

M.A. McLOUGHLIN

Attorney, Notary & Conveyancer

Michael Arthur McLoughlin

15 Seymour Ave
Parktown 2193
Johannesburg
Telephone: (011) 726-8152/3
Fax: (011) 726-2923

P.O. Box 72299
Parkview 2122

Docex: DX66
Johannesburg

Our Ref:

Your Ref: M A McLOUGHLIN/W11 MAM-M66/lm

The Chairman
Group 1 (Constitutional Affairs)
CODESA
P O BOX 307
ISANDO
1600

17 May 1992


Dear Sir,

re : CONSTITUTION AND BILL OF RIGHTS

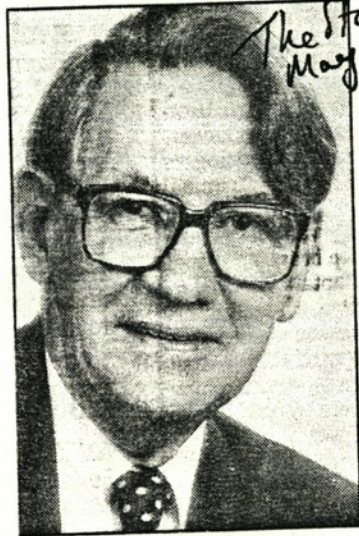
Further to my letters of 30th March 1992 and 15th April 1992, I enclose herewith an extracts from the Star of the 3rd May 1992 regarding Anti-Trust Laws which, I feel, should be addressed by the appropriate working group dealing with Economic Affairs and Finance. If we are to preserve capitalism in the new South Africa then it is essential that Anti-Trust Laws similar to those in the United States of America are introduced as soon as possible. Failure to do so will most certainly strengthen the arguments of those who wished to have a controlled economy which will be equally disastrous for South Africa. Kindly confirm that my letter will be distributed amongst all the relevant constituencies dealing with Economic Affairs and Finance. When replying, would you also let me have your reply to my letter of the 15th April 1992 receipt of which was acknowledged by you on the 23rd April 1992.

I look forward to hearing from you.

Yours faithfully



M A McLOUGHLIN



ROBIN MCGREGOR ... blames lack of competition.

Anti-trust laws will help fight inflation

THE introduction of simple, effective anti-trust legislation is vital to halt the snowball of increasing prices, says Robin McGregor, managing director of McGregor's Online.

He targets the lack of competition as one of the basic causes of the country's high inflation.

Mr McGregor says South Africa, effectively, has no competition control. He points to the recent hojary debacle where the Competitions Board ruled against a takeover of Arwa by FSI which already controlled Burhose — the merger of which gave FSI 99 percent of the market — and was subsequently overruled by Government.

"The Reserve Bank can keep in-

terest rates high, but until objective anti-trust laws are introduced with no political interference, inflation will not be significantly reduced."

Mr McGregor says anti-trust laws are not necessarily the ogre they are believed to be, and are the only State intervention needed in a free market economy. "By selling off their down-the-line subsidiaries to entrepreneurs, conglomerates will actually be able to buy their supplies in a more competitive market than from their present bureaucratic and inefficient subsidiaries."

He calls upon SA Mutual and Sanlam to finance entrepreneurial buyouts: "Not only will this encour-

age growth and employment, it will also give them better investments for their policy holders."

McGregor's Online has proposed the introduction of the Herfindahl-Hirschman Index (HHI) to increase competition and decrease inflation.

"The HHI measures the degree of concentration in an industry in an easy and inexpensive way; the sum of the squares of the market shares of all participants in an industry. Should a merger result in that sum exceeding 2 500, the merger is disallowed — should the sum not be greater than 1000, the merger is allowed.

"Should it fall between 1 000 and 1 800, the Competition Board would have the option to conduct an in-

vestigation and should it be between 1 800 and 2 500, consent from the board is mandatory."

Mr McGregor says with the Rainbow takeover of Premier's broiler operation, the HHI in the broiler industry would be approximately 3 600. "It simply would not be allowed, with Rainbow's market share now up to 55 percent, it can unquestionably influence prices."

Mr McGregor says adding to the dangers of this particular merger is the fact that Rainbow now also owns 50 percent of Premier's feed division and has management control. "This, together with their own feed requirements previously supplied by Tiger Oats, will give them an even higher share."

The Star

Established 1887

South Africa's largest daily newspaper

Food price 'sabotage'

FOOD prices are rising at an alarming rate, having increased by 29 percent, or nearly double the average inflation rate, over the past year. The steep rise occurs in the midst of deepening poverty, widespread hunger and prolonged recession. Taking account of these factors, Nick Barnardt, of Amalgamated Banks, has said the sharp increase in food prices "borders on national economic sabotage".

It may be worse than that. The spectre of food riots, once a phenomenon confined to "corrupt dictatorships", cannot be dismissed as unlikely in the present volatile climate. If food prices continue to rise at their present rate, South Africa could reap a bitter harvest.

Mr Barnardt has called on producers and retailers of food to co-operate, in the national interest, to drastically lower food price inflation in the next six months. Pleas for co-operation, however eloquently voiced, will not help. The causes have got to be identified, attacked and, where possible, eliminated.

Various explanations have been offered. One theory is that the basket of food items on which price movements are calculated contains too much red meat, an expensive and fast-rising item. Another is that a statistical error may have crept into official calculations, a not unknown occurrence.

A third has been identified by Robin McGregor of McGregor's Online: lack of competition and the existence of public-sector "boards of control" and private-sector oligopolies. Mr McGregor has found that where four suppliers or fewer produce more than 75 percent of a commodity, its price increases at more than the average inflation rate.

That situation pertains to the production of most staple foods, including mealie meal, bread and meat. The Competition Board seems unable or unwilling to act against boards of control, near-monopolies and suspected cartels. The time has come to consider seriously the introduction of anti-trust laws, the existence of which is not antithetical to competitive capitalism but a necessary condition for it.