MANUFACTURING — GENERAL

FEB. 1975 — SEPT. 1977

HANSARD 2 Q. column 131.

14 February 1975.

(1) 180

(2) ~~43~~

Financial assistance to Indians to establish manufacturing or service concerns

*31. Mr. H. A. VAN HOOGSTRATEN asked the Minister of Economic Affairs:

(1) How many Indians received financial assistance from State agencies or the Industrial Development Corporation to establish manufacturing or service concerns in (a) proclaimed urban Indian group areas and (b) industrial or other areas of towns, during the latest financial year for which figures were available;

(2) (a) (i) in which areas and (ii) for what types of concerns was this assistance granted and (b) what was the total sum granted by way of such assistance;

(3) what is the estimated additional number of (a) Indians and (b) Bantu for whom employment was created by such assistance;

(4) for what financial year are these figures given.

The MINISTER OF ECONOMIC AFFAIRS:

(1) (a) None.

(b) Three.

(2) (a) (i) The general industrial areas Rustenburg and Pietermaritzburg.

(ii) One clothing manufacturer, one textile manufacturer and one vegetable oil producer.

(b) R178 000.

(3) (a) Five.

(b) None.

(4) The 1974 calendar year.

HANSARD 6

Q. column 466-7
13 March 1975.

~~(1) 263~~
~~(2) 313~~
~~(3) Educ - Pr.~~
~~(4) Sch - Second~~
(5) Manu - General
Manufacturing

Telephones/motor vehicles/radios/schools/ factories in South Africa

174 Mr G W MILLS asked the Minister of Statistics

How many (a) telephones (b) motor vehicles, (c) radios, (d) (i) primary and (ii) secondary schools and (e) factories with (i) under 50 employees and (ii) over 50 employees are there in South Africa, excluding the Bantu homelands

The MINISTER OF STATISTICS

(a) 1 881 115 as at 30 September 1974

(b) 3 056 275 as at 30 June 1974

(c) Number of radios not available The number of radio licences is, however, 2 390 026 as at 30 September 1974

(d) (i) and (ii) The number of primary and secondary schools is not available. The following information is, however, furnished

Primary and secondary schools— 1974

(i) Whites, Coloureds and Asians:

Type of school	Number
Grade 1 (Sub A) to standard 1	77
Grade 1 (Sub A) to standard 5	3 409
Grade 1 (Sub A) to standard 6	297
Grade 1 (Sub A) to standard 8	73
Grade 1 (Sub A) to standard 10	294
Standard 6 to standard 8	30
Standard 6 to standard 10	623
Total	4 803

Note Many schools provide primary as well as secondary tuition, consequently primary and secondary schools cannot be classified separately

(ii) Bantu

Type of school	Number
Primary schools	11 203
Secondary schools	619
Total	11 822

(e) (i) and (ii) the Census of Manufacturing 1970 shows

(i) 9 264

(ii) 3 857

Separate figures in respect of all of the abovementioned data for Bantu homelands are not separately available

HANSARD

18 Q. 1139

13 June 1975.

(1) 180

~~2 Social Sec Childcare~~

Employment of children

*7 Dr A L BORAINE asked the Minister of Labour

Whether the investigation of allegations of employment of children in contravention of the provisions of the Factories, Machinery and Building Work Act, contained in a report in the *Sunday Times Extra* of 20 April 1975, has been completed, if so, what were the findings

The MINISTER OF LABOUR

Yes The investigation revealed that a Coloured youth of 14 years of age was employed by a small unregistered factory engaged in bread slicing and wrapping Section 24(1) of the Act prohibits the employment of any person under the age of 15 years On 30 May 1975 the employer was instructed to cease his factory activities as the premises did not comply with the requirements of the relevant Act and the youth's services were terminated

The other cases of child labour referred to in the newspaper report, concern the employment of children in domestic service in private households The Factories Machinery and Building Work Act and other legislation administered by my Department, do not apply to persons employed in such work

HANSARD 18

Q. 1165 - ~~[illegible]~~

17 June 1975.

~~162~~

180

~~137~~

Inspectors of machinery in Department of Labour

*3 Dr A L BORAINE asked the Minister of Labour

(1) How many inspectors of machinery are there in the employ of his Department,

(2) whether any posts for inspectors are vacant; if so, how many.

conditions and ... preliminary studies now in progress would lead to the introduction of this more advanced reactor in the late 1980's," he said

"We have also entered the minerals field and through our wholly-owned subsidiary, Billiton Exploration South Africa, are actively prospecting for base metals such as zinc, copper, nickel and lead, in various parts of the Republic. In time we hope to extend our activities into other sectors of the metals industry.

"In our 75th year in Southern Africa the independent Shell group stands on the threshold of transforming from a petroleum supplier into a great energy producer with expanding interests in chemicals and metals"

...ive for several years in "grass roots" coal exploration in various parts of the Republic and had located significant reserves

Detailed feasibility studies are being made for mining, transporting and marketing coal from a new mine in the Witbank Bethal area in equal partnership with Transvaal Consolidated Lands, a company in the Barlow Rand Group

Exports

"We are negotiating with the Government in connection with the long term export of coal from the Republic and expect to be able to satisfy any conditions placed on future exporters" said Mr Geeling

The group held special prospecting licences to look for coal, oil shales and radio-active minerals in Botswana and Swaziland and began exploratory work in both countries in 1974

Wherever feasible, coal deposits would be developed by the most modern strip mining methods which would include the preservation of the environment by reclamation and replanting. An order worth more than R30m for draglines had already been placed

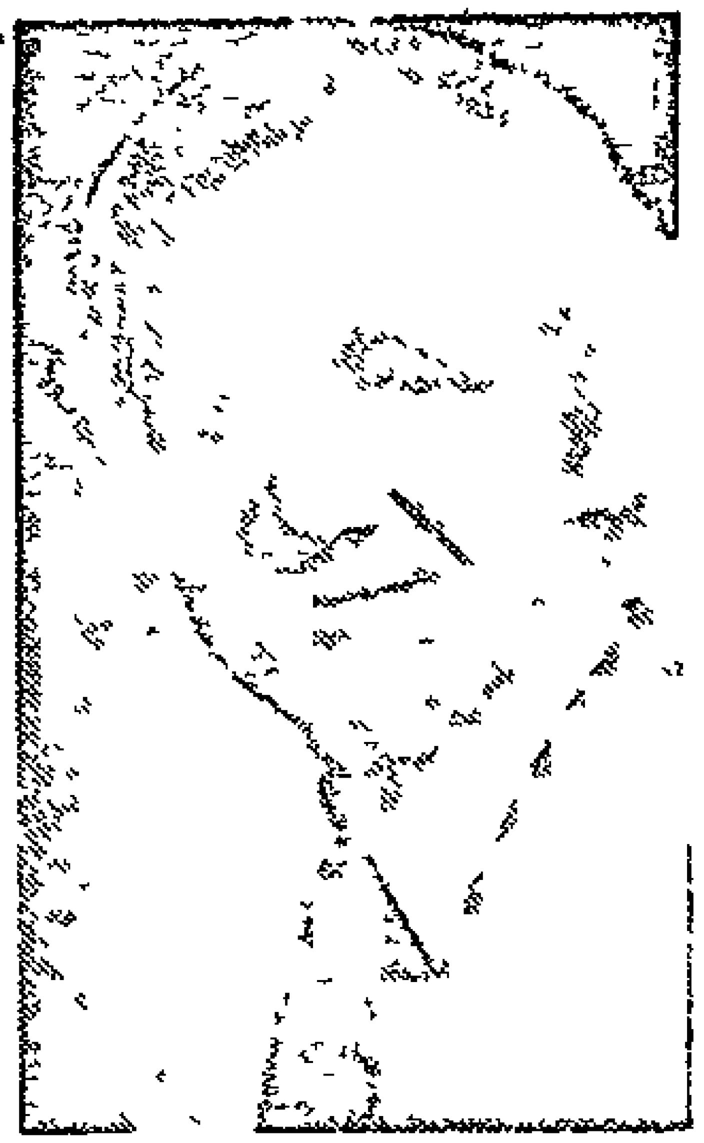
"We are acknowledged experts in the technology of transporting solids through slurry pipelines. Detailed design studies are being finalized to transport coal by pipeline to Richards Bay, where the Railway Administration is building facilities to enable the export of coal in large vessels

"We are also deeply involved in major research on the efficient and economic conversion of coal into hydrocarbon gases and liquids. Laboratory and pilot studies are expected to lead to processes showing improvement over current technology

"The viability studies we are undertaking on coal mining solids pipelining and coal conversion will, if they come to fru

C.T. 18/6/75 180

Shell considering R500m investment in Southern Africa



Mr K L G Geeling

SHELL is considering capital projects in Southern Africa which could involve expenditure of up to R500m in the next decade

This was announced by the chairman and chief representative Mr K L G Geeling at a banquet to mark Shell's 75 years in Southern Africa held in Cape Town last night

Mr Geeling also announced that Shell's local oil interests would become completely independent on June 26, thus joining the existing 100 percent owned chemicals, coal and metals companies in the Royal Dutch/Shell Group in Southern Africa

Projects

"On June 26 the historic value of our asset investment in the Republic, South West Africa, Botswana Swaziland and Lesotho will stand at some R250m

"We aspire to play a continuing and developing role in the economies of these countries and we are at present evaluating new major projects which may well involve capital expenditure of up to R500m over the next ten years

"By the end of that period, therefore, the cost of **our asset investment in Southern Africa could be some three-quarter billion rands.**

"**Oil will continue to dominate the energy business for some years In the years immediately** ahead, our oil business will see an emphasis on equipping and improving manufacturing facilities to meet a changed pattern of product demand which followed the steep rise in oil prices"

Refining

Normal capital expenditure of several million rands a year on tankage, modernization, the protection of the environment and to improve services to customers in all categories, would be augmented by a two-stage expansion of the group's refining facilities, the biggest in Africa in both capacity and capital investment, at Durban

To enable more petrol and gas-oil to be produced from available crude oil, the catalytic cracking plant would be improved and a new complex was being designed to make gas-oil available in place of the fuel oil. This would enable the country's needs to be met with less imported crude oil and improve flexibility. In addition, a new feedstock preparation unit was on the drawing board.

These facilities would cost the group R25m

The group was also involved in the development of an ethylene cracker for the production of feedstock for South Africa's plastics industry Preliminary estimates indicated a total capital investment of R100m of which the group's share again would be R25m The plant would make South Africa independent of plastics feedstock importations for some years

Aviation

Investments to produce aviation gasoline and special products for industrial purposes in the Republic were also being studied In the more distant future heavy investment was envisaged to improve both the quality and yield of marketable products from crude oil

Considerable additional investment would also be made in chemicals coal and metals

Shell Chemical which began operating in South Africa 26 years ago now had four main divisions — agricultural chemicals industrial chemicals polymers and consumer products — and its investments represented a significant proportion of the group's net capital employed in the Republic.

Its epikote resin plant, the first on the African continent, which represented a capital investment of more than R2m, produced 4 000 tons a year — more than sufficient to meet South Africa's present needs

Agriculture

The company operated formulation plants for agricultural chemicals, paint and lacquer solvents polyurethane chemicals, and consumer products at Durban Wadeville Cape Town and Port Elizabeth and manufactured polyurethane products mainly for building and refrigeration

In the thermoplastic field Shell know-how was used to manufacture more than 10 000 tons a year of a range of polystyrenes and plans for a new plant to increase production to meet South African current and future needs were being considered

'A R30m polypropylene plant is being planned and we expect it to be in production in the second half of 1978," said Mr Geeling

"**The new plant to be built at Durban will have a design capacity of 50 000 tons a year, which will make South Africa self-sufficient at that time and open up significant possibilities for polypropylene**"

Coal

Turning to coal, Mr Geeling said that experience gained over several decades in the search for oil — including expenditure of R2m in the Republic — had enabled Shell to develop significant resources in manpower and exploratory techniques which were being used to search for coal in Southern Africa

"Collectively our skills in exporation, transportation, and as a world-wide energy marketer, together with our ability to design, co-ordinate and fund the money for major projects on an international scale place us in a unique position to locate, develop and market coal," he said

Shell Coal had been active for several years in 'grass roots' coal exploration in various parts of the Republic and had

Shell

C.T. 18/6/75

Continued from page 12

tion, involve investments of hundreds of millions of rands," Mr Geeling said

Atomic

Referring to Shell's 50 percent ownership of General Atomic, developer and manufacturer of the high temperature gas-cooled reactor (HTGR), Mr Geeling said that that association made know-how on the most advanced international nuclear technology available to the group.

"The HTGR is considered to be particularly suitable for South African conditions and preliminary studies now in progress would lead to the introduction of this more

Inflation piles pressure on SA manufacturers

ALN 3/11/75

~~12/150 H~~
12/180

Ivan Philip

What are South Africa's manufacturers doing to fight inflation? Plenty, according to a leading maker of household appliances — and the figures seem to bear him out

His is a story of struggle to absorb the increasing costs of labour, power and raw materials by devising more efficient means of production and distribution

But the strain is beginning to tell, and prices must go up again soon before they reach a plateau

For all that, price increases in these products have nowhere near matched the steep upward trend in the manufacturer's basic costs The degree to which these costs have been absorbed by the company is impressive

WASTAGE

Said a company spokesman "We have had to clean up our operation, cut down on labour and the wastage of raw materials We even collect and sell waste paper"

"But South African industry is now working more efficiently than ever," he added Again the figures bear him out

'We were spoiled in the past,' he went on, 'and we have wasted labour Now we are spending a lot on training, but it will pay off"

But what about the facts behind this manufacturer's claims of greater efficiency?

But what has happened to the prices of the company's appliances in the same 2½ years?

These are the increases in factory gate prices for five of the most popular models in the range Washing machine — up 33 percent, medium-size cooker — up 19 percent, medium refrigerator — up 16 percent, medium freezer — up 12 percent, double-door refrigerator — up 10 percent

Starting in January 1973, before the oil crisis and the raw materials boom, the figures below represent the increases in costs of factory inputs up to mid-September — just prior to the devaluation

Wages and salaries	Number employed
Salaried staff up 30 percent	400
White wages up 29 percent	320
Black wages up 59 percent	1 650
Power	
Up 60 percent (1973 3 500 kWh, now [illegible] 000 kWh)	

Raw materials	Percent rise
Enamel raw materials	94
Steel	80
Plastics	60
Fibreglass	48
Stainless steel	46
Copper	40
Cartons	30
Aluminium	[illegible]
Chemicals	28
Paint	14

The units used for this comparison are of the same quality and capacity in each case

SIMPLIFIED

Increased costs have been largely absorbed by greater working efficiency in the plant and by changes in design

Components have been simplified and standardised throughout ranges Another example of cost cutting has been the redesign of liners to reduce the man hours needed to fit them

The company says that the bigger increase on the washing machine is accounted for by the number of imported parts in this model One of these parts went up from seven dollars to 15 in a five-month period — before devaluation.

Since the 18 percent devaluation, the company has started a crash programme to substitute locally-made parts for imported wherever possible suppliers gave notice of price increases ranging from 10 to 30 percent following devaluation — and none of these increases have been withdrawn, despite the announcement of the "social contract"

Furthermore, a 59 percent increase in the price of industrial gas has been announced since then

Most suppliers have cited devaluation as their reason for price increases — others are laying on general increases The timing varies from immediate in some cases to year end in others

Adding to the pressure, Black workers have called for a wage increase

A company spokesman says that "all the screws are on" in an attempt to further increase plant efficiency

Among measures being taken are "talk-ins" with Black workers, explaining why more economies are vital The response is reported to be very favourable

So far, price increases in the company's products do not match the rapid climb in costs over the past 30 months and much of these costs are being absorbed the paper

180

Do not write in this margin

Industry output begins hesitant recovery

Tony Koenderman

Manufacturing output jumped in September to a level 5,4 percent higher than a year ago, and the signals indicate a renewed, if hesitant, lift-off in production

Latest figures from the Department of Statistics show a clear rising trend in the index of the physical volume of manufacturing production

The index was 183,1 in the first quarter of the year (marginally lower than the same quarter of 1974), 199,1 in the second quarter (up 2,6 percent), and 207,8 in the third (up 7,2 percent).

12-MONTHS

For the 12-month period to September, output was 1,7 percent higher than in the same previous period.

The Statistics Department's 13-term Henderson curve shows clearly that the downswing in the manufacturing sector hit bottom in January, and has been rising slowly ever since.

The Henderson curve is a weighted moving average, usually over 13 months which provides a long-term trend line eliminating seasonal variations and irregularities

One of the most important industrial bodies, the Steel and Engineering Industries Federation, says that though business activity is below normal, there has been a marginal upturn of demand since July

Reports of material shortages are few and lead-times continue to shorten

The effect of devaluation is expected to be good for some and bad for others Exporting sectors which stand to gain are, by size of exports, ferro-alloys, industrial and mining machinery, agricultural machinery, earth-moving equipment, electrical transmission parts and domestic appliances

In the basic iron, steel and ferro-alloy industries, demand is steady to strong for all mills. International demand for ferro-alloys is weak but not worsening.

TROUGHED

Demand for building supplies troughed last June, and is now rising steadily

In the electrical machinery sector, a good level of activity is reported by manufacturers of transformers, electric motors and switchgear There is a shallow downward trend in orders, but in the case of domestic appliances June appears to have marked the end of the decline in demand.

Star 24/11/75

Manufacturing growth lags

Manufacturing output is currently projected by the EDP to grow at an average annual rate of 6—7 percent, but is not achieving this rate.

Last year it was 0,7 percent behind the projected rate, and in the latest figures, for the four quarters up to the middle of 1975, it is trailing the projection by an average of 3,3 percent

In July and August, output slipped further behind the projection to trail by 6,6 percent

Clearly, the next Economic Development Programme will have to set more modest targets

There are signs, however, that the worst is over

A look at key sectors of industry shows that the best performers in the 12 months to June were leather, machinery beverages and tobacco, and non-electrical machinery which were all well ahead of projection.

Marginally ahead were timber and furniture, while all other sectors were behind projection Worst was textiles, trailing by an average of 17,5 percent

Manufacturing industry output is growing more slowly than the EDP has projected. TONY KOENDERMAN looks at the performance of individual sectors of production.

The boom in the leather industry can be attributed to the rising prices of the synthetic — plastic — alternatives as a result of the huge leap in the price of oil (the basic raw material for the plastics industry)

The leather industry comprises tanning of hides and the manufacture of such products as travel goods, handbags, and saddlery Footwear is not included

But a factor in the renewed popularity of leather is that consumers are also swinging back to it in their preference for shoes

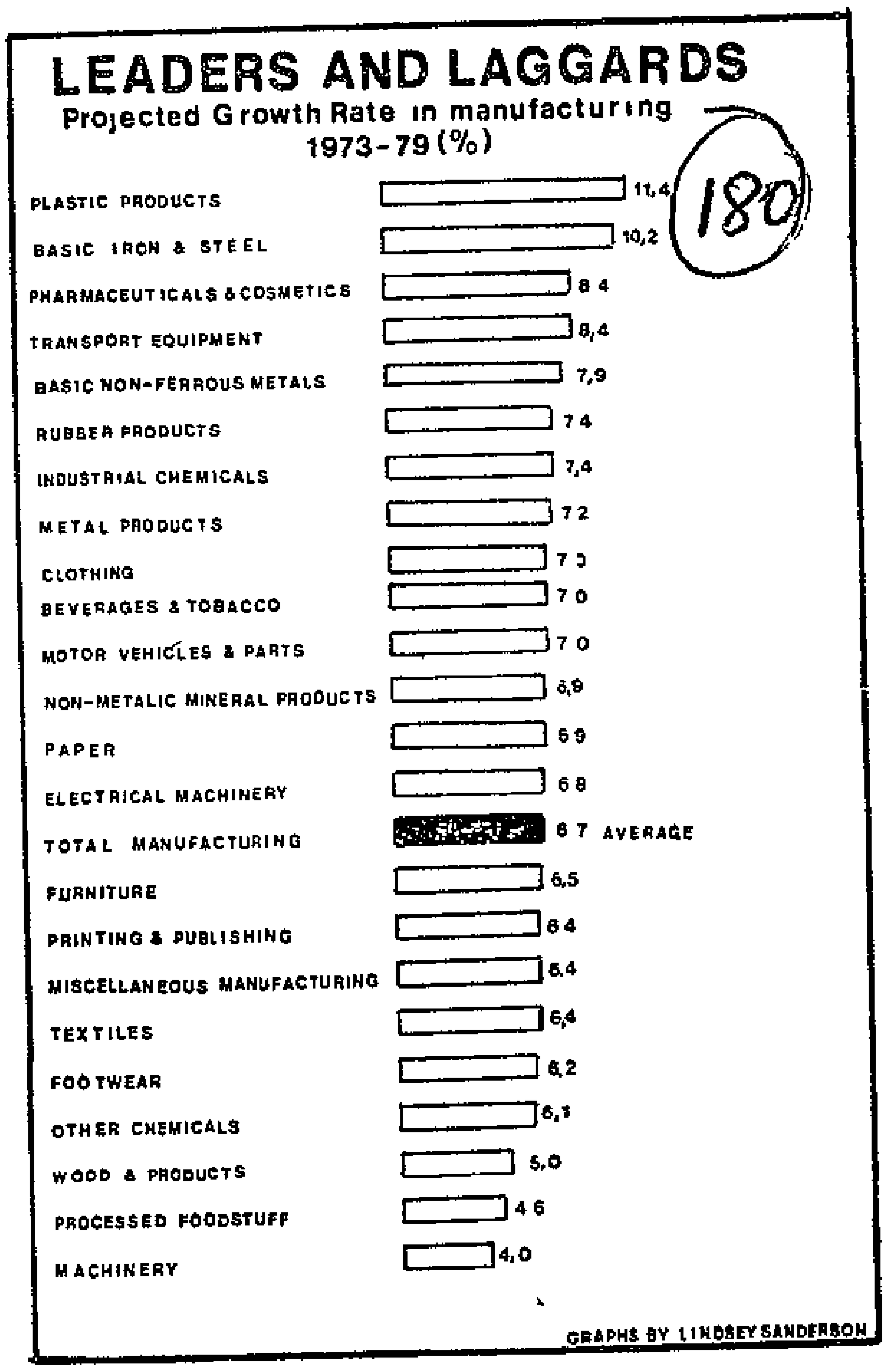
The clothing and footwear sector is one of the most depressed, but the problem area is clothing, not footwear

The fortunes of the clothing and textile industries, which naturally are closely tied, had a sharp setback last year when recessionary conditions elsewhere in the world prompted the dumping of merchandise in South Africa

One of the major problems of South African manufacturing is that, when the economy booms, an inordinately high share of the increased demand is met from imports instead of providing the extra stimulation to domestic industry

Another difficulty is that the economy is generally out of phase with the rest of the world Its peaks tend to occur when the rest of the world is in recession, which makes industry particularly vulnerable to dumping

When domestic demand is high, perhaps in excess of local capacity, foreign producers have a glut of products they cannot sell, so they dump at uneconomic prices here



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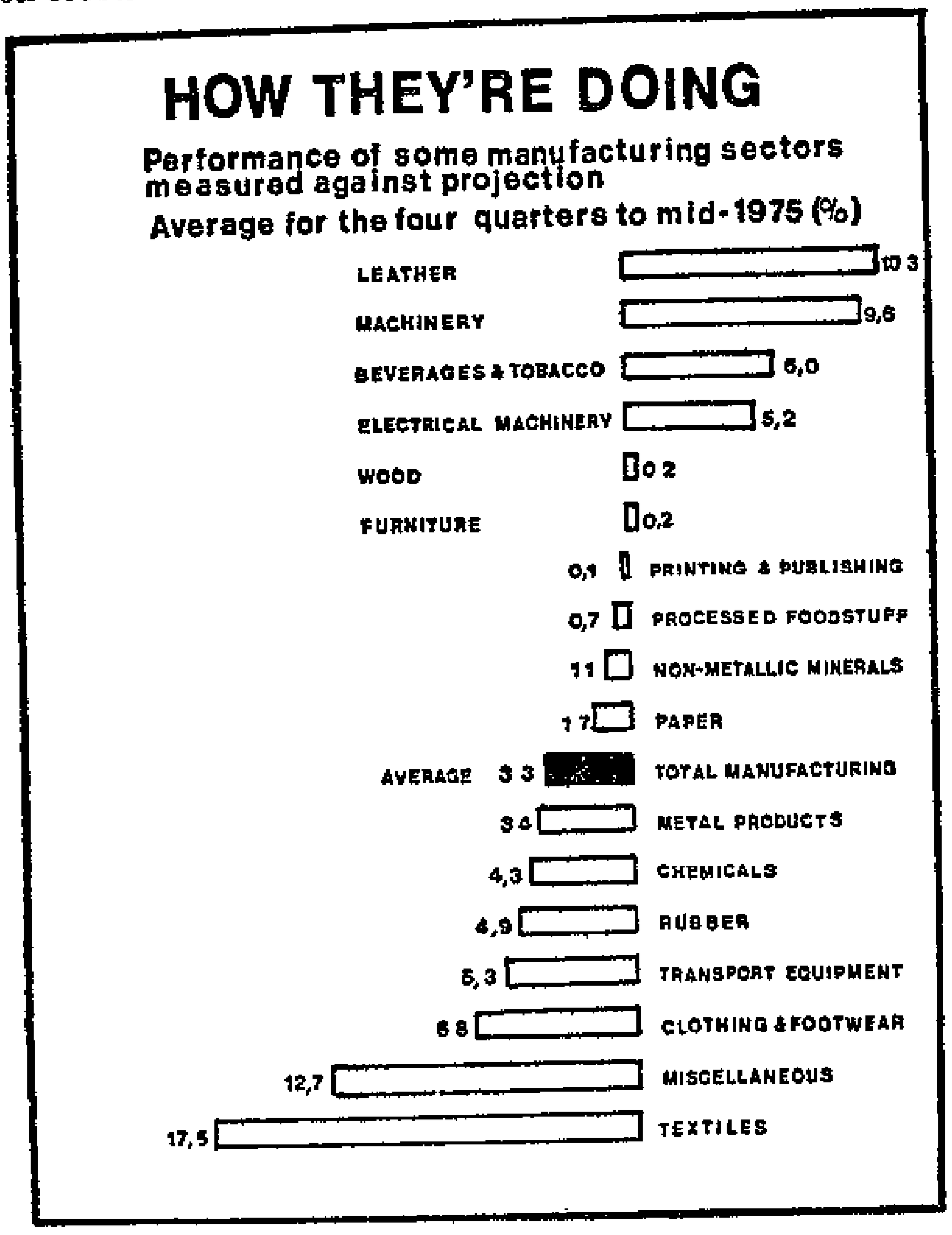

BEVERAGES

The clothing and textiles industries are among the most susceptible to this Paper also suffers

In the beverages and tobacco sector, beverages — alcoholic and non-alcoholic — account for 68 percent of total production

With Intercontinental Breweries making a determined effort to wrest a market share from the dominating SA Breweries, overall consumption of beer is enjoying considerable stimulation Output of this sector is 6 percent higher than projection

Electrical and non electrical machinery are enjoying healthy growth (5,2 and 9,6 percent ahead respectively of projection) thanks largely to the huge capital investment programme, particularly in the public sector

The poor performance of the chemical industry can be attributed to a number of factors, as the broad category includes a number of different groupings — plastics, fertilisers, synthetic fibres, synthetic rubber, and petro-chemicals

Output of plastics fell because of the process of desocking which took place after inventories built up during 1974 to excessive levels

Lower speed limits have increased the life of motor car tyres, affecting both the synthetic rubber and the rubber industries which are included in separate categories by the EDP.

Transport equipment down 5,3 percent, embraces the manufacture of aircraft, railway equipment and ships Motor vehicles are categorised separately

(180)

Manufacturing had hard year

Mercury 26/11/75

Financial Editor

THE YEAR 1974/75 has been a difficult one for the manufacturing sector. The recession loomed larger and confident predictions that an economic upturn would occur in the latter part of the current year, were dislocated, according to the annual report of the Natal Chamber of Industries.

The Chamber says that unforseen developments of which the September devaluation of the rand was one, have set back the beginning of an economic recovery which industrialists were expecting.

Inflation had been, and remained, a primary economic problem

However notwithstanding the downturn in business activity, South Africa continued to experience real growth in the past year, although at a lower rate. It was 3 percent in 1974/75 compared with 5,5 percent in the previous year.

The Chamber says that various key indicators reveal the recessed state of the economy.

In terms of constant prices, both the value of buildings completed and the value of building plans passed were well down on corresponding levels in 1974.

CONSTRUCTION

"This decline is borne out by the patchy conditions in the construction industry and the easier position with the supply of cement, bricks and timber.

"Measured at constant prices, the internal value of retail sales is also down

"The number of liquidations of companies showed a substantial rise and the total of registered unemployed Whites, Coloureds and Asians has risen.

"Not all the indicators are below the previous year's levels and, in fact, two important ones, electricity and steel production, show impressive increases"

Referring to manufacturing production, the report says that production rose by 8,9 percent in 1973, 4,9 percent, during 1974 and only 1,1 percent in the past year.

DEVELOPMENT

The Chamber describes the 1974/75 growth as "most unsatisfactory."

"The current economic development programme sets a growth rate of 6,7 percent a year for manufacturing industry during the years 1974 to 1979.

"An exceptional improvement will have to take place during the next few years if the industrial sector is to come near to achieving its target figure"

It was significant that only five out of the 19 broad sectors into which manufacturing was divided achieved performances better than the target figures laid down in the programme

Some sectors, such as textiles, paper and paper products reflected negative growth, which was underlined by the retrenchment of workers in some of these industries

"The time has perhaps arrived when the authorities should decide how much, and what sort of, weight should be attached to the Economic Development Programme."

180

Manufacturing output climbs to new peak

ARGUS 2/12/75

Financial Editor

OCTOBER was a record month for manufacturing with the index for physical output (1963/4=100) reaching a new peak of 221,6, preliminary figures issued by the Department of Statistics show.

The October index figure showed a rise of 12,3 points or 5,9 percent on the September figure and was 10,1 points or 4,8 percent higher than in October last year, the previous record month for physical output by the manufacturing industry

No figures are available to show why manufacturing output soared in October.

But the improvement can probably be attributed to improved conditions in the textile industry as a result of it being granted increased protection, the end-year rush developing in industry generally, and also possibly, to industry receiving the first stimulus from devaluation.

An analysis of the indices of physical volume of manufacturing production shows that contrary to some expectations the volume of output in manufacturing has tended to improve throughout 1975

In the first quarter of 1975 the manufacturing output index was 183,1 which meant a decline of 0,8 percent on the first quarter of last year

But in the second quarter the output index rose to 199,1 to show a gain of 2,6 percent on last year's corresponding figure and in the third quarter it rose to 207,8 to show a gain of 2,2 percent.

Then in October, it spurted to a level 4,8 percent above last year's figure.

PESSIMISM

Although there appears to be some pessimism in industry the large 17,9 percent devaluation should give the consumer goods sectors considerable protection against overseas competition and result in a higher level of local orders.

The chemical and engineering sectors should continue to show their normal growth.

Only those sectors of manufacturing which supply the building and construction industry should be expecting reduced orders in the near future.

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1,180
(3 ~~787~~

Rising factory output spurs export growth

STAR. 10/2/76

Ivan Philip

Production by the manufacturing industries is climbing, and a steady increase in overseas sales has now made exports of factory goods a potential challenger to the traditional giant — gold — as a source of foreign exchange.

A rise in the manufacturing production index of 2,5 percent in the final quarter of 1975 carried the index to 202,6 — meaning output has more than doubled since 1963/64 to add to potential export muscle

South Africa's status as an exporter of manufactured goods, and particularly engineering goods, is growing fast And the direction of these exports is by no means exclusively to underdeveloped regions

Much of the new impetus is towards the industrial giants and the oil producing countries

Even so, the South African Foreign Trade Organisation is far from satisfied with the overall pattern of export trade

Safto points out that the country's merchandise exports were worth nearly R4 000m last year But, of this total, R1 400m was accounted for by agricultural products, diamonds and Krugerrands

This, in Safto's view, is a dangerously high proportion — particularly because some of these commodities face uncertain conditions

Dr J P Kieser, Safto's general manager, emphasises that manufactured goods, unlike commodities, enjoy a relatively high degree of price stability, even in difficult economic times

[illegible] that they cannot compete on export markets, says Dr Kieser He believes many of them have the kind of quality goods that the world needs

He points out that South Africa already exports 500 ton body presses to the world's motor industry, pianos to Germany, kitchenware to the United States and road graders and precision variable-speed gearboxes to many industrial and developing countries around the world

He is not perturbed at the thought of selling coals to Newcastle "I believe in it because Newcastle knows all about coal — and recognises a good product"

But Mr W B Holtes, chief executive of Safto, warns that, if the export opportunities are not to be lost, the Government must reassure industry that export incentives are not going to fall under the axe of anti inflation cuts

The quickening pace in Western economies will open up new opportunities for South African exporters this year, says Mr Holtes, but it will also bring keen competition from SA's rivals

South Africa must make the best of the advantages offered by devaluation, he said

The South African business community understands the need for increased exports — but will no doubt understand it even more fully as local market conditions become less rosy in the immediate future

"An accelerating level of exports is essential," he said, "to prevent the balance of payments deficit from becoming unmanageable and to avoid becoming the branch office of our European and American money lenders"

Senate Hansard 5
Q col. 32 16/3/76

180

Factories, Machinery and Building Work Act: Factory permits/registration certificates

*6 Senator B R BAMFORD asked the Minister of Labour

How many (a) provisional factory permits and (b) registration certificates were operative in terms of the Factories, Machinery and Building Work Act, 1941, at the latest date for which figures are available

†The MINISTER OF POSTS AND TELECOMMUNICATIONS (for the Minister of Labour)

Up to 31 December 1975, the total number of certificates issued in terms of the Factories, Machinery and Building Work Act 1941 was as follows

(a) Provisional factory permits—555
(b) Registration certificates—20 989

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2 30

Fabriekswerker en omgewing

SAKE RAPPORT

18/4/76.

'N BELANGRIKE navorsingsprogram, wat die werksomstandighede van baie mense in Suid-Afrika kan raak en 'n betekenisvolle bydrae tot ons nywerheidsdoeltreffendheid kan lewer, neem binnekort in aanvang. Dit is 'n projek van die Nasionale Bounavorsingsinstituut van die WNNR.

Omgewingsfaktore in fabrieke sal bepaal word ten opsigte van hul uitwerking op die fabriekswerker. Om dit te bewerkstellig het die NBNI 'n mobiele omgewingslaboratorium ontwikkel waarin spanne fabriekwerkers blootgestel kan word aan verskillende grade gematigde omgewingspanning

Warmte, koue, humiditeit, geraas en verligting kan beheer word om 'n wye span bestaande omgewingstoestande in fabrieke presies na te boots. Hul uitwerking op die uitvoering van take en op die werker kan dan geevalueer word m.b.v. 'n aantal werkstudie- en fisiologiese toetsmetodes

Die proefnemings sal by 'n aantal fabrieke oral in die land herhaal word om enige verskil in mensevereistes wat moontlik in verskillende klimaatstreke mag voorkom, te bepaal

Die Departement van Arbeid het die NBNI opdrag gegee om hierdie faktore te evalueer as 'n noodsaaklike voorspel tot die hersiening van die Fabriekswet Die navorsing sal noodsaaklike gegewens vir 'n koste-voordeelanalise van investering om die werksomgewing in nuwe en bestaande fabrieke te verbeter, verskaf.

Hierdie navorsingsprogram is in verskeie opsigte uniek en die eerste resultate behoort by die Internasionale simposium wat in September in Pretoria gehou word, aangekondig te word Die bevindinge sal van fundamentele belang vir die nywerheid en wetenskap in Suid-Afrika en die buiteland wees, veral vir lande wat soortgelyke klimaatsprobleme as ons het. Navorsingsbevindinge wat in Europese en Amerikaanse fabrieke verkry is, is nie noodwendig van toepassing op hierdie lande nie.

180

Environment Planning Act: Factories

830. Mr G. H. WADDELL asked the Minister of Police: 1194

(1) Whether any owners of factories on the Witwatersrand have been (a) charged and (b) prosecuted for establishing or extending factories contrary to the provisions of section 3 of the Environment Planning Act, 1967, if so,

(2) how many (a) owners and (b) Bantu employees were (i) charged and (ii) prosecuted.

The MINISTER OF POLICE

(1) No

(2) Falls away

2. Hansard 19 12/6/76

Venue

Has the venue for your presentation been decided? If so:

(a) Will you be playing at home or away, and is the meeting room familiar to you?

(b) Is it suitable as a meeting place for your audience and as a background for your subject?

(c) Is it the right size for the audience expected?

(d) Will everyone be able to see? Is there a dais or platform? Is there enough room for the proper positioning of one or more projection screens?

(e) Will everyone be able to hear? Will you need to use a microphone? Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

(f) Can the room be darkened easily? Are there sufficient power supplies for any projected visuals or recorded sound?

Visuals

(a) What equipment will you have at your disposal? Will there be an experienced projectionist available?

(b) Are there any suitable visuals or other aids (e.g. films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared? If so, how much money has been allowed for:

FIN MAIL 6/5/77

AMIC

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Results for 1976 reflect inherent strength and spread of group's underlying investments —Mr G. W. H. RELLY, chairman

The following is an abridgement of the annual review by the chairman, Mr G W H Relly, for the year ended December 31, 1976.

Features of the consolidated financial statements

	1976 R000's	1975 R000's	1974 R000's
Capital and reserves	288 895	263 072	216 006
Listed investments			
Book value	50 719	47 877	50 099
Market value	56 080	56 152	49 308
Unlisted investments			
Book value	45 892	23 314	19 630
Directors' valuation	53 578	33 939	28 159
Other assets, net	192 284	191 881	146 277
Equity earnings*	42 949	40 918	28 464
per ordinary share*	160,0 cents	154,6 cents	116,3 cents
Dividends	17 370	16 672	14 072
per ordinary share	65 cents	63 cents	57,5 cents
Number of shares in issue	26 845 447	26 460 639	24 472 751

*Excludes surplus (1974 deficit) on realisation of investments, amounts written off loans and unlisted investments, less recoveries, and currency surpluses or deficits

Mounting unemployment and a decline in manufacturing output were the inevitable result of the fall in real domestic spending and progressive tightening of economic and fiscal measures which took place in South Africa in 1976 and this process of adjustment has continued into 1977 Different sectors of the economy have been affected to varying degrees The motor and building industries fared badly while in the property and financial sectors some previously sound companies collapsed

Against this economic background, on which I will expand later in my review, the results of Amic for the year ended December 31 1976 are very satisfactory and evidence the inherent strength and spread of our underlying investments The group s net equity earnings rose by five per cent to R42,95 million from R40,92 million in 1975 while earnings per share increased by 3,5 per cent to 160 cents per share from 154,6 cents This was achieved notwithstanding the exchange of Amic's interest in South African Board Mills Limited (SABM) for new shares in Mondi Paper Company Limited (Mondi) and the fact that Freight Services Holdings Limited (FSH) also ceased to be a subsidiary during the year The attributable earnings of FSH and SABM are no longer consolidated by Amic but the effect thereof is offset by including for the first time earnings previously attributable to minority interests in the Longyear Company, now wholly owned by Boart International Limited (Boart), and in Bruynzeel Plywoods Limited (Bruply)

Amic's own income from its investment portfolio increased by R2,40 million, or some 40 per cent over the previous year to R8 46 million The increase is mainly attributable to higher dividend income from its investments in Highveld Steel and Vanadium Corporation Limited, LTA Limited (LTA) and Mondi and the inclusion of dividend income from FSH for the first time

An unchanged interim dividend of 22 cents per share was paid and, with the slight increase in Amic's consolidated earnings for the year, the final dividend was increased to 43 cents per share, resulting in a total dividend for 1976 of 65 cents per share compared with 63 cents for 1975 The dividend cover has been maintained at 2,5 and reflects the substantial profit retentions necessary to finance further expansion and to maintain a sound financial structure in an inflationary environment The substantial decreases in minority interests, fixed assets, debtors and creditors arose mainly because of the non-consolidation of FSH and SABM referred to earlier This also accounts for R19,89 million of the R22,58 million increase in the book value of unlisted investments and a similar proportion of the increase in the valuation of those investments

The market value of the group s listed investments fell by R72 000 at December 31 1976 to R56,08 million which reflects an appreciation of 10,57 per cent over book value of R50 72 million Market values have declined since the year end and at April 12 1976 the market value stood at R53,52 million. Unlisted investments, including FSH, have been valued by the directors at R53,58 million compared with last year s figure of R33,94 million

Amic's major wholly-owned subsidiaries, Scaw Metals Limited (Scaw) and Boart performed particularly well in a difficult economic climate The Scaw group's equity earnings for 1976 of R14,52 million, an improvement of 12,8 per cent over the previous year, were achieved despite an increase in the level of taxation resulting from reduced capital allowances claimable in respect of the year Severe cut-backs in orders were experienced in the second half of 1976, but the large order book built up earlier in the year enabled the iron and steel foundries to maintain a high level of activity Considerable emphasis was placed on improving productivity, with the result that costs were contained within reasonable limits in an inflationary environment Present indications are that it will not be possible to maintain the same profit level for the current year.

The Boart group had a more difficult year than in 1975, but in the light of adverse world economic factors and depressed base metal prices it achieved very satisfactory results. The tungsten carbide division in particular performed extremely well and more than compensated for the fall in profitability suffered by the diamond drilling division. Boart's consolidated profits for the year ended December 31 1976 amounted to R16,41 million compared with R15,21 million in 1975. This is a new record despite devaluations of the pound sterling, Australian dollar and Zambian kwacha having an adverse effect on overseas earnings in rand terms and rising costs and tight market conditions eroding profit margins in a number of group companies. Boart, which generates substantial foreign cash flow, deriving about [illegible]3 per cent of its earnings from operations outside Africa, continues to expand its overseas operations and is steadily increasing its geographic diversification. The outlook for Boart in 1977 is clouded by the slowness of recovery of the world's major trading nations, but I am confident that the group is well placed to take advantage of any increase in world economic and mining activity.

In terms of a scheme of arrangement sanctioned on November 18 1976, all the ordinary shares of Bruply were acquired by Amic with effect from January 1 1976. The slight improvement in the demand for the company's board products was largely offset by a continued deterioration in the demand for lumber products. In these circumstances, the recovery in Bruply's net income from R764 000 in 1975 to R1,42 million in 1976 is satisfactory. A new chipboard plant was commissioned at Boksburg late in 1976 but will only come into volume production this year. This additional capacity will enable Bruply to increase substantially its share of the chipboard market in the Transvaal. Falling prices and margins, particularly in its lumber operations where all millers are suffering from an over-supply situation and merchants are heavily stocked, will undoubtedly affect the overall level of profits in the current year.

The market for sawn timber weakened during the year, and the sawmills of Acme Timber Industries Limited and Peak Timbers Limited, both subsidiaries of S A Forest Investments Limited (Safi), operated at well below capacity. Safi's net equity earnings declined from R2,82 million in 1975 to R2 28 million in 1976. To counter the continuing weakness in local markets, Safi has rationalised its sawmilling operations and has sought new markets for its products. Contracts for the export of structural timber have been negotiated and consequently Safi expects to maintain earnings in 1977.

Amic increased its equity interest in Mondi to 39,8 per cent mainly by exchanging its shareholding in SABM for new Mondi shares. Mondi's third high-speed paper machine, which has increased productive capacity by some 63 per cent to 200 000 tons a year, was brought into production in record time and under budgeted cost in Novemebr 1976. Pre-tax earnings in 1976 increased by R5,67 million to R14,86 million but net equity earnings were reduced to R3 [illegible] million compared with R8 [illegible] million previously, mainly from a deferred tax provision of R7 26 million in respect of the considerable plant expansion programme undertaken during 1976. Despite a substantial oversupply of newsprint in world markets, Mondi was successful in securing export orders for 80 000 tons of newsprint. These orders will contribute about US$30 million to South Africa's foreign earnings and should enable Mondi to match or improve upon 1976 earnings.

The object of the merger announced in July 1975 of the original Freight Services Holdings Limited with Aero Marine Investments Limited and Manica Holdings (Proprietary) Limited was to create a substantial group which would more easily meet challenges facing the industry such as the introduction of containerisation in 1977. The merger resulted in Amic having an effective interest of 40,3 per cent in the enlarged group and, in agreement with our partner South African Marine Corporation Limited (Safmarine), it was decided that FSH's earnings would no longer be consolidated by either party. The group increased its earnings to R3,83 million in 1976, but the downturn in imports in the second half of 1976 is expected to continue into 1977, and it is unlikely that the group will be able to exceed present profit levels until economic conditions improve.

In a difficult year for the motor industry, Sigma Motor Corporation (Proprietary) Limited (Sigma) was formed as a result of a merger between Chrysler South Africa (Proprietary) Limited and Illings (Proprietary) Limited. Amic has an effective interest of 25 per cent in the enlarged group which has total assets valued at R100 million and which will market a wide range of passenger vehicles, light commercial vehicles, heavy trucks and industrial and earth-moving machinery. Although it is expected that costs will continue to rise and recessionary conditions will remain a dampener on sales in 1977, Sigma will benefit from the merger by its ability to improve its market penetration and at the same time achieve full utilisation of its production facilities and a resultant reduction in its unit costs. Sigma will introduce a number of new models in 1977 and will be well placed to improve its competitive position as a significant force in the motor industry.

Equity earnings of the LTA group for the year ended March 31 1976 rose to R3 [illegible] million compared with a profit of R2 65 million for the nine month period to March 31 1975. All but 52 000 of the 10 5 million preference shares were converted into ordinary shares during the year ended March 31 1976 and Amic now has an effective interest of [illegible] 98 per cent in LTA. The group has obtained several large contracts and has in general been able to maintain turnover. Among the major undertakings in which LTA is engaged is the R15 million contract in association with Shaft Sinkers (Proprietary) Limited for the construction of the Drakensberg [illegible] underground pumping station. The value of uncompleted work on hand at September 30 1976 was R234 million compared with R224 million at March 31 1976. Although the order book is still reasonable, turnover is likely to fall as a result of the [illegible] in [illegible] and it is [illegible] that [illegible] until the economy recovers to the point where spending by public authorities resumes its normal [illegible].

This time last year few could have doubted that 1976 was going to be a very difficult period for industry as the economy [illegible] the consequence of adjusting domestic expenditure to a reduced level of real export earning. The imperative need to reduce the rate of government spending in real terms was bound not only to contain imports but to have unpleasant short-term effects on the demand for domestic production as well, while the concomitant impact on consumer spending, heightened by tax and price increases eroded disposable incomes, inevitably would restrain activity even further. This was accepted generally as a harsh but salutary prescription for restoring the country's finances and purging it of inflationary pressures, particularly as the prospects for a revival in export earnings were promising and, in themselves, should have provided the initial basis for a renewed cyclical upturn reasonably soon. However, what could not be anticipated were the profound implications of the June disturbances in Soweto and elsewhere, the sharp drop in the gold price at about that time and the political problems that continued to beset southern Africa.

Although the process of adjustment in economic terms commenced in the second half of 1976, with beneficial effects on the exchequer, inflation and the current account of the balance of payments, confidence in the country's ability to [illegible] to [illegible] has received a severe blow. This was manifested in a substantially increased outflow of short-term capital and growing difficulties in raising sufficient fresh funds to offset this drain, and in a loss of confidence internally. This has dampened consumer and investment spending even further and has led to an intensification of recessionary conditions with the attendant consequences of falling profits, mounting unemployment and rising insolvencies.

Conditions [illegible] on the manufacturing industry [illegible] during the past year. Although the rate of increase in average wages declined sharply, the combination of a still higher level of wages and stagnant output meant that wages per unit of production continued to rise while output per man-hour declined.

Furthermore, wholesale prices of goods used by industry rose at a [illegible] rate reflecting, to some degree, sharp increases in the prices of imported goods. These wage and cost pressures, together with a poor productivity performance and the limitations on price increases [illegible] by market conditions and by the anti-inflation campaign, produced an adverse trend in profits and in some instances necessitated the laying off of workers. Profits in terms of current prices in 1976 were [illegible] per cent above those in 1975, implying negative growth in real terms. It is not surprising, therefore, that real fixed investment in private manufacturing has declined for some time.

AMIC Chairman's review, continued

The picture is not a happy one and immediate prospects for a revival in the level of industrial activity and employment are not reassuring, although higher exports could make a useful contribution towards alleviating the situation and initiating a sustained advance in this field. Yet essential as exploitation of the country's export potential may be the domestic market must still provide the source of industry's long term viability and ability to provide employment for the country's expanding labour force. In this respect South African industrialists are in an unenviable position. On the one hand demand has to be suppressed because of the country's straitened financial circumstances which, were it not for the present political context, should by this stage of the cycle be showing signs of improvement. On the other hand industry has to absorb cost increases which are also related to the same difficult circumstances — one has only to think of power and transport costs, for example — and cope with a labour situation which is not conducive to the enhancement of productivity. This latter question is not new and, indeed, much attention has been paid recently to the problem of the increased use of capital relative to labour in the production process, arising from both the various obstacles to the free use of black labour and its rising cost as wage rates have been increased progressively in recent years. The problem is apparent but there are no simplistic solutions. If South African industry is to compete with the products of the world, it must be part of the world in its development and technology. However, the extent to which local industry should move in this direction will be moderated by the relative abundance of indigenous labour and without wishing to decry the value of fiscal incentives, one would hope that the future pattern of our industrial development will be basically determined by free market forces, allowing the fullest mobility and adaption of the labour force to the long-term requirements of industrial expansion.

There may be some who, in the absence of an adequate flow of foreign capital would opt for policies of far-reaching economic control. However, these would tend to foster uneconomic areas of production and would soon prove to be inflationary and self defeating.

Growth is necessary for the very survival of our socio-economic system, and we shall have to look to the urban industrial areas to provide its main impetus. It is essential that the economy be freed from restrictions on labour mobility, housing, training and utilisation, while wage advances must be related more closely to productivity gains. These measures in themselves should help to restore foreign confidence and the inflow of capital and associated technical skills which are indispensable for balanced industrial progress in South Africa.

Although the rate of Amic's growth slowed in 1976, earnings nevertheless increased by R2.03 million in a period when many other companies have reflected substantial profit declines in line with the generally depressed economic conditions. The outlook for the future is overshadowed by the interaction of political and economic factors and it a[illegible] that any resurgence of growth or rene[illegible] confidence during 1977 will depend m[illegible] on political initiative. In these circums[illegible] Amic may find it difficult to maintain its ea[illegible]ings at current levels.

The annual report and chairman's state[illegible] may be obtained from Consolidated S[illegible] Registrars Limited, 62 Marshall Street, Joh[illegible]nesburg 2001

The annual general meeting of [illegible] will be held at 44 Main Street, Johanne[illegible] on Wednesday, June 1 1977 at 10h30.

ANGLO AMERIC[illegible]
INDUSTRIAL CORPORAT[illegible]
LIMI[illegible]

Sake-Rapport — RAPPORT, 12 Junie 1977 — 3

Ons kan baie meer

(180)

DIE ervaardigingsektor het volgens die Departement van Statistiek verlede jaar net 86,6 persent van sy produksievermoe benut. Die syfer het vanjaar in Februarie verder tot 83,7 persent afgeneem.

Senbank se ekonomiese afdeling raam die totale belegging in die vervaardigingsektor op sowat R5 000 miljoen, wat beteken dat dié sektor verlede jaar sowat R650 miljoen se produksievermoe nie kon gebruik nie, wat in Februarie tot sowat R800 miljoen gestyg het.

Die oorskot produksievermoe moes sedert Februarie nog verder gestyg het volgens alle ekonomiese aanwysers. Dit kan nou al meer as 20 persent beloop, wat beteken dat die onbesette vermoe nou al 'n belegging van sowat R1 000 miljoen kan verteenwoordig.

Manufacturing bears the brunt

RDM 6/7/77 180

THE severity of the recession and its effects on business confidence are nowhere more evident than in the manufacturing sector, according to the Standard Bank Review.

Several industries are faring considerably worse than expected a year ago. Production volumes in most key industries were about 5% lower in the three months to January, 1977, than in the same period a year ago.

Production volume for textiles, clothing and food industries increased significantly, but the real value of food sales by manufacturers fell, giving some indication of the growth in finished stocks — even in a non-durable industry.

Production growth in the textile and clothing industries remained positive but slow Production rates in food, beverages, printing and paper have increased.

Production volumes in other major industries dropped — the worst being industrial chemicals, metal products, non-ferrous metals, electrical machinery and transport industries.

The review says that in the financial markets the trends to easier conditions, which started in April, continued in June In both the money and capital markets interest rates tended to soften in spite of official attempts to maintain rates at a high level.

Activity on the Johannesburg Stock Exchange was stagnant, and the daily volume of shares traded howvered around a million

In the money market surplus liquidity is building up because of a marginal decline in total advances and discounts and a 1% increase in total deposits. Except for the Treasury bill tender rate and the National Finance Corporation call rate, short-term interest rates declined throughout the second quarter.

In the capital market over-subscription and declining interest rates continued. The SABC was the most successful of completed issues

Standard Bank says the strength of the current account of the balance of payments has made a switch to an artificial stimulation of the economy more tempting

The absence of a sound foreign reserve base and serious doubts concerning the strength of world economic growth imply that without fortuitous factors, such as a take-off in the gold price, the resulting growth would be neither meaningful nor sustainable for any length of time

An assessment of the economy's overall position on the basis of key indicators shows the forces now are far different from the positions before previous upturns.

Standard Bank says that apart from the effects on the domestic economy, the favourable 1976/77 maize season will make a substantial contribution to improving the foreign trade account.

An estimated 2 931 000 tons of maize and maize products will be available for export in the 1977/78 year — almost double the 1 512 000 tons exported last year.

Export proceeds will, however, be affected by low world prices as a result of over-supply.

Tender prices received for export maize are considerably higher than prices on the Chicago Grain Exchange, because of a quality differential as measured by vitamin content. — Sapa-Reuter.

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NATAL MERCURY 5/7/77

Manufacturing sector hit

JOHANNESBURG — The severity of the recession and its effects on business confidence were nowhere more evident than in the manufacturing sector, according to the Standard Bank Review, issued here yesterday.

A number of industries were faring considerably worse than anticipated a year ago. Production volumes in the majority of key industries were about 5 percent lower during the last three months to January 1977 than in the same period a year ago.

Production volume for textiles, clothing and food industries increased significantly but the real value of food sales by manufacturers fell, giving some indication of the growth in finished stocks even in a non-durable industry.

Production growth in the textile and clothing industries remained positive, but slow. Production rates in food, beverages, printing and paper increased recently.

Production volumes in other major industries were negative — the worst being industrial chemicals, metal products, non-ferrous metals, electrical machinery and transport industries. — (Sapa.)

A formal model of the money supply process.

The discussion will now be summarized by a model of the supply of and demand for high powered money (MB), money (M) and bank credit (BC). The model indicates the accommodation of MB to changes in the demand for (BC_d). Net domestic assets (NDA) are shown to depend simply on the BC - . Foreign assets (R)

of the reserve bank ratio (BC/R). The level of gold and foreign assets is taken to be exogenous for this purpose. Arnon Hurwitz in his accompanying paper shows how the level of foreign exchange reserves may be endogenised.[22] If the banks are short of cash, given the demand for and supply of BC, they will acquire cash via NDA. The private sectors demand for bank credit (P_{BC}) is assumed to depend upon a number of interest rates, the overdraft rate (i), the corporate debenture

-rate-

Blueprint for industry

FIN MAIL 22/7/77

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What direction should industry take to lead it to the next century? The formulation of a route is the function of a new committee

The committee on industrial strategy, headed by Board of Trade chairman Basie Kleu, faces a daunting task. It is to chart industry's course right into the 21st century. No less.

Its eight members, drawn from government, business and the universities, met for the first time last week, and by all accounts they intend doing a thorough job.

The ocean they will have to navigate is vast. Manufacturing industry is the largest single component of GDP. In the Twenties, it accounted for less than 10%; today, it's 27%. And it is expected to grow to 35% by the turn of the century.

About 1,3m workers are employed in factories and, from the latest Economic Development Programme, it seems only mining will create jobs at a faster rate over the next five years.

Self-sufficiency

Clearly, as the Du Toit Viljoen Commission on Protection of Industries pointed out 20 years ago, "the prosperity of the economy and the welfare of its people have become very closely aligned with the fortunes of secondary industry". The question is: how to maximise this prosperity and welfare?

Since the late Forties, the emphasis has been on increasing self-sufficiency through import replacement. Import controls, tariff protection and generous tax incentives are among the perks that have promoted local industry. By and large they have paid off.

Expanding iron, steel and heavy engineering capacity, motor assembly lines, electronics plants, armaments factories and many others have reduced the country's vulnerability to foreign pressures.

These and other industries have provided scores of thousands of jobs, not only for unskilled labourers but for many highly-trained men who might otherwise have left the country. Indeed, sophisticated new industries have been a magnet for thousands of skilled immigrants.

They have also given an impetus to many other industries and services, and to the improvement of facilities at the universities and technical colleges

More recently, however, some of these arguments in favour of a continuing drive towards self-reliance have lost much of their shine Instead, job creation is being billed as the first and foremost criterion for future industrial development

Indeed, the main indictment against past and present import substitution drives, is that, they have failed to provide *enough* jobs for the burgeoning population. One reason is that, since the bulk of imports are high-technology capital goods, it is possible to replace them only by setting up capital-intensive industries

What's more, SA simply does not have the resources to provide the specialised skills required for many "import replacement" industries. Last week, the *FM* highlighted the shortage of electronics experts SA needs an extra 480 electronics engineers and 5 000 technicians annually Yet our universities will this year turn out only 30 electronics engineers

Basie Kleu . . . peering into a clouded future

Moreover, with political uncertainty likely to continue for years to come, SA cannot rely on the steady stream of immigrants of past years

Then there is the point that self-sufficiency in intermediate or finished products may not mean much if SA still depends on the outside world for supplies of raw materials to make these products Though SA now has its own aluminium smelter, for example, it still depends on imported alumina to feed it Over a third of what goes into a new car is imported Components for the "strategic" TV industry are almost all imported

Not only do short production runs make many local industries uneconomic without heavy tariff protection, but several strategic projects have barely lessened SA's dependence on foreign supplies The fledgling ball bearing industry not only imports special steels from Sweden (hardly one of apartheid's best friends) but it can manufacture only a small proportion of the range of products required Sasol II will produce less than 30% of local fuel needs by 1982

Make more jobs

Understandably, then, there are moves in some quarters to downgrade the importance of self-sufficiency as the criterion for development and to work harder at job creation — and hence to move away from capital intensive towards labour intensive industries. This has implications for pricing policies, exports, decentralisation and even the exchange rate

To boost import replacement Pretoria decided several years ago, for example, to keep the prices of many basic industrial products (steel, electricity and cement, to name a few) artificially low. Result· Iscor and Escom had to borrow to the hilt and their huge interest burdens

are now contributing to the sharp increases in steel and power prices Their parlous financial state has also inhibited further expansion

Meanwhile, price control has stifled expansion (and thus job creation) in several sectors, like cement, bricks and, until recently, coal.

The "job creation" criterion could be applied to exports too. Unfortunately, SA's low labour productivity makes it unlikely that we could emulate successful labour-intensive export nations like Hong Kong, Taiwan and Korea But we could move in that direction

Instead of trying to compete (with the help of costly subsidies) against high-technology Japanese, American and German products, should we not rather concentrate on mining, agriculture and those industries with relatively high labour inputs. By subsidising the latter (the clothing industry, for example), taxpayers' money would at least be helping provide new jobs

There's growing evidence that economic planners appreciate that job creation has become one of SA's top priorities. And it's encouraging that the Kleu Committee will be taking a close look at those industries where the tendency towards capital intensive production has been most pronounced.

It will hopefully suggest practical ways of reversing the trend And of providing the jobs.

ID-GELD

Staan reg vir oplewing

(180)

DIE metode van finansiering wat deur Suid-Afrika se nywerheidsmaatskappye gevolg is tydens die resessie wat in 1974 begin het, was oor die algemeen gesond. Trouens, die huidige stand van hierdie maatskappye se geldsake plaas hulle in 'n gesonde posisie om 'n oplewing in die ekonomie ten volle te benut.

Anders as die algemene verwagting het hul likwiditeit nie juis verswak nie, terwyl daar ook nie buitengewoon van kort geld gebruik gemaak is om lang of vaste bates mee aan te koop nie. Die belangrikheid van eienaarskapitaal tot totale kapitaal aangewend, is ook nog binne die veilige grense.

Dit is van die belangrikste gevolgtrekkings waartoe dr. Hennie Reynders, uitvoerende direkteur van die Gefedereerde Kamer van Nywerhede, in 'n publikasie vir die Buro vir Finansiële Analise van die Universiteit van Pretoria kom. Die publikasie is 'n omvattende studie oor nywerheidfinansiering, sy huidige probleme en vooruitsigte in die Republiek.

Voorraadvlakke

Die publikasie toon onder meer die volgende:

● Die omsetsnelheid van voorraad het in die afgelope agttien maande van die resessie toegeneem. Die gemiddelde omsetsnelheid sedert 1970 was in die omgewing van 5 keer per jaar en dit het gedaal tot net meer as 4 keer aan die einde van 1974 en daarna weer verbeter tot dieselfde as die middel van die vorige groeifase in 1973.

● Onderstaande tabel toon dat geleende geld wel oor die tydperk tussen 1970 en 1976 as persentasie van totale kapitaal aangewend, gestyg het, maar dat dit nog steeds binne die aanvaarbare norme is.

Vreemde kapitaal as 'n persentasie van totale middele

Die BFA se syfers)

JAAR	KORT KREDIETE	LANG KREDIETE	TOTAAL
1970	27,9%	9,2%	37,1%
1971	28,8%	10,1%	38,9%
1972	28,5%	10,8%	39,3%
1973	28,9%	10,6%	39,5%
1974	33,4%	10,3%	43,7%
1975	30,5%	14,3%	44,8%
1976	27,9%	16,4%	44,3%

● Vervolg op bl. 3, kol. 7.

Hieruit is dit duidelik dat die land se nyweraars nie op hul voorraad gesit en broei het toe dit met sake nie meer so goed gaan nie. Uit die verhoging in die omsetsnelheid van voorraad wat saamval met 'n absolute afname in omset is dit duidelik dat die gemiddelde voorraadvlakke aansienlik moes gedaal het en dat dit 'n belangrike bydrae was tot die gesonde likwiditeit van hierdie ondernemings.

Bankrotskappe

● Die omsetsnelheid van debiteure het ook 'n mooi verbetering getoon en weg beweeg van die gemiddeld van ongeveer 5,7 vir die tydperk 1970 tot 1974 tot meer as 6 keer aan die einde van 1976.

Dat hierdie verbetering behaal kon word ondanks bankrotskappe wat nuwe rekord-hoogtes bereik het, getuig van die algemeen goeie kredietbestuur wat in die resessie toegepas is.

● Met die likwiditeit van die nywerheidsmaatskappy het dit ook besonder goed gegaan. Die standaard bedryfsverhouding het net hier teen die einde van 1974 en die begin van 1975 gedaal tot onder die aanvaarde laer limiet van 1,8, maar het intussen weer verbeter tot byna 2 tot 1. Die vuurproefverhouding toon 'n byna konstante verkoop op ongeveer 1,25 tot 1.

● Die kontantverhouding toon egter 'n merkbare verbetering sedert die begin van 1975. Kontant plus kwasi-kontant dek tans meer as 17 persent van die kort kredíete vergeleke by slegs 8 persent in die begin van 1975.

Só het eienaars gefinansier

● Vervolg van bladsy 1

Die styging in totale vreemde krediet van 37,1 persent tot 44,3 persent van totale middele aangewend, kan geheel en al toegeskryf word aan die styging in langtermyn-lenings van 9,2 persent tot 16,4 persent. Daar bestaan dus min grond vir die vrees dat die nywerheidsondernemings toenemend van korttermynlenings gebruik gemaak het om vaste bates mee aan te koop.

● Dit is verbasend dat aandeelhouerskapitaal nog steeds so 'n belangrike rol kan speel in die finansiering van hierdie ondernemings. Die mark vir die uitreiking van nuwe aandele oor die tydperk was morsdood, sodat die styging in eienaarskapitaal hoofsaaklik moes kom van onuitgekeerde wins.

Onderstaande tabel toon hierdie verloop baie duidelik.

Die persentasie samestelling van die eienaarsbelang van nywerheidsondernemings in Suid-Afrika van 1970 tot 1976

Jaar	Gewone aandele	Verdeelbare reserwes	voorkeur-aandele
1970	36,[illegible]	40,0%	20,8 %
1971	36,7%	40,0%	20,9
1971	33,6%	40,8%	23,2%
1972	31,3%	43,6%	22,6%
1973	28,0%	46,1%	23,7%
1974	25,0%	49,0%	[illegible]
1975	22,0%	52,4%	23,3%
1976	19,4%	53,5%	25,6%

Rente, belasting, dividende en onuitgekeerde winste as 'n persentasie van wins voor belasting en rente.

Jaar	Rente	Belasting	Divi[illegible]	Onuitgekeerde
1970	9,6%	31,4%	23,1	20,9
1971	11,6%	[illegible]	23,[illegible]	[illegible]
1972	12,8%	39,7%	23,[illegible]	[illegible]
1973	10,7%	30,0%	20,4%	31,9%
1974	10,6%	25,1%	21,1[illegible]	[illegible]
1975	15,3%	25,7%	24,4[illegible]	34,5%
1976	16,4%	20,1%	26,0%	[illegible]

Selfs aan die einde van 1976 was die rentelas dus nog meer as ses keer gedek deur die wins. Omdat die totale dividend slegs 24,6 persent van die wins uitgemaak het, moes die voorkeurdividende ook goed gedek gewees het.

Dit is ook interessant om daarop te let dat die gemiddelde belastingkoers van die nywerheidsmaatskappye gedaal het. Dit kan toegeskryf word aan die groot belastingtoelaes wat tans betaal word op nuwe kapitaalinvestering.

Oor die langer termyn voel dr. Reynders ook taamlik gelukkig. Hy wys op die land se ryk fisieke hulpbronne en menslike kragte, sy ondernemingsvaardigheid en nywerheidsdissipline en sy gesonde institusionele raamwerk om dit alles te ondersteun. Bowendien is daar in die private sowel as die owerheidsektor allerlei stappe gedoen om aan die strukturele en ander knelpunte aandag te gee.

Dr. Reynders sluit af deur te sê: „Wat die kort- en tussentermyn betref is die nywerheid met sy huidige finansiële struktuur en met oortollige kapasiteit in 'n goeie posisie om die verwagte oplewing, altans uit 'n finansiële oogpunt, met vertroue tegemoet te loop.

„Dit sou verstandig wees om 'n konserwatiewe finansieringsbeleid te bly voer en hierby die rentabiliteit, veral op die kort termyn, ondergeskik aan die likwiditeit te stel."

● Dr. Reynders lewer môre-aand om 19,30 uur die lesing in die Groot Saal van die C.G.W. Schumann-gebou op Stellenbosch.

Die eienaars het dus indirek deur die terugploeging van winste nog steeds 'n aansienlike bydrae tot die finansiering van hierdie ondernemings gemaak. Voorkeuraandele waaraan daar in baie gevalle seker 'n omskeppingsreg gekoppel is, het 'n stygende bydrae tot eienaarskapitaal gelewer. Die rede hiervoor is seker dat institusionele beleggers hierdie soort aandele verkies.

● Die aanspraak van rente op wins voor belasting is geneig om te styg in laagkonjunktuur. Maar selfs aan die einde van 1976 was dit nog binne 'n veilige grens soos onderstaande tabel toon.

RDM 1.8.77 (180)

Specific steps urged on import displacement

By CHRIS CAIRNCROSS
Industrial Editor

SEVERAL basic distortions adversely affecting the competitiveness of South African manufacturing industry will have to be corrected if any programme of import displacement and replacement is to achieve any measure of success.

These corrections will require both the public and private sectors to implement a specific series of policy measures which, it is hoped, could be suitably mapped out by the working group appointed by the Minister of Economic Affairs to develop an industrialisation strategy

The policy areas that could be pursued by this working group have been identified in the survey on the manufacturing industry's import substitution potential, prepared for the Federated Chamber of Industries, the Afrikaanse Handelsinstituut and the Steel and Engineering Industries Federation

It has been apparent for several years that the manufacturing sector has not been performing satisfactorily This has had an adverse effect on overall growth and in exacerbating the balance of payments problems

The authors say the prime function of their survey was to identify the causes for the lack of performance and competitiveness of certain subsectors of manufacturing industry to determine what policy options are open to correct them

It was acknowledged that whatever retarding influences were affecting industry would have to be redressed to make any progress with a programme of import substitution.

To this end the survey has made several recommendations to the Minister's working group It suggests that any investigation should encompass

- The relative roles of export promotion and import replacement and the policies needed to give effect to them in relation to the overall growth of industry in the short, medium and long-term,
- the optimum pattern of resources used, including natural, financial and manpower and the general availability of industrial inputs,
- competition policy, including the control over the monopolies and disruptive competition arising from market fragmentation,
- the sectoral interlinkages in the economy, the optimum development of an industrial structure implying the determination of priorities, and the regulation of disruptive industrial expansion,
- the promotion of a climate generall favourable to industrial expansion through the adequate availability of infrastructure, appropriate exchange rate policy, fiscal and monetary policies, the application of incentives, the attraction of foreign capital and the availability of the necessary institutions, adequate research and other necessary supporting services

In calling for a review of the principles governing the protection of industry, the survey says that in cases where an increase in tariff protection has been recommended, this has been resorted to only in those instances where the actual competitive disadvantage experienced by the industry was such that the sector could not experience adequate growth without protection

The eventual desire is to move as far away from protectionism as possible

The report notes "Disruptive competition both within the South African market and from imports has in certain instances promoted the formation of defensive arrangements and the introduction of market distortions which have further aggravated the competitive structure of the industries involved."

The report suggests that in studying the protection picture account should be taken of the following

- tariff protection,
- constraints on the ability of the Board of Trade and Industries to grant adequate protection,
- incidental protection granted through quota restrictions,
- the granting of interim protection, and
- the review of protection levels eroded by changes in the competitive circumstances or in the granting of protection to other products

In relation to the last point, the survey draws attention to the use made of formula duties by the Board of Trade, in terms of which a flexible formula is used to ensure that imported products will not be sold in competition with locally produced units below a floor price

The report comments that a major flaw in the system is that it is insensitive to changes in fundamental competitive relationships

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...tside Rhodesia)
...n urban areas)
...employment.
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...onstitute 35
...ers in 1975.

