper giant Sappi's policy of charging South African manufacturers in dollar terms for raw pulp

Hitting out at "this highly inflationary" practice of import-parity pricing, exacerbated by the plunging rand, supermarket chiefs say the consumer is once more being held to ransom.

Pick 'n Pay chief Raymond Ackerman says South African manufacturers have no alternative but to pay the world dollar price charged in rands on a day-to-day basis.

"The pricing strategy is cleverly kept just about on a par with the price of imported paper plus freight, duties, clearing and landing costs.

"The result is that the consumer is once more being taken for a ride and will face further price increases in toilet rolls, tissues, roller towels and packaging"

Checker's managing director Clive Weil finds the concept "unbelievable, taking into account that Sappi is producing on the basis of a South African cost structure and enjoys a number of tax breaks, concessions and decentralisation benefits. I cannot help but feel that this is a rip-off

"The impact on the consumer is dramatic and explains why many of the paper products have increased so drastically over the last couple of years. How long will it be before everyone else jumps on to the bandwagon?"

Don McCartan, managing director of Nampak is worried that some paper products are being priced out of the market. Corrugated boxes, sacks of dog food and basically anything

with plastic in it are affected, he says

The problem, he explains, is that domestic prices are not related to paper mills' own cost structures but to world prices published in an international journal, giving a certain price at a certain date

Sappi's pricing method was introduced only a few years ago, say manufacturers, about the time when the rand started falling. But the weak rand is also boosting export revenues. Sappi investors who bought shares three years ago have seen the price increase to more than six times their original value

Economists, while confirming the highly inflationary impact of Sappi's policy, point to the increasing monopolisation of South African industry as a major contributory factor to economic woes

In many cases the local market is too small for economies of scale, and companies such as Sappi try to overcome this by exporting a major proportion of their product. But in so doing their whole operational strategy must be geared to the international market

Sappi managing director Eugene van As comments "Sappi establishes its product prices in the local market on the basis of local cost structures and the competition from imported products of a similar nature. These prices are normally established twice a year and are usually fixed for that period. While we take cognisance of imported prices we do not price at import parity

"This is evidenced by the fact that when Sappi last negotiated price increases the exchange rate was below R2,30 to the dollar, it is R2,80 today

"Current pulp prices are based on long-term contracts and in the first half of this year were significantly below the imported prices"

Clothing prices set to follow textiles up

By TOM HOOD

Business Editor

11/6/45
26/6/49
24/6
CLOTHING prices are set to soar because textile costs at manufacturing level are 19 percent higher than a year ago.

Factors boosting textile costs were dearer raw materials, the devaluation of the rand and domestic wage settlements significantly above the inflation rate, said Romatex group chief economist Mr. Jon van Coller today.

Clothing prices rose last month at an annualised 23 percent after a 33 percent rise for April in terms of the consumer price index.

Mr. van Coller said demand for textiles and clothing was being stimulated by the country's still-increasing money supply. Demand for cotton and wool was very strong internationally and synthetic fibre feedstocks remained scarce.

● Footwear prices have risen slowly this year, but soared by 4,8 percent in April, equal to an annual rate of 58 percent.

Food, not group areas, the key issue — Fuchs

Municipal Reporter

Slav 27/6/89
With Hillbrow due to become a free settlement area, the vital issue which had to be urgently resolved for the inner city residents was economics and the cost of food, not Group Areas said Democratic Party candidate Mr Lester Fuchs.

Commenting on the call for clarity on the Act by his National Party opponent, Mr Fuchs said "There is nothing new about his appeal. The whole world is waiting for signs of the official scrapping — not clarification — of this law

"What must be addressed urgently is the creeping poverty which is hitting South Africans, particularly those in the lower income groups in places like Hillbrow (~~R35~~) (~~R35~~) 244

SHOPPING BASKET

"The cost of a shopping basket of basic foodstuffs has increased over 15 years from R35 to R246, despite Minister Org Marais's statement that we are better off than 20 years ago

"The Government must now come out with a clearcut economic policy which will show how it plans to reverse the spi-

ral of increasing prices

"Food costs have gone up to the extent that nutritional problems could develop among the lower income groups

"All the while the Government is living well, fatcat Ministers opt out with golden handshakes and these people simply do not feel the pinch

"And the situation is far from resolved

"After the September election South Africans can clearly expect a further 20 percent increase in food costs when the price of petrol is almost certain to rise," Mr Fuchs said

Oil prices to rise

Star 29/6/87

244
33

Motor oil prices should be increased at the time of the "inevitable" petrol price increase, warns Castrol

Motor oil prices have increased by 14 percent since February 1987, yet there had been major increases in the cost of base oils and, since February 1987, the cost of additives which are directly linked to the Rand/Dollar exchange rate had gone up by 40 percent

Figures showed the average motorist travelled 16 500 kms a year and spent R142 a month on fuel. But the average motorist changed his oil only 2,7 times a year. If he did the oil change himself the average cost was R32 per year. If he had the oil changes done at a service station the cost, on average, R54 per year.

A petrol price increase is inevitable. The so-called 'slate' is under-re-

covering to the tune of between 10c and 12c/litre. There should, therefore, be an increase on lube oils because of the massive increases in the past. The cost of oil is infinitesimal as a percentage of running costs.

However, the motorist can save money in the face of inevitable increases by upgrading his oil to a higher specification and therefore reducing his oil drain periods.