



CMEFS WEEKLY INVESTMENT NEWS

31 July 2020

Hello and welcome to this week's edition of Investment News.

Before we go into this week's discussion, let's see how the CMEFS Flexible fund has done for the year thus far as compared to the All Share Index (ALSI)

Fund	Last week Thursday	This week Thursday
ALSI	-1.71%	-0.66%
CMEFS Flexible Fund	-0.17%	-0.17%

Following on from the newsletter itself, and speaking of the negative impact the virus is having on the economy, one only has to look at a recent newspaper article headlined:-

COST OF THE BOOZE BAN. EXCISE DUTIES OF R5BN BEING WITHHELD

[Again my comments in brackets and italics]

“As the war over the ban on booze sales heats up, the alcohol industry has asked the government to suspend R5bn in sin-tax obligations until it is allowed to trade again.”

[R5bn or five thousand million Rand or R 5 000 000 000 – whichever way you want to look at it – is an awful lot of money that will NEVER be recovered at any point in the future. It is gone forever. Poof! Up in smoke! (with “apologies” to NDZ), bitten the dust, flushed down the toilet, no more.

It is just not possible to drink the quantity of drink you would have drunk in days gone by in days yet to come. Many no doubt have given it their valiant best shot in the past, “taking one for the sake of the economy”, of course, and succeeding to a point, only to answer to the Gods Pain, Nausea, and Thundering Headache the next day. Of course, I have never experienced this myself...I speak only from observation...

Although the government might eventually be paid over this R5bn, I use it because it does give some idea of the loss to the fiscus (the fiscus = government's purse/wallet) of the closing down of the liquor trade during any period of the lockdown. And of course, this figure does not include VAT and all of those other “knock-on” losses that it will suffer as a result of the closure.

However, removing the income does not remove the expense (ask anyone unfortunate enough to have been retrenched recently) so this R5bn can only in the short-term come from increased borrowings, which we must all repay, with interest, by way of increased taxes in the future.

This need not have been. The Government had both ample time and resources to ensure that sufficient bed-space was available to accommodate the “surge” as well as the usual influx of alcohol incident related trauma cases.

They just sat on their hands and whistled Dixie instead of using the time properly and constructively. Worse still, it is one thing to do nothing and quite another to do something that is simply going to make an already bad situation worse, such as introducing the ban on cigarettes.

As rightfully concerned about the level of fraud as we are, I am guessing that the money lost due to sheer stupidity (with apologies, again just “saying it like it is”) and incompetence far over-shadows the money lost to fraud annually in our beloved country. In fact, it is this very same incompetence that has been the fertilizer within which rampant fraud has been allowed to grow. Our focus should, therefore, shift to the cause (incompetence) and not the effect (fraud). We need to jail both the fraudster and the minister responsible for allowing it to happen.

And yet we continue to put up with this incompetence. Not all of us, I know, but a sufficiently large number of us to keep these incompetents in office.

Sad.

Getting back to the article.

*“In a separate development scientists on the ministerial advisory committee (MAC) – which advises the minister of health, Dr. Zweli Mkhize, on Covid-19 issues – **criticised** the science used to justify re-imposing the sales ban.*

*And Professor Charles Parry, a director at the Medical Research Council (MRC), said he was surprised by the outright ban because **the council had recommended only tighter restrictions** on sales.”*

[Do I see the hidden hand of NDZ in this, “à la” the ban on the sale of cigarettes? If so, Cyril, my man, you and me, and by extension the rest of SA “we got a serious problem”. May I please ask who is actually running the show?

It incenses me that the “whims” of a single individual with a personal agenda simply refuses to acknowledge that she does not actually know what is best for all of us, is not only killing real people (more than are killed in alcohol-related incidents – see the main article in the newsletter – so that argument goes down the drain – but is killing the economy as well – and it is not she, but we, who will end up paying for this over-inflated ego, and, unfortunately, pay we will, as the money has already been lost.

And the irony is that if it were lost to fraud, we could at least hold on to the increasingly remote possibility that the person responsible will someday be brought to book and spend a fair amount of time as a guest of the state in one of their many establishments built to protect us from them.

However, I have yet to hear of anyone being arrested for stupidity. Or intransigence in the face of overwhelmingly indisputable facts. Or just sheer incompetence. Which is a great pity in this particular instance as again, R5bn is an awful lot of money for us to repay, without adding in Vat and all of the other "knock-ons."

Back to the article.

"The National Liquor Traders Council, the South African Liquor Brand owners Association, The Beer Association of SA and Vinpro – a non-profit company representing 2,500 wine producers, cellars and industry stakeholders – have written to finance minister Tito Mboweni and the South African Revenue Services (SARS) saying the renewed ban on alcohol sales had left them no choice but to apply for deferment of duties payable for July and August. The organisations represent such companies as South African Breweries, Distell, and Diageo.

Liquor Industry spokesperson Sibani Mngadi said alcohol excise tax was imposed at the point of production, meaning the industry was liable for excise duties worth R2.5bn in July and another R2.5bn in August on products that are in warehouses and cannot be sold."

[R2.5bn a month! Eish! That is how much will need to be repaid by us in the future for every month that the ban is in place. Frightening!]

"The Industry and its entire value chain are facing an enormous financial crisis and its capacity to make these payments is severely constrained. The sustainability of the sector now and in the post Covid era, its dependant on this deferment **if job losses are to be avoided**. "Mzgadi said. President Cyril Rhamaphosa announced the immediate reinstatement of the ban on alcohol sales last Sunday, citing a sharp increase in trauma unit admissions since the ban was lifted on June 1 *[Omitting to say that this should not have been a problem had we, the government, done our job competently so once again, too bad, you pay for our incompetence.]* This had put extra pressure on facilities that were struggling to cope with the coronavirus pandemic" *[again omitting to say "due to our sheer incompetence."]* End of the article.

Well, there you have it. Yes, I am angry. Very angry. In fact very, very, very angry. Not because I can no longer purchase alcohol or cigarettes, but because real jobs are being lost, real people are starving, real lives are being lost, and all of this on borrowed money that will need to be paid back, with interest. Not by those who incurred the debt, but by those few of us who will somehow manage to survive the carnage inflicted on all of us "Fellow South Africans" by a team of incompetents playing "ring a ring o' -roses" whilst the poorest amongst us "all fall down", and in too many cases die hungry and in despair". They get to drive back to their luxury homes with well-stocked fridges in luxury vehicles all paid for by us.

OK, I'll climb off my soapbox now. But seriously, my anger grows with each passing day. And again, it is not about the bans. It is about the very real suffering that they bring with them. Have you ever been right up close and personal to soul-crushing poverty that leaves one devoid of all hope even of hope? I have. And the experience traumatises me still. And will until the day I die. I will never forget the experience and I hope never to experience it again. But for still too many, that is how the sun rises and sets on each and every day of their lives. This explanation may go some way to explaining my anger at the bans. I hope it does.

Until next time then, do take good care of yourselves.

Kind regards, Nine, Charles, and all of us at CMEFS.