TABLE 7.

FOREIGN AFRICAN WORKERS
1956-75

Year	Number	%
1956	309 775	
1961	278 373	
1969	229 154	
1972	221 788	
1975	214 021	

Source: Rhodesia, Final Report on the Sep... C.S.O., Salisbury; Rhodesia, 196... C.S.O., Salisbury, (mimeo); C.S.O., African Employees By Count... Salisbury, (mimeo) ... Employees, ... '15,

As an ....

Sun.Trib 7/8/77

180

Business in brief

THE DEPARTMENT of Statistics' index of the physical volume of manufacturing for May stood at 189,2 for the period June 1976 to May 1977. This is 3,7 percent down on the index figure of 196,4 for the same period of the preceeding year's June, 1975 to May 1976 index.

CALAN BPK

Sake - Rapport 21/8/77

Direkteure
P Grobbelaar (Voorsitter) M J Speyer (Besturende direkteur) R Lurie H H Saenger S D R Searle H Shield, L R Tollemache, K L Wippinger

Voorlopige wins- en dividendverklaring

180

Winste
Die direksie maak die ongeouditeerde handelsresultate van die groep vir die jaar geeindig 30 Junie 1977 as volg bekend

	Jaar geeindig 30 Junie 1977	1976 (Geouditeer)
Verkope	**R120 649 000**	R107 345 000
Inkomste voor belasting	**8 723 000**	8 233 000
Belasting	**2 646 000**	2 986 000
Inkomste na belasting	**6 077 000**	5 247 000
Minderheidsbelang	**334 000**	316 000
Netto inkomste van Calan en sy filiale	**5 743 000**	4 931 000
Netto toeskryfbare inkomste van verwante maatskappye	**550 000**	600 000
Totale netto inkomste	**R6 293 000**	R5 531 000
Uitgereikte aandele	**7 112 547**	7 103 177
Verdienste per aandeel	**88 sent**	78 sent
Dividend per aandeel	**32 sent**	30 sent

Soos destyds in die tussentydse verslag gemeld is die winste van die maatskappy se Rhodesiese filiaal uitgesluit behalwe tot die bedrag van dividende wat werklik ontvang is, die netto uitwerking op verdienste per aandeel is onbeduidend Die verkopesyfers sluit die groep se deel van verwante maatskappye se verkope in Die nodige aanpassing is ooreenkomstig algemeen aanvaarde rekeningkundige praktyk ten opsigte van die vergelykende syfers aangebring

Dividend
Die direksie het 'n finale dividend van 23 sent per aandeel (1976 21 sent) verklaar wat saam met die tussentydse dividend van 9 sent per aandeel 'n totaal van 32 sent vir die jaar lewer (1976 30 sent) Die dividend sal op of ongeveer 4 Oktober 1977 aan aandeelhouers wat met die sluiting van besigheid op 9 September 1977 in die boeke van die maatskappy geregistreer is betaal word Die oordragregister en lederegister sal nie vir die doel van dié dividend gesluit word nie

Jaarverslag
Die finansiele state vir die jaar sal op of ongeveer 9 September 1977 aan lede gepos word

P Grobbelaar
M J Speyer
Direkteure

16 Augustus 1977

Geregistreerde kantoor
7e Verdieping
Nedbank Gardens
Bathlaan 33
Rosebank
Johannesburg
2196

Oordragsekretarisse
Financial Administrators (Edms) Beperk
Atkinson House
Eloffstraat 24
Johannesburg
2001

high and the current account soon to swing into surplus, there is an argument that the pound's exchange rate should be allowed to rise while it can, to give it some resilience that would help to engineer a gentle drop later on rather than what could be an over precipitous one. But the British authorities do not buy it They believe British industry wants a stable exchange rate for the moment

The intention is to keep sterling within the informally declared band against the dollar for some months to come, probably until the end of the year But the UK Treasury estimates that between now and the beginning of 1979 its effective exchange rate will need to decline by about 10%

What it all suggests is that the strong currencies could appreciate a bit more against the dollar in the near future, but not all that much. The system of managed floating has been characterised by longish spells of calm and then sudden adjustments Central bankers like to think the present eruption has run its course

Blueprint for industry

(180)

What direction should industry take to lead it to the next century? The formulation of a route is the function of a new committee

The committee on industrial strategy, headed by Board of Trade chairman Basie Kleu, faces a daunting task It is to chart industry's course right into the 21st century No less

Its eight members, drawn from government, business and the universities, met for the first time last week, and by all accounts they intend doing a thorough job

The ocean they will have to navigate is vast Manufacturing industry is the largest single component of GDP In the Twenties, it accounted for less than 10%, today, it's 27% And it is expected to grow to 35% by the turn of the century

About 1,3m workers are employed in factories and, from the latest Economic Development Programme, it seems only mining will create jobs at a faster rate over the next five years

Self-sufficiency

Clearly, as the Du Toit Viljoen Commission on Protection of Industries pointed out 20 years ago, "the prosperity of the economy and the welfare of its people have become very closely aligned with the fortunes of secondary industry" The question is how to maximise this prosperity and welfare?

Since the late Forties, the emphasis has been on increasing self-sufficiency through import replacement Import controls, tariff protection and generous tax incentives are among the perks that have promoted local industry By and large they have paid off

Expanding iron, steel and heavy engineering capacity motor assembly lines, electronics plants, armaments factories and many others have reduced the country's vulnerability to foreign pressures

These and other industries have provided scores of thousands of jobs, not only for unskilled labourers but for many highly trained men who might otherwise have left the country Indeed, sophisticated new industries have been a magnet for thousands of skilled immigrants

They have also given an impetus to many other industries and services, and to the improvement of facilities at the universities and technical colleges

More recently, however, some of these arguments in favour of a continuing drive towards self-reliance have lost much of their shine Instead, job creation is being billed as the first and foremost criterion for future industrial development

Indeed, the main indictment against past and present import substitution drives, is that, they have failed to provide *enough* jobs for the burgeoning population One reason is that, since the bulk of imports are high technology capital goods, it is possible to replace them only by setting up capital intensive industries

What's more, SA simply does not have the resources to provide the specialised skills required for many "import replacement" industries Last week, the *FM* highlighted the shortage of electronics experts SA needs an extra 480 electronics engineers and 5 000 technicians annually. Yet our universities will this year turn out only 30 electronics engineers

Basie Kleu . . peering into a clouded future

Moreover, with political uncertainty likely to continue for years to come, SA cannot rely on the steady stream of immigrants of past years

Then there is the point that self-sufficiency in intermediate or finished products may not mean much if SA still depends on the outside world for supplies of raw materials to make these products Though SA now has its own aluminium smelter, for example, it still depends on imported alumina to feed it. Over a third of what goes into a new car is imported Components for the "strategic" TV industry are almost all imported

Not only do short production runs make many local industries uneconomic without heavy tariff protection, but several strategic projects have barely lessened SA's dependence on foreign supplies The fledgling ball bearing industry not only imports special steels from Sweden (hardly one of apartheid's best friends) but it can manufacture only a small proportion of the range of products required Sasol II will produce less than 30% of local fuel needs by 1982

Make more jobs

Understandably, then, there are moves in some quarters to downgrade the importance of self-sufficiency as the criterion for development and to work harder at job creation — and hence to move away from capital intensive towards labour intensive industries This has implications for pricing policies, exports, decentralisation and even the exchange rate

To boost import replacement. Pretoria decided several years ago, for example, to keep the prices of many basic industrial products (steel, electricity and cement, to name a few) artificially low. Result: Iscor and Escom had to borrow to the hilt and their huge interest burdens are now contributing to the sharp increases in steel and power prices Their parlous financial state has also inhibited further expansion

Meanwhile, price control has stifled expansion (and thus job creation) in several sectors, like cement, bricks and, until recently, coal

The "job creation" criterion could be applied to exports too Unfortunately, SA's low labour productivity makes it unlikely that we could emulate successful labour intensive export nations like Hong Kong Taiwan and Korea But we could move in that direction

Instead of trying to compete (with the help of costly subsidies) against high-technology Japanese, American and German products, should we not rather concentrate on mining, agriculture and those industries with relatively high labour inputs By subsidising the latter (the clothing industry, for example), taxpayers' money would at least be helping provide new jobs

There's growing evidence that economic planners appreciate that job creation has become one of SA's top priorities. And it's encouraging that the Kleu Committee will be taking a close look at those industries where the tendency towards capital intensive production has been most pronounced

It will hopefully suggest practical ways of reversing the trend And of providing the jobs

triandra and other species repre...

1972, personal communication).

Plots 37, 137 and 88 have a variation as they have a high basal cover of Eragrostis gummiflua. This variation is probably the result of some previous soil disturbance, such as ploughing.

The Elionurus argenteus community can be recognised on the photo image by its basic grey-Brown (gyBr) colour and a finely stippled texture caused by the distinctive tuft habit of the plant. Site factors are also of importance in photo image recognition as this type is usually found on south-facing slopes.

5.3.3 (vi) Elionurus argenteus - Heteropogon contortus - Themeda triandra co-dominant grassland community as represented by plots 85, 57, 55, 60, 89, 71 and 90

This type occurs in a number of situations on the pediment, with no evidence of specific habitat requirements.

Themeda triandra and Heteropogon contortus have been grouped for convenience as their photo image response is similar and although it has been suggested that Heteropogon contortus prefers the shallower soil sites the limited Themeda triandra sample does not make full analysis possible. (In plot 85 which has Themeda triandra dominant, the soil is shallower than in some of the Heteropogon contortus dominant plots).

This community, along with the Elionurus argenteus dominant type is the only one in which Eragrostis chloromelas does not occur as a dominant species. The community, apart from the dominants, has little to characterise it. The normal accompanying species of Setaria flabellata and Eragrostis capensis

Punch se eerste halfeeu

DIT is nie net Barlows wat vanjaar rede tot feestelikheid met sy 75ste bestaansjaar in Suid-Afrika het nie. Die voorsitter, mnr C S (Punch) Barlow, vier ook sy vyftigste jaar by die groep. En min mense in Suid-Afrika kan vandag na vyftig sulke hoogs vrugbare jare terugkyk.

Punch Barlow is in 1905 in Durban gebore, waar sy vader homself na die Tweede Vryheidsoorlog gevestig en met 'n klein ingenieursaak begin het.

Die jong Barlow het sy skoolopleiding by die Clifton College in Bristol ontvang en daarna van 1923 tot 1926 aan die Universiteit van Cambridge studeer en 'n graad in ingenieurswese verwerf.

As sportman het hy ook uitgeblink en elke jaar vir die universiteit se eerste rugbyspan gespeel. Die laaste jaar was hy kaptein. By sy terugkeer in Suid-Afrika in 1927 het hy dadelik kaptein van Natal geword. Dit het hy in 1928 herhaal en toe ook in die Springbokproewe gespeel.

Punch Barlow het later 'n geesdriftige polospeler geword en vir Transvaal en Suid-Afrika gespeel. In 1952 was hy kaptein van die Springbok-polospan.

Sy belangstelling in sport het hy behou en is vandag nog voorsitter van die River Club, 'n lid van die MCC, die Royal & Ancient Golf Club in Skotland en die enigste oorsese lid van die Cypress Point Golf Club van Amerika.

'n Groot persoonlike slag het die jong Barlow getref toe hy nog op skool in Brittanje was. Sy vader het weens wonde gesterf wat hy in die Slag van Delville-bos in die Eerste Wêreldoorlog opgedoen het.

Maar die familie se ingenieursaak het onder die bekwame leiding van Frank Euting floreer en toe Punch na Suid-Afrika terugkeer het die groep reeds 'n tak in Johannesburg gehad. Oor die volgende vier jaar is ook na Pietermaritzburg, Kaapstad en Bloemfontein uitgebrei.

Punch Barlow het in sy eerste twee jaar by die maatskappy sy meeste tyd bestee om in besonderhede kennis oor die groep se bedrywighede op te doen. In 1929 het Euting hom na Johannesburg toe as takbestuurder gestuur.

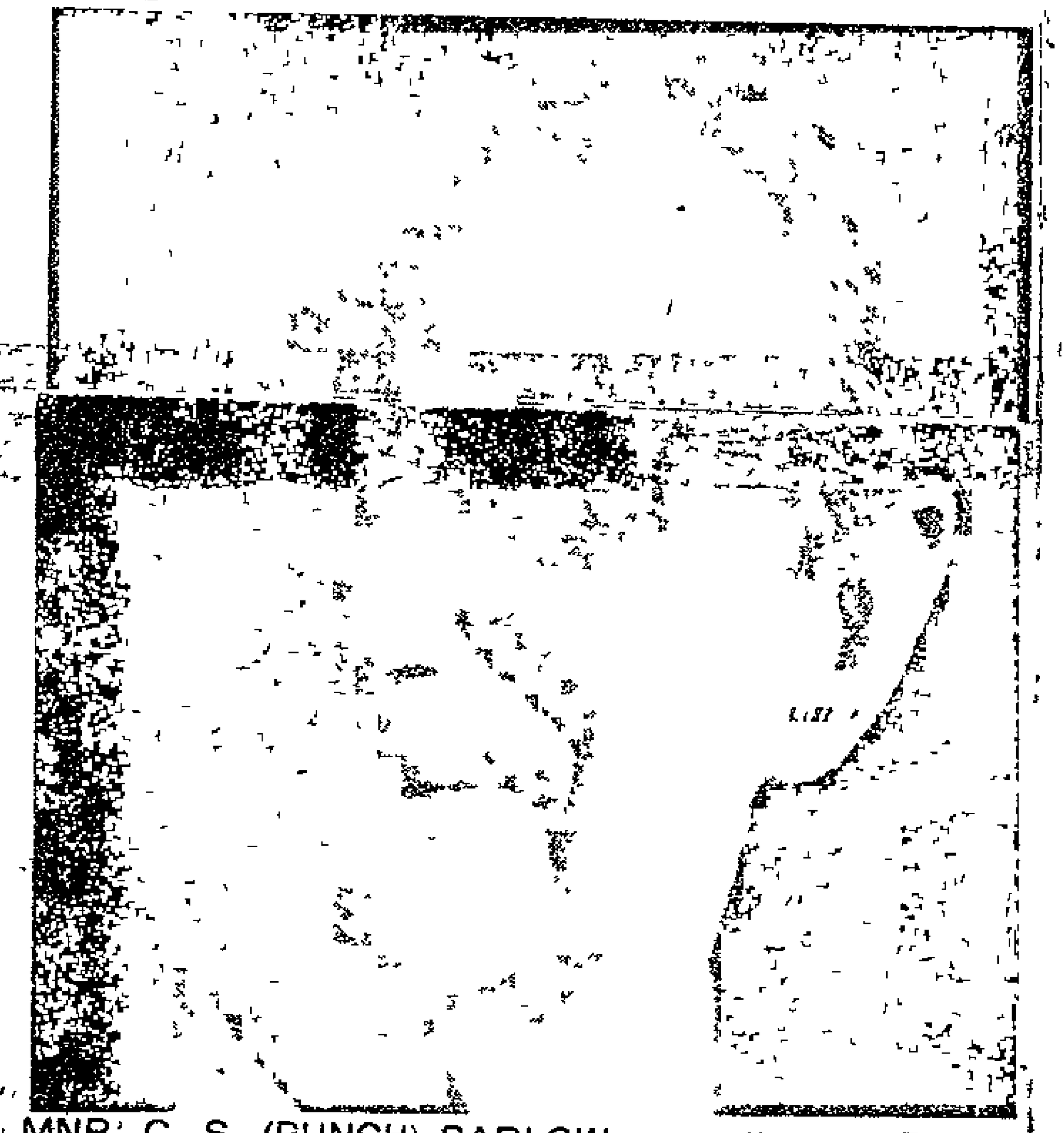
Die depressie was besig om in te tree en die 24-jarige Barlow moes moeilike tye deurgaan om tog uiteindelik al die storms te weerstaan. In 1941 is die maatskappy se aandele op die Johannesburgse Effektebeurs genoteer.

Punch Barlow het hom kort na die uitbreek van die Tweede Wêreldoorlog as 'n majoor by die veiligheidstak van die Weermag aangesluit. En teen die einde van die oorlog is hy aangestel as Kontroleur van Masjiengereedskap. Na die vredesluiting moes hy van 1945 tot 1946 die moeilike taak van voorsitter vervul van die raad wat van die oorlogsvoorrade ontslae moes raak.

Daarna het hy in 1948 voorsitter en besturende direkteur van Barlows geword. Die maatskappy het bestendig gevorder en toe begin om in 'n toenemende mate te diversifiseer — ook na die buiteland.

Onder Punch Barlow se leiding het die maatskappy se omset gestyg van R7,2 miljoen in 1948 tot R1 067,7 miljoen verlede jaar en die wins na belasting van R83[illegible] 000 tot R72,9 miljoen.

Hy is vandag 'n direkteur van sowat 500 maatskappye, is 'n lid van talle organisasies, het 'n menigdom sake-toekennings ontvang en is ook 'n modelboer in sy vrye tyd.



MNR. C S (PUNCH) BARLOW, voorsitter van Barlow Rand Bpk

Dit het alles in Durban begin

DIT is vanjaar presies 75 jaar gelede dat Ernest Barlow, vader van die huidige voorsitter Punch Barlow, Thos Barlow & Sons gestig het. Die eeste kantoor was in twee kamers wat uitgekyk het op die binnehof van die Central-Hotel net af van Durban se Mercury-laan.

Die maatskappy het begin deur komberse in te voer sowel as ander katoenware. Teen 1907 is daar na 'n groter kantoor in Smithstraat verhuis. Die maatskappy het toe ook al begin om ingenieursvoorrade- en toerusting vir die suikermeulens en steenkoolmyne te verskaf. In daardie jaar is 'n netto wins van [illegible] 2 228 geteen.

