

52%

54m



photograph: James Morgan)

Money continues to be invested, however, in the refurbishment of the group's offices, on advertising — a £1.3 million television campaign is to be launched on Friday — increased staff training and improved computerization.

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Kalamazoo deal with Apricot

Kalamazoo, the business systems and services group, has signed a two-year agreement worth about £6 million to market the microcomputer software and the maintenance, training and printing services of Apricot Computers.

Apricot has also agreed to look at Kalamazoo's range of software applications for possible inclusion into its software portfolio.

Kalamazoo has sold its 60 per cent stake in K3 Software Services to Granton — owned by the K3 management — for £100,000. K3 will pay a

COMMENT David Brewerton

Mortgage rate rise will cool spending ardour

A rise in mortgage rates has always been the key to cooling off the economy during the present housing boom. For that reason, the latest ½ percentage point on base rates is likely to be a much more effective counter-inflationary weapon than its four predecessors.

The rise of 1-1½ percentage point in mortgage rates, coupled with the end of multiple tax relief for co-owners from the same date, should have a noticeable effect on the upward spiral of house prices next month. Not only that, it will help to curb the growth of consumer credit generally. An increasing proportion of lending on mortgage is finding its way into non-housing purchases, so the rise in mortgage rates could help to offset the effect of tax cuts, which began to line consumers' pockets last month, on high street spending and consequently on imports of consumer goods.

There is a case for reinforcing the effect of 10 per cent base rates with a further ½ percentage point rise in the next 10 days so that building societies make the mortgage increase a decisive one. Two percentage points on the mortgage rate would be a clear signal to consumers and the housing market.

If sterling's performance yesterday is anything to go by, then a further rise may well be justified within the context of the Chancellor's policy of exchange rate stability. Although the pound recovered a little against the mark after the rise in rates, it closed weaker again.

Whether the rise in interest rates, even accompanied by a hefty mortgage rate increase, will be enough to slow the present rate of economic growth to a more sustainable rate is an open question. Phillips & Drew suggests that even after three years a 2 percentage point increase in interest rates under fixed exchange rates would improve the current account of the balance of payments by less than £1 billion, a relatively small amount in the context of total imports of about £90 billion and a deficit this year possibly as high as £10 billion. P&D concludes that higher rates will be required than this.

Gerard Lyons of SBCI Savory Millin urges direct controls to buttress the effect of higher rates. He wants credit controls to stop money leaking out of the housing market into consumer spending — though the history of such administrative options is not encouraging.

The right course for the Chancellor, and for the markets, is now to wait and see what effect the action already taken will have on the rate of growth in the economy. If in the course of next month it becomes clear that further action is required, then the Government may have to contemplate allowing the exchange rate to rise as well as interest rates.

Dixons turnover

The departure of Egon von Greyerz as executive vice-chairman and financial director at Dixons, sharpens the image of a group with difficult times ahead. While he is to remain non-executive vice-chairman, this link is unlikely to provide the day-to-day skills von Greyerz brought during his 16 years with Dixons.

Apart from the important role of liaison with the investment community, von Greyerz was a counterbalance to Stanley Kalms, Dixons' powerful and sometimes idiosyncratic chairman.

Von Greyerz is still only 42, so his decision to start a new career by setting up an investment company would not necessarily raise eyebrows, were it not for the other key departures in recent years. Eddie Styring, managing director of Dixons Stores, left soon after the failed bid for Woolworth to join the enemy camp while Gerald Corbett, director of corporate finance, left last December for Redland. Eddie Dayan, until a recent reshuffle in charge of Dixons' subsidiary, Currys, has also gone.

Coming at a time when trading at Dixons has been more difficult, the defections raise questions about the depth of leadership remaining.

Capital idea for the country

Imagine a motorway with no jams, central London without holdups, fast access to Docklands. It is just such visions which Britain's big contracting companies are thinking about, to see if private capital could bring reality to such seemingly absurd ideas.

All the contractors are looking at ways in which they could invest, or persuade

Costain, for example, which has spent endless hours of computer time devising ways in which the M25 could be double-decked, or otherwise twinned, along its most hectic sectors, has another wonderful scheme to build a tunnel under the Thames. Drivers could dip into the tunnel at Richmond to emerge on the Isle of Dogs, with various access points along