Die maatskappy is in 1918 in Suid-Afrika geïnkorporeer en twee jaar later het hy sy eerste tak in Harrisonstraat, Johannesburg geopen. Mnr Punch Barlow het, soos hiernaas genoem is, hom in 1927 by die maatskappy aangesluit en in 1937 besturende direkteur geword. Drie jaar later is die hoofkantoor na Johannesburg verskuif.

Die maatskappy het bestendig gegroei en het in die middel van die jare vyftig begin om na verskeie ander gebiede te diversifiseer, wat onder meer die swaar ingenieurswese, staalverspreiding, die elektronika, die motorhandel en die hout- en verpakkingsbedryf ingesluit het.

Maar die grootste oorname in sy geskiedenis was die samesmelting met Rand Mines in 1971. Die naam van die groep is toe na Barlow Rand verander.

In 1907 het Barlows net vier werknemers gehad. Vandag verskaf hy werk aan heelwat meer as 100 000 mense.

Wat as 'n klein handelsonderneming in Durban begin het, het tot een van die land se grootste nywerheidsgroepe gegroei en sy bedrywighede behels vandag die mynwese, vervaardiging, die bemarking van 'n groot reeks verbruikers- en nywerheidsgoedere en eiendom ontwikkeling.

Die jongste ontwikkeling is natuurlik die oorname van Fuchs-groep, wat interessant genoeg weer die aanknoop van bande behels wat jare terug strek. Barlows het in 1928 tot die vervaardigingsektor toegetree met die verkryging van Pioneer Steel Products, wat later aan Fuchs verkoop is.

Politiek en ekonomie nie te skei

DIE manne by Barlow Rand is baie bewus oor die maatskaplik-ekonomiese verantwoordelikhede van die groep. Die groep is uit die aard van die saak nou by die wel en die wee van die ekonomie betrokke en het belang by feitlik elke aspek van die daaglikse samelewing.

Die groep verskaf nog boonop werk aan meer as 100 000 manne en vroue van verskillende nasionaliteite. Die welsyn, lojaliteit, kundigheid en motivering van hierdie mense is vir hom van kardinale belang met die oog op die volgehoue welsiae van die groep.

Barlow Rand glo baie sterk dat dit nie langer moontlik is om die ekonomie van die maatskaplik politieke toneel in Suid-Afrika te skei nie. Daarom is dit ook 'n deel van die groep se beleid om sy swart, gekleurde en Asiatiese werknemers op te gradeer en hul geleenthede tot vordering binne die raamwerk van die bestaande wetgewing te verbeter.

Die groep meen ook dat dit noodsaaklik is dat sekere wetlike veranderinge aangebring word in veral sulke gebiede soos die verwydering van wetgewende en ander hindernisse tot die ekonomiese vordering van swart en gekleurde werkers. Hy meen ook dat daar voorsiening gemaak word vir regte tot onderhandeling vir die swart werkers wat gelykstaande aan die van die ander rassegroepe is.

In die groep word ook baie gedoen om toesighoudende hoedanighede te ontwikkel en om opleiding in die werk by die verskillende maatskappye aan te moedig. Reelings is ook getref om swart werknemers te help om hul eie huise aan te skaf en daar is ook mediese hulp- en pensioenfondse vir al die groep se werknemers ingestel.

Die C S Barlow-Stigting is in 1975 tot stand gebring, met sy hoofdoelwit om die aanbod van geskoolde werkkrag in Suid-Afrika te verhoog deur die onderrig en opleiding van alle rassegroepe te steun.

'n Onlangse voorbeeld hiervan is die oprigting van 'n bedryfskool van R600 000 vir die mense van Lebowa.

Planne vir die oprigting van 'n tegniese skool in die Ciskei-tuisland is ook in 'n gevorderde stadium en behoort voor die einde van volgende jaar voltooi te wees.

In die algemeen is dit die stigting se plan om eerder tegniese as akademiese opleiding te verskaf. Dit is ook een van die talle gebiede waar Barlow Rand probeer om sy beskeie deel by te dra tot die beste benutting van die land se menslike hulpbronne.

Op 'n heel ander gebied het Barlow Rand 'n geskiedkundige huis in Kimberley gekoop, dit gerestoureer en toe aan die stad se McGregor-museum vir bewaring oorhandig. Die huis is Dunluce, wat in die jare ná die beleg van Kimberley die woning van John Orr geword het en een van Kimberley se statigste en mees elegante huise was.

Wat donasies en skenkings aan welsyn en verdienstelike projekte betref, doen die groep ook meer as sy deel. Sy amptenare staan ook hul plek in die samelewing vol en 'n mens kan maar net aan die voorbeeld dink wat Punch Barlow en Mike Rosholt stel.

Behalwe die talle ander liggame waarin hy dien, is mnr Barlow ook 'n lid van die Regering se Adviesraad oor Verdediging, terwyl mnr Mike Rosholt ook nog 'n lid van die Eerste Minister se Ekonomiese Adviesraad is.

Eiendom nou 'n krag

Deur ALPHONS DU TOIT

ONGEVEER vyf persent van die inkomste na belasting van die reuse-Barlow Rand-groep is regstreeks afkomstig uit die landwye bedrywighede van sy eiendomsfiliaal, Rand Mines Properties.

Só sê mnr John Maree, die groep se uitvoerende direkteur met verantwoordelikheid vir eiendom. Hy het aan Sake-RAPPORT gesê:

„RMP besit onontwikkelde grond van 51 553 ha, waarvan 4 632 ha aan die sentrale Witwatersrand gelee is. Deur sy filiaal, Transvaal Gold Mining Estates, besit RMP meer as 14 000 ha in Oos-Transvaal, en deur sy filiaal Thesens, 'n verdere 32 000 ha in die omgewing van Knysna.

„Dan besit RMP verskeie dorpsgebiede aan die sentrale Witwatersrand en naby Witbank, asook 'n aantal geboue, woonstelblokke, huise en pakhuise in verskillende dele van die land."

'n Akkurate skatting van die waarde van die grond wat deur RMP besit word, is onbekombaar. Maar as 'n versigtige raming gemaak moet word, dan beloop die bedrag duisende miljoene rand.

Rand Mines Properties is inderdaad die land se grootste ontwikkelaar van dorpsgebiede. En ondanks die heersende resessie wat die eiendomsmark landwyd kwaai tref, is 1977 'n uiters bedrywige jaar vir RMP.

Bouprojekte van meer as R115 miljoen is in aanbou of nader voltooiing op persele aan die sentrale Witwatersrand wat van RMP gekoop is. Behalwe van die grond wat reeds verkoop is, beskik RMP oor nog 4 600 ha waardevolle ou myngrond wat in 'n gordel van Florida-meer tot by Germiston strek.

En volgens RMP se besturende direkteur, mnr Tony Hall, is al die grond pragtig geleë vir feitlik enige soort ontwikkeling. Hy het aan Sake-RAPPORT gesê: „Ons besit grond wat geskik is vir residensiele-, nywerheids-, pakhuis- en selfs fabrieksontwikkeling.

„En al ons grond is uiters gerieflik geleë ten opsigte van spoorverbindinge en die bestaande en beplande padnetwerk." 'n Indrukwekkende kenmerk van RMP se bedrywighede is dat al die ou myngrond behoorlik herwin en beplant word alvorens dit vir ontwi[illegible]

P. cont.

word In die omgewing van sy Selby- en Ormondedorpsgebiede het RMP reeds meer as 30 000 bome en struike geplant Vir RMP is die omgewing self 'n belangrike prioriteit

Wat veral tref is RMP se benadering tot die vorige geskiedenis van sy eiendomme „Wat die sentrale Witwatersrand betref, is dit alles ou myngrond," sê mnr Hall, „en vanselfsprekend is daar allerhande oudhede Daar is byvoorbeeld die ou skagtorings van Crown Mines Ons gaan hulle behou want hul vorm deel van die geskiedenis van die hele Witwatersrand."

So ook word baie aandag (en heelwat geld) aan die omgewing bestee

Derduisende bome en struike is aangeplant, die ou mynhope is met gras bedek en alles moontlik word gedoen om die grond te herwin en te verfraai

„Die totale vrypag-eiendomsbesit van Barlow Rand is een van die groep se belangrikste kragte," het mnr John Maree gesê „Vir baie jare sal eiendom 'n integrale deel uitmaak van Barlow Rand se bedrywighede"

Mnr Maree het verduidelik dat RMP die groep se bedryfsarm is wat eiendom betref Maar 'n ander maatskappy Hillman Brothers besit die grond en geboue wat uitsluitlik deur Barlow Rand benut word vir fabrieke, kantore en pakhuise

SO vertoon die splinternuwe korporatiewe hoofkantoor van die reuse-Barlow Randgroep van maatskappye Dit heet Barlowpark en is teen 'n koste van R5 miljoen in die dorp Sandton opgerig

PP Cement word gekonsolideer

PRETORIA PORTLAND CEMENT het vroeer vanjaar 'n filiaal van Barlow Rand geword waarin hy 'n belang van 53 persent het en hierdie reuse-vervaardiger van sement se bedrywighede sal vanjaar die eerste keer by dié van Barlow Rand gekonsolideer word.

PPC is egter geen vreemdeling in die groep nie Die maatskappy word sedert sy stigting in 1892 deur Rand Mines bestuur Die PPC-groep het bestendig gegroei om in 1976 'n omset van R73,3 miljoen en 'n gekonsolideerde wins ná belasting van R11,8 miljoen te haal Terselfdertyd is die maatskappy ook met 'n uitbreidingsprogram van R50 miljoen besig

Barlow Rand het tot vroeer vanjaar 'n belang van 31,6 persent in PPC gehad Maar met 'n uitruil van aandele het Northern Lime 'n volfiliaal van PPC geword en het Barlow Rand se belang toe tot meer as 50 persent gestyg

Northern Lime is sedert die begin van die eeu 'n produsent van kalksteen en voorsien op die oomblik in meer as die helfte van die land se benodigdhede

Sy bedrywighede word nou met die van PPC gerasionaliseer en behoort groot voordele in te hou

Maar met die huidige insinking in die boubedryf moet PPC noodwendig 'n maer tydperk deurgaan Die besturende direkteur van PPC, mnr G R Luyt, meen dat die binnelandse afset in volume vanjaar 10 tot 11 persent minder as verlede jaar gaan wees

Omdat die sementbedryf kapitaalintensief is met 'n aansienlike vaste element in sy koste-struktuur, is dit dus duidelik dat die afname in die vraag 'n wesenlike uitwerking op die resultate van die groep sal hê

Omdat die verhoging in die vermoe van 'n sementaanleg 'n langtermynsaak is, is PPC in die ongemaklike posisie dat hy ondanks 'n agteruitgang in sy finansiele posisie genoodsaak is om steeds met uitbreidings vir die toekoms voort te gaan

Die besluit om by die Slurry-aanleg uit te brei, is in 1972 geneem toe die ekonomie baie sterk was en aanwysers op 'n volgehoue en toenemende vraag na die groep se produkte gedui het

En op die oomblik word verdere uitbreidings beplan om te kan tred hou met die verwagte sterker vraag in die jare tagtig

Maar intussen wend die groep alles aan om die uitvoermark te ontgin Dit is veral die fabrieke naby aan die land se hawens wat hier baie bedrywig is

Die Slurry-aanleg het 'n vermoe van 800 000 ton per jaar, wat die PPC-groep se totale produksievermoe nou tot meer as 4 miljoen ton per jaar opstoot Die groep voorsien ook op die oomblik in meer as 50 persent van die land se sementbehoeftes

Die plan is om die groep se vermoe in Wes-Kaapland met 'n verdere 500 000 ton per jaar te verhoog in die tydperk 1980-'81 Die groep verskaf op die oomblik werk aan meer as 4 300 mense

Fuchs pas goed in

SOOS verwag is, het die Barlow Rand kontant- en aandeelbod vir C J Fuchs groot ingang gevind by die Fuchs-aandeelhouers

Tydens die algemene vergadering op 30 Augustus het aandeelhouers feitlik eenparig in die guns van die Barlow-reelingskema gestem Op 6 September is die skema deur die hooggeregshof bekragtig en op 9 September is die Fuchs-aandele van die lys verwyder

Daar is nogal 'n groot ooreenkoms tussen die Fuchs-groep en Barlow Rand Albei het baie beskeie begin Dit was 47 jaar gelede dat dr C J Fuchs, sy vrou, Emily, en 'n swart assistent in Johannesburg 'n onderneming begin het, wat bekend was as C J Fuchs, geregistreerde loodgieter en plaatmetaalspesialis

Vandag het die groep 'n aanleg op 21 hektaar sowat 12 kilometer van Alberton af, waar die meeste van die groep se produkte vervaardig word

En wanneer 'n mens na die reeks produkte kyk wat Fuchs vervaardig, is dit duidelik dat dit in talle opsigte aanvullend tot die van Barlow Rand se bedrywighede in dieselfde gebied is

Dié oorname is sinvol en hou klaarblyklik groot voordele vir albei groepe in, veral op die gebied van gesamentlike tegniese kundigheid en 'n breer produktebasis

(180)

Barlows het miljoene aan kontant

BARLOW Rand het 'n lang pad agter die rug en spog met 'n indrukwekkende groei. Oornames en samesmeltings het in hierdie groei geen geringe rol gespeel nie. En ofskoon die groep voortaan baie langtand aan 'n nuwe gebied sal byt, bly hy steeds op die uitkyk vir moontlike oorname-kandidate.

Dit word bevestig deur die onlangse oorname van die Fuchs-groep en die aanbod wat Barlow Rand om Samancor gemaak het Die aanbod om Samancor was net soos die van General Mining en Anglo American nie suksesvol nie. Maar dit is een ding bewys. dat die Barlow Rand-groep se finansiele posisie op die oomblik baie sterk is

En dat die groep se finansiele posisie baie gesond is, is deur die ondervoorsitter en uitvoerende hoofbeampte, mnr. Mike Rosholt, in 'n onderhoud met Sake-RAPPORT bevestig

Mnr Rosholt het dit egter beklemtoon dat daar nie na oornames gesoek word om groei aan die groep te gee nie Die groep se beleggings is nou so versprei dat sy groei tot groot hoogte van die groei in die land se ekonomie afhang

Die verspreiding van sy beleggings pas nou baie goed in by die bestuurstalente van die groep en daar is geen planne tot 'n groter verspreiding van beleggings nie

In sy eie gebied is Barlow Rand egter steeds aktief, soos die Fuchs-transaksie en die Samancor-aanbod bewys Fuchs pas baie goed by die bedrywighede van Barlow Rand in daardie sektor van die mark, terwyl Samancor weer goed by die groep se bedrywighede in die yster- en staalbedryf sou ingeskakel het

Die mynwese is ook nou besig om 'n al hoe groter rol in Barlow Rand se bedrywighede te speel En dit kon ook nie in 'n beter stadium so begin ontwikkel het nie

verskil nie, mits daar nie 'n verdere agteruitgang is nie

Met die einde van die boekjaar net om die draai, het mnr Rosholt aan Sake-RAPPORT gesê dat daar nog geen rede is om van hierdie verwagtinge af te wyk nie en aandeelhouers kan dus minstens weer 'n onveranderde dividend van 24c verwag

In die tussentydse verslag is ook melding gemaak van die verandering in die samestelling van Barlow Rand se wins Hieroor sê mnr Rosholt dat dit strook

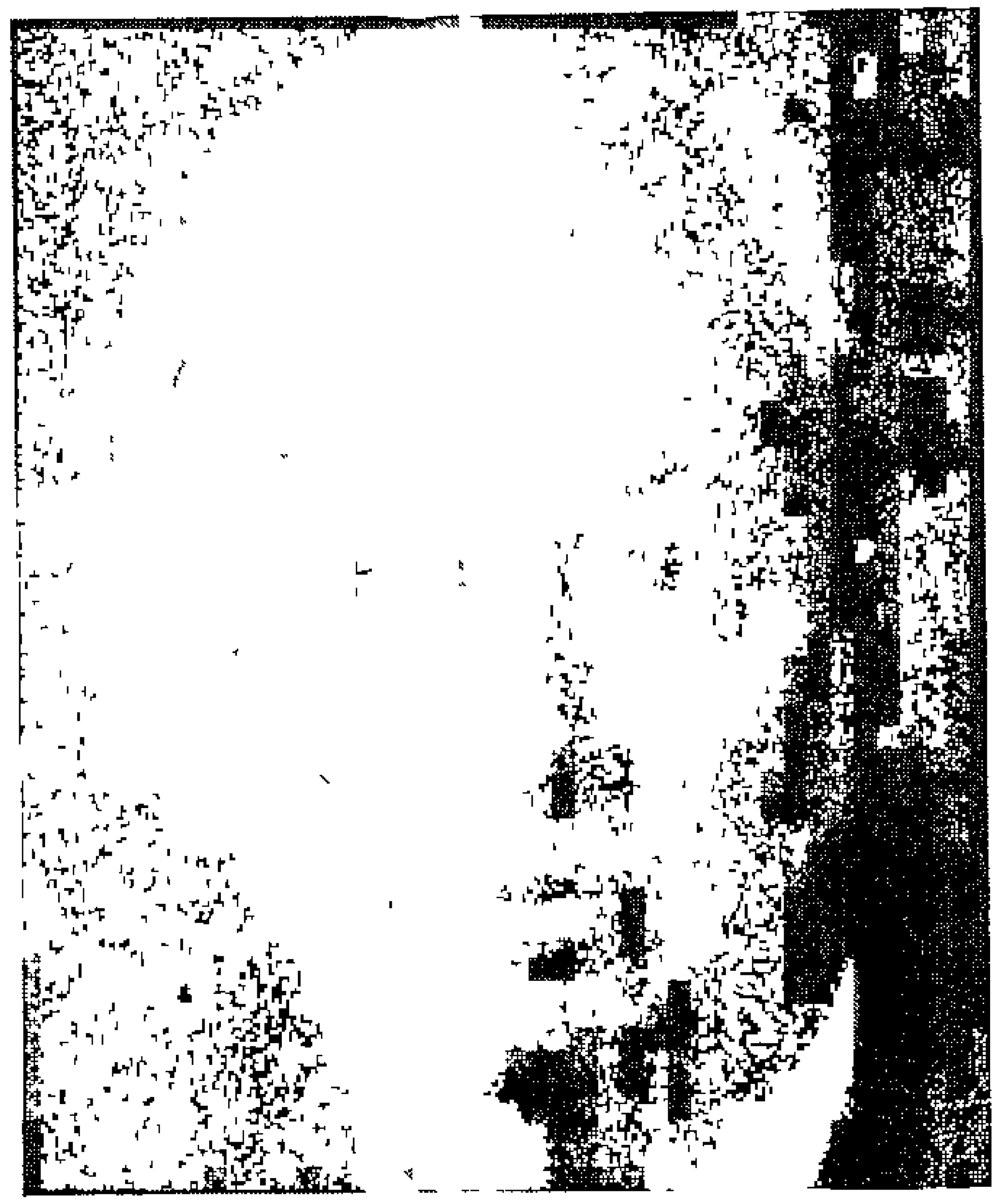
BARLOW RAND, een van die land se oudste nywerheidsgroepe, vier vanjaar sy 75ste verjaardag. Met die oog hierop het Sake-RAPPORT die groep se bedrywighede van nader gaan beskou, waaroor David Meades op hierdie twee bladsye verslag doen.

Daar is toe na die mark gegaan om leningsfondse wat teen koerse verkry is wat vandag hoogs aantreklik is Die kapitaalprogram vir die vyf jaar tot einde September 1981 word op R211,5 miljoen geraam, teenoor R185,7 miljoen die vorige jaar

En behalwe die sterk leningsfondse tot sy beskikking, ploeg die groep nou al vir die afgelope drie jaar meer as R50 miljoen per jaar terug Dan kan begryp word hoe Barlow Rand ook in staat was om 'n kontantaanbod vir Samancor te doen

'n Ander baie sterk faktor in Barlow Rand se guns is die gehalte van sy bestuur — iets waaraan mnr. Rosholt klaarblyklik groot waarde heg Hy sê dat hy eerder sterk bestuursbates en goeie winssyfers as groot bates verkies

Die bestuur van die groep is baie doeltreffend gedesentraliseer, wat ook noodsaaklik is vir 'n groep wat se bedrywighede so wyd gediversifiseer is Maar dit beteken hoegenaamd nie dat mnr Rosholt nie steeds in beheer is nie Dit kan ook nie anders nie Hy is immers die man wat tot groot hoogte die argitek agter die groei van Barlows die afgelope dekade of wat is, die man wat alles beplan en tot uitvoering gebring het



MNR. A M ROSHOLT, vise-voorsitter en uitvoerende hoofbeampte van Barlow Rand Bpk.

Uitvoer mik na R200 milj.

BARLOW RAND behoort 'n sterk aanspraakmaker op die Staatspresident se toekenning vir uitvoerprestasie te wees en hy gaan vir 'n groot verrassing vanjaar sorg. Die groep het trouens pas die posisie bereik waar hy nou 'n netto uitvoerder is.

Barlow Rand is sedert die begin van die jare sewentig besig om sy vervaardigingsvermoe kwaai op te stoot en uitvoermarkte vir baie van sy produkte te ontwikkel

In die jaar tot einde September 1976 het die groep altesame R141 miljoen se goedere ingevoer In daardie jaar het die uitvoer egter 'n geweldige sprong tot R105 miljoen geneem Die vorige jaar was die syfer net R33 miljoen

Hierdie sterk groei duur voort In die eerste ses maande van sy lopende jaar het die uitvoer reeds R101 miljoen gehaal, terwyl die invoer tot R69 miljoen gedaal het

Volgens mnr Mike Rosholt, uitvoerende hoofbeampte van die groep, is dit moontlik dat die uitvoer vanjaar byna R200 miljoen kan haal, wat die groep nou een van die land se voorste uitvoerders maak

Byna al die afdelings in die groep het 'n bydrae gelewer in die bereiking van hierdie grootse prestasie, maar die welslae van Middelburg Steel, die ingenieursafdeling en United Plywood het veral skitterend vertoon

Die steenkoolaanleg by Van Dyksdrift het in April 1976 inbedryf gekom en het ook die uitvoerprestasie sterk gestoot Die steenkool wat hier geproduseer word, word na Japan, Europa en Amerika uitgevoer Die gesamentlike onderneming van Barlow Rand met Shell Coal gaan ook mettertyd die steenkooluitvoer verder verhoog

Die uitvoer van steenkool het in die verlede kwaai kritiek op die lyf geloop, veral van die kant van die Petrick-kommissie af, wat 'n versigtige beleid aanmoedig

Maar Barlow Rand meen dat die uitwerking van die uitvoer op die land se steenkoolreserwe, veral sover dit die kole met 'n lae asgehalte betref, relatief klein sal wees Die groep is ook daarvan oortuig dat die land se volgehoue behoefte aan buitelandse valuta baie meer gewig dra

Mike Rosholt optimisties

DIE huidige ekonomiese toestand in die land is steeds moeilik en die volgehoue tydperk van maatskaplikekonomiese ontwikkeling wat ons nodig het, sal nie maklik bereik kan word in die huidige klimaat van resessie, inflasie en betalingsbalansprobleme nie

Daar is egter 'n paar goeie tekens, sê mnr Mike Rosholt, uitvoerende hoofbeampte van Barlow Rand Die verbetering in die prys van goud en die styging in die land se uitvoerverdienste is belangrike faktore wat kan help tot 'n oplewing in die binnelandse ekonomie

Barlow Rand is in die algemeen optimisties oor die toekoms, sê mnr Rosholt Die groep het 'n bree basis in vervaardiging, die mynwese en verspreiding Met sy sterk bestuurspan en sterk finansiele posisie is hy in 'n goeie posisie om die voordeel te trek uit enige geleenthede wat hul kan voordoen en is ook reg vir 'n oplewing in die ekonomie

Die klem van die groep se bedrywighede het oor die laaste paar jaar verskuif van verspreiding na die mynwese en vervaardiging Hierdie beleid het die groep ook minder afhanklik van invoer gemaak en terselfdertyd daartoe bygedra dat die groep nou een van die groot uitvoerders is wat van groot belang vir die land se ekonomie is

Die toekomstige groei sal hoofsaaklik uit eie krag geskep word, maar daar is natuurlik ook nog altyd die moontlikhede van oornames, waaroor hiernaas ook melding van gemaak word. Maar dan moet so 'n maatskappy deur mense van integriteit en gehalte bestuur word en by die groep se bestaande spektrum van bedrywighede inpas, sê mnr Rosholt

Myne se rol al hoe groter

RAND MINES BEPERK is die Barlow Rand-groep se mynbouvolfiliaal. Met belange in die goud-, uraan-, steenkool-, chroom- en houtbedryf, is Rand Mines die groep se grootste verdiener — en wanneer die aansienlike uitbreiding wat nou beplan word, eers afgehandel is, behoort sy persentasiebydrae tot die groepwins nog verder te styg.

Die Transvaal Consolidated Land en Exploration-maatskappy, waarvan Rand Mines 59 persent besit, het groot belange in die groep se steenkool-, chroom- en houtbedrywighede Rand Mines administreer elke mynboumaatskappy regstreeks

Vanwee die energiekrisis beklemtoon die groep die ontwikkeling van sy steenkoolafdeling al meer Twee nuwe myne — Duvha en Rietspruit — word tans in gebruik geneem, teen 'n totale kapitaalkoste van meer as R400 miljoen Duvha sal steenkool lewer aan die nuwe Evkomkragstasie met dieselfde naam, terwyl Rietspruit, wat saam met Shell ontwikkel word, op die ryk uitvoermark gemik is

Die groep se totale steenkoolproduksie sal na verwagting oor die volgende vyf jaar met nagenoeg 25 miljoen metrieke ton per jaar klim

Die groep se koolmynbelange word beheer deur twee bedryfsmaatskappye, wat elk sowat sewentig persent deur TC Lands besit word Een is in die Transvaal en een in Natal Witbank Colliery is die beheermaatskappy vir die vyf koolmyne in die Witbankstreek, terwyl die Welgedacht Exploration-maatskappy drie koolmyne naby Utrecht in Natal besit

'n Aansienlike deel van die huidige produksie word uitgevoer, veral na Japan, maar ook na Europa en ander wêrelddele Die nuwe uitvoerhawe, Richardsbaai, word hiervoor gebruik

Rand Mines administreer vier werkende goudmyne

Die grootste produsent is Harmony, een van die twee grootste goudmyne in die land Harmony is ook 'n baie groot produsent van uraan Die groep se ander groot goudmyn, Blyvooruitzicht, lewer eweneens uraan Albei myne is besig om hulle uraanproduksievermoe te vergroot

By Harmony word 'n kapitaalbestedingsprogram uitgevoer wat die produksie van die 200 000 ton wat vier jaar gelede maandeliks gemaal is, sal verhoog na 600 000 ton per maand aanstaande jaar — 'n drievoudige verhoging binne ses jaar Hierdie uitbreiding is moontlik gemaak deur grootskaalse besteding aan verwerkingsaanlegte, mynbouwerk (met inbegrip van 'n hele nuwe skagkompleks) en behuising vir sowel swartes as blankes Harmony se nuwe koshuis van R10 miljoen vir swartes is een van die modernste in die mynbedryf.

Rand Mines se ander twee goudprodusente is East Rand Proprietary Mines en Durban Roodepoort Deep

Deur TC Lands besit Rand Mines een derde van Suid-Afrika se bruikbare chroomertsreserwes Die groep produseer chroom deur drie bedryfsmyne Winterveld (TCL) Chrome Mines in Oos-Transvaal en Millsell Chrome Mines (Edms) en Henry Gould (Edms), albei in Wes-Transvaal

'n Grootskaalse uitbreidingsprogram word beoog om die groep se chroomproduksie te verhoog tot sowat 1,8 miljoen ton oor die volgende vyf jaar

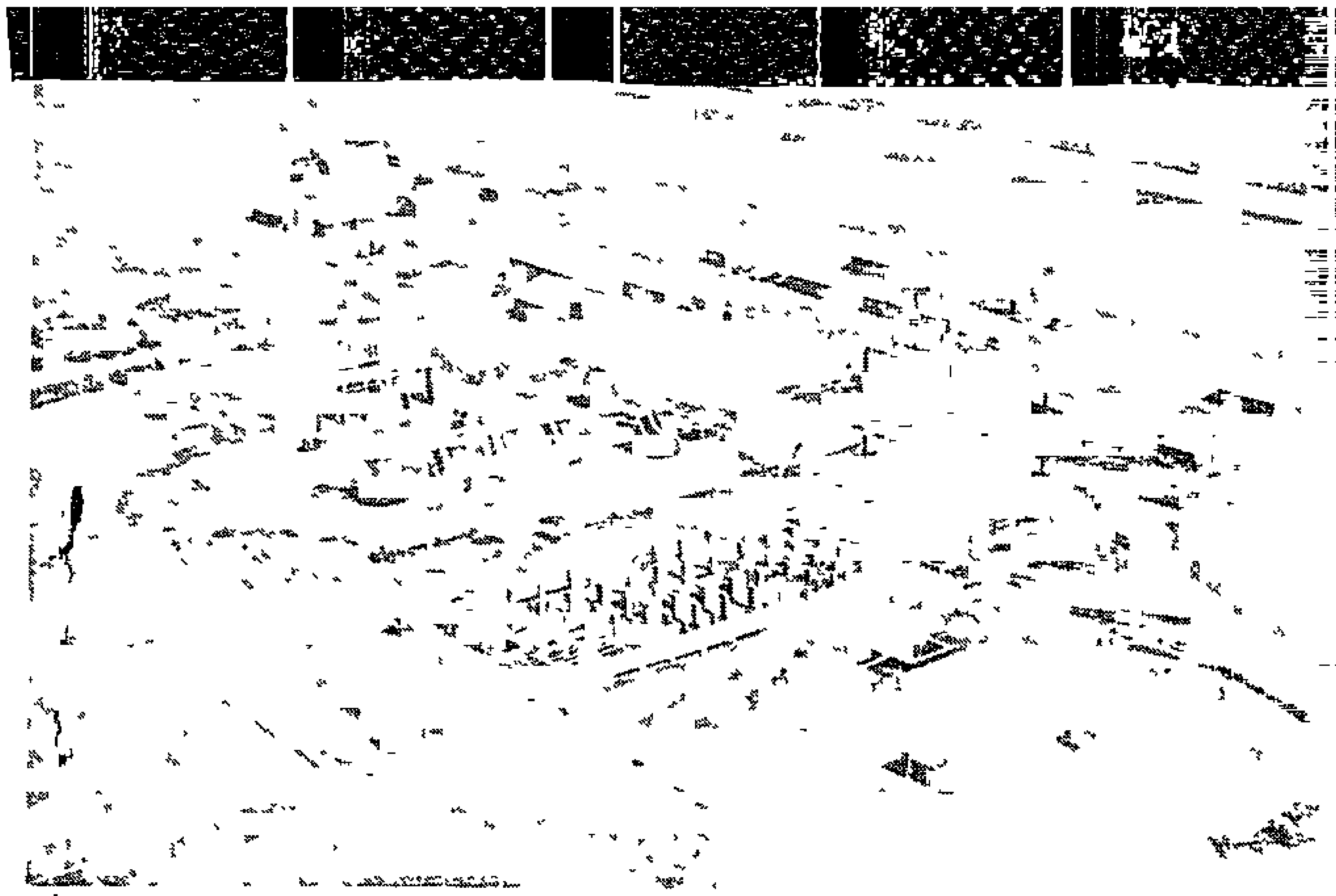
Met die huidige resessie in die land se ekonomie word die knyp ook sterk gevoel by Barlow Rand se filiale in die boubedryf en dié wat op verbruikersgoedere soos TV-stelle, koelkaste, stowe ens ingestel is

Maar sy beleggings in die mynbedryf begin nou al hoe sterker op dreef kom en gaan daarvoor sorg dat die skok aan die een kant so sag as moontlik oor die hele groep versprei word

In die tussentydse verslag van die groep in Mei vanjaar het mnr Rosholt aangedui dat die direksie verwag dat die verdienste van die groep nie wesenlik met die van die jaar tot einde September 1976 sal met die langtermyndoelwitte van die groep en hy verwag dat die mynwese se bydrae tot die groep se wins vanjaar sowat 30 persent kan wees, teenoor verlede jaar se 22,4 persent Aan die verspreidingkant word egter 'n afname verwag, terwyl die bydrae deur vervaardiging of verwerking ook kan toeneem Laasgenoemde sal egter hoofsaaklik wees oor die vordering by Middelburg Steel en Southern Cross Steel

Die mynwese se bydrae word natuurlik baie sterk gestoot deur die groep se ontwikkelingsplanne in die steenkoolbedryf, wat nou sterk op dreef begin kom

Die Barlow Rand-groep werk volgens vyfjaarplanne, wat baie duidelik tot groot voordeel ingespan word Dit was byvoorbeeld hierdie plan wat 'n jaar of drie gelede daarop gedui het dat groot bedrae kapitaal op die oomblik nodig sou wees om sekere groot projekte uit te voer



SÓ lyk dit deesdae by die Rietspruit-steenkoolmyn van die Barlow-Rand-groep Dit bou dat dit klap

Omvang oorspan alles

MET 'n omset wat vanjaar heelwat meer as R1 00- miljoen sal wees, is dit baie moeilik om 'n oorsig v- die hele Barlow Rand-groep se bedrywighede in ' beknopte vorm te gee.

Soos reeds hier uiteengesit, is daar die mynwese en die sementbedryf en natuurlik die belang in eiendomme

Die verspreiding van grondwerktuigtoerusting het 'n belangrike rol in die sukses van die groep gespeel Barlows is 50 jaar gelede aangestel as Caterpillar-agente en sodoende vier hierdie afdeling ook 'n belangrike mylpaal hierdie jaar

Barlows vervaardig en versprei ook Oshkosh-swaarvoertuie Oshkosh is die enigste Suid-Afrikaansbesitte vragwamaatskappy en die voertuie kan spog met die hoogste plaaslike inhoud

Die groep is ook sterk in die verspreiding van staalprodukte, veral deur sy filiaal, Robor Robor Steel Services is weer 'n groot verwerker van staal

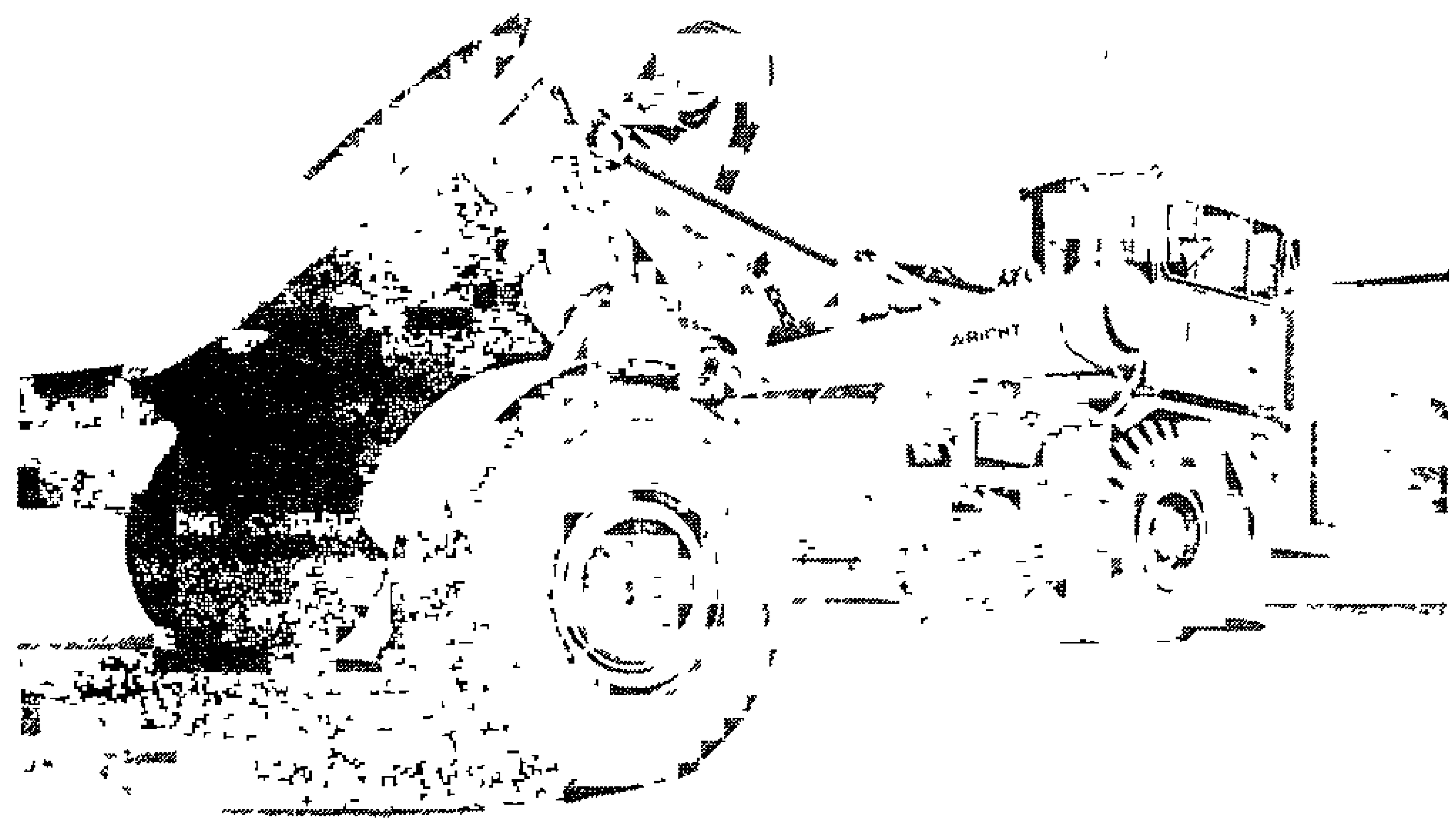
Barlows Heavy Engineering vervaardig 'n wy- reeks swaar toerusting vir die mynbedryf en die land bounywerheid in die alge meen Een afdeling spits hulle toe op die vervaardiging van spoorwaens vir die Spoorwee

Wrightech vervaardig onder lisensie 'n reeks onderdele en bybehore vir Caterpillar-toerusting Die maatskappy vervaardig ook Wright-skrapers

Die groep is deur Federated Timbers baie diep in die boubedryf en is een van die groot verskaffers van hout Dan is daar ook nog Uniply wat bordplank en laaghout vervaardig

Barlow Rand is deur sy belang van 71 persent in Plascon-Evans Paints die grootste vervaardiger van verf in Suider-Afrika en is hier besig om sy posisie al hoe sterker te maak

In die motorbedryf is di groep 'n groot verspreider van Ford-produkte deur sy filiale Armstrong Motors Natal, Holmes Motors Wes-Kaapland en Nagington Motors aan die Oos Rand



DIE Wright-35t-slarpotkarweier word plaaslik vervaardig deur Wrightech (Pty) Ltd van Benoni, 'n filiaal van Barlow Rand Bpk Die krageenheid is 'n Caterpillar-613B-trekkerskraper met 'n gewysigde gansnek, 'n spesiale kajuit toegerus met vorentoe- en terugwysende kontroles Verskeie van die eenhede word tans in die Staalnywerheid gebruik

R500 MILJOEN UIT VERVAARDIGING

BARLOW RAND is vinnig besig om in die vervaardigingsektor een van die land se heel grotes te word. Die omset van hierdie afdeling van sy bedrywighede was in die jaar tot einde September 1976 meer as R393 miljoen.

Maar sedertdien word Pretoria Portland Cement nou ook gekonsolideer, terwyl daar nou ook die planne met Fuchs is En as hierdie twee groepe se bedrywighede ook in berekening gebring word, skuif die syfer maklik tot minstens R500 miljoen per jaar op

Die groep se vervaardigingsbedrywighede sluit 'n magdom goedere in Vir eers is daar in die primêre sektor ferro-allooie, vlekvrye staal, sement en kalksteen

Kom 'n mens na die tersiêre en sekondêre gebiede, is dit onmoontlik om in die beknopte oorsig oor die groep van alles iets te kan sê

Hier kan 'n mens by nywerheids-, mynbou- en konstruksie-masjinerie begin Dan is daar nog handelsvoertuie, verf, verpakkingsgoedere en huishoudelike toebehore En op die gebied van die elektronika is Barlow Rand nou ook besig om 'n reus te word

Met die snelle proses van industrialisasie in Suid-Afrika ná die Tweede Wêreldoorlog moes ook Barlows hom daarby aanpas Die klem het van invoer en verspreiding geskuif na invoervervanging deur 'n grootskaalse plaaslike vervaardiging

Een voorbeeld is sy Oshkosh-vragmotors wat vandag 'n plaaslike inhoud van meer as 50 persent het — iets waarmee weinig ander vragmotors kan spog En dan is daar sy huishoudelike goedere, waar die plaaslike vervaardiging by stowe en yskaste begin het Daarna het vrieskaste, wasmasjiene, lugversorgers en selfs grassnyers gevolg

Voor die Fuchs-oorname was Barlows reeds die grootste enkele vervaardigers van huishoudelike goedere en meer bepaald die sogenaamde witware Maar ná die oorname van Fuchs sal Barlow Rand meer as 55 persent van die mark vir yskaste hê, sowat 25 persent van die mark van stowe en hy sal een uit elke vyf TV-stelle in die land verkoop

AGGRESSIVE ADVERTISING

Supp. to N. Mercury 27/7/77

(180)

Playtex Africa (Pty) Ltd, manufacturer of women's foundation garments — has not been as seriously affected by the economic recession as other clothing manufacturers.

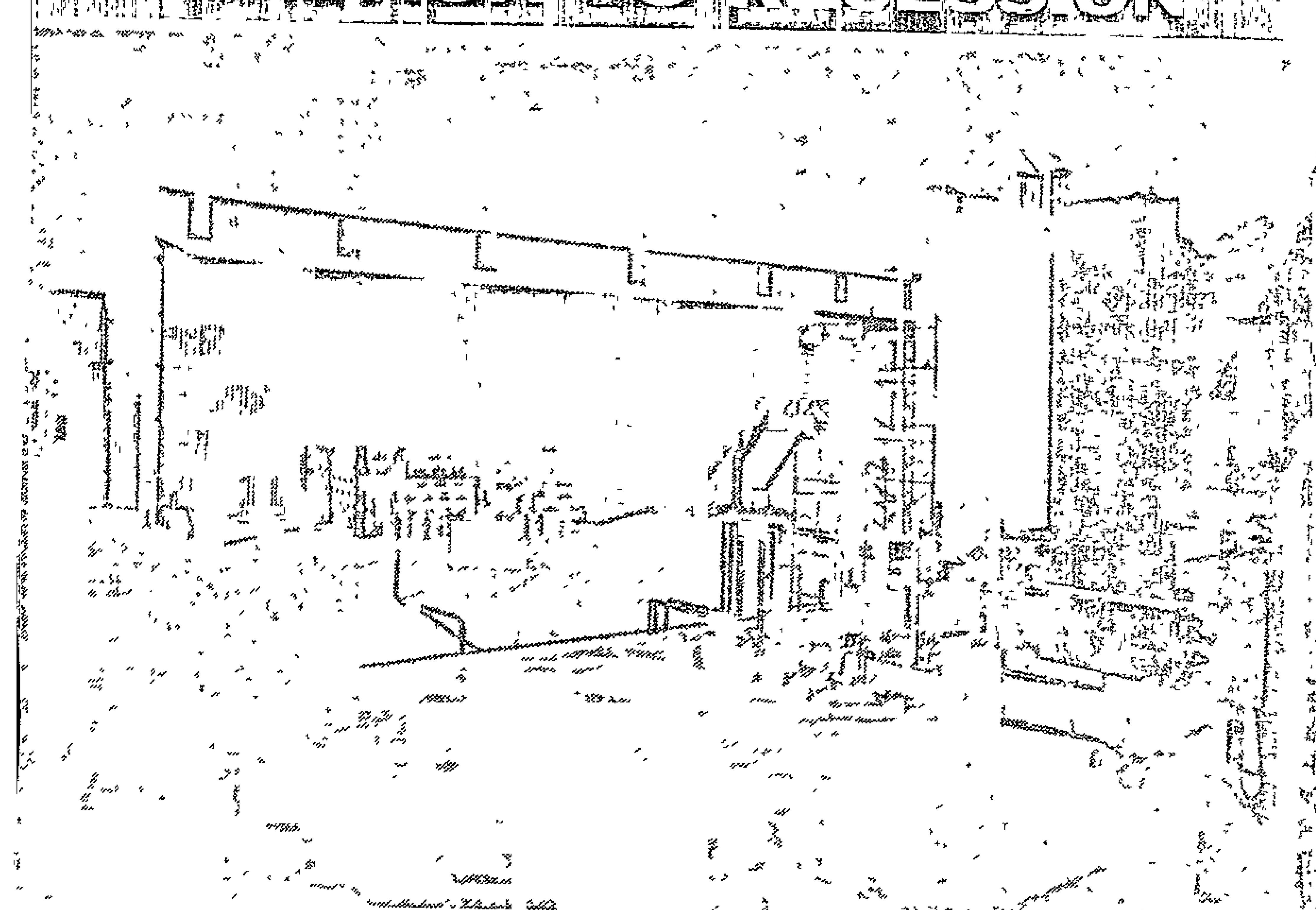
Mr Barry Kahan, managing director, attributes this to Playtex's policy of promoting and advertising more aggressively during economic slow-downs.

"In addition, 1977 has been the first year of exporting for us, a factor which has assisted in recovering overheads," he said.

Playtex has marketing and manufacturing locations in most countries.

"At present we export to the U.K., West Germany and the Benelux countries.

"Next year we expect a substantial increase in exports — which means that around 200 000 European women will be wearing bras manufactured by Playtex Africa."



EXPANSION never stops at the Umbogintwini complex of AECI More than R20 million was spent there between 1974 and 1976 on improving the facilities and establishing new plant Among the latest additions, this year, was the R5 million Anikem plant (above) which was officially opened in June A joint venture between AECI and Nalco Corporation of the USA, this plant is producing specialist chemicals for the purification of water

Aggressive diversification

APPLIANCE sales have been one of the hardest hit by the recession. But, instead of riding out the recession and waiting for the next business upswing, Durban-based Defy Industries tackled the problem with an aggressive marketing drive and by adopting a policy of diversification.

To date, this policy appears to have paid dividends. Though profits were down in the interim period which ended on July 2, the directors feel that if present levels of activity continue, pre-taxed profits for the full year should not be significantly different from the good results achieved in 1976

Defy's policy to broaden its base over the past few months has involved the introduction of several new products which the company has not made or marketed in the past

Air conditioning was the first area of diversification. After tying up a manufacturing-under-licence deal with the United States company Amana, Defy now makes and markets its own brand of home air conditioner

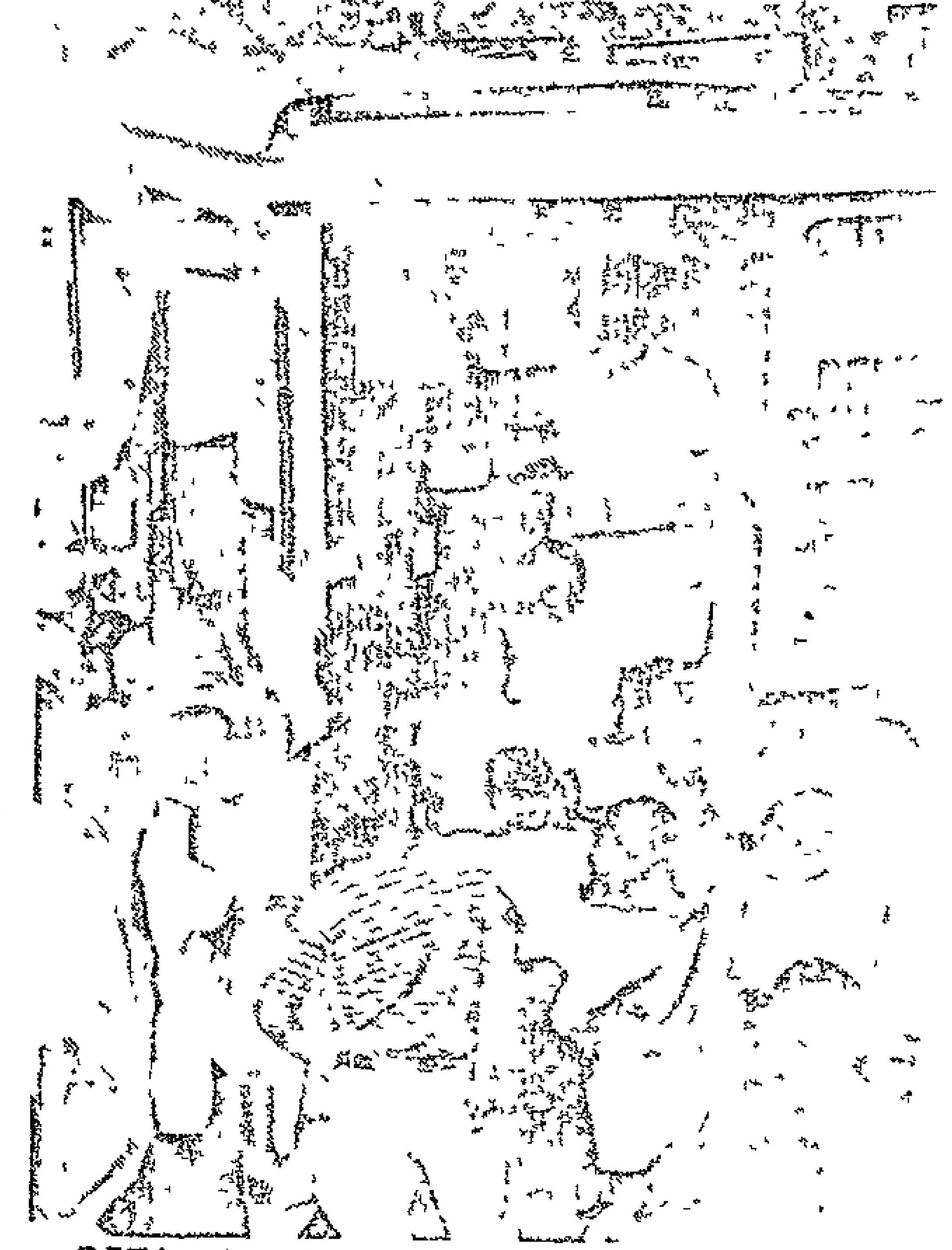
Recently Defy signed a deal whereby it will manufacture and market Chrysler's Airtemp air conditioners

Defy has also signed a deal with Goblin BVC of Britain to market a range of floorcare products in South Africa. Defy is hoping to capture about 25 percent of this market in the next two years.

In a few weeks' time Defy will introduce a new range of refrigerators and freezers.

In addition to the product expansion on the local market Defy has pursued export markets by sending its representatives on regular visits to foreign countries

Defy is one of the top suppliers of cast iron baths to Hong Kong and turnover from exports should total R1 million this year



DEFY takes its products to the customer [illegible] smokeless coal stove is being demonstrated in an [illegible] township

75 YEARS OF EXPANSION

BARLOW RAND, which began as a one-man operation in Durban dealing in imported industrial cotton goods and simple engineering supplies for Natal's coal mines and sugar mills, is celebrating its 75th anniversary this year.

From its modest beginnings, Barlow Rand has grown into an industrial giant employing more than 100 000 people and recording, last year, a turnover of over R1 000 million

Today Barlow Rand is a broadly based enterprise that encompasses mining, manufacturing, distribution, property and other areas of prime economic activity which fringe upon nearly every aspect of daily life.

Although the company moved its headquarters to Johannesburg in the 1940s, its ties with Natal remain strong and many of its subsidiary companies have roots reaching far back into the history of the province

Barlow Rand first acquired an interest in the paint manufacturing industry in 1967 by taking control of Warden & Hotchkiss Subsequently in 1972 a 72 percent interest was acquired in Plascon-Evans Paints Limited, a listed company and one of the largest paint manufacturers in Southern Africa

This year Plascon Evans consolidated its position as market leader by acquiring the paint interests of the Reed Corporation, which marketed its products under the Crown and Polycell brand names.

At the turn of the century, most of South Africa's timber imports arrived at Durban and [illegible] timber merchants [illegible] the nucleus of th[illegible] orig[illegible] Mevdon Wharf [illegible] 19[illegible] Hillman Bro[illegible] Timber and T[illegible] were the last [illegible] importers to [illegible] for their ne[illegible] Mobeni

Hillmens and Mobeni [illegible] members of the [illegible] Timbers group which [illegible] is a wholly-owned [illegible] Rand subsidiary [illegible] members of the [illegible] group are [illegible] Pietermaritzburg [illegible] in Empangeni, and [illegible] Bros at Port Shepstone

Robor Limited is [illegible] the largest steel [illegible] diser in South Africa [illegible] 1966 established [illegible] office to [illegible] sands of tons of [illegible] year from its [illegible] stockyards to [illegible] dustry and the [illegible] building and [illegible] years

W. B. Cameron [illegible] Ltd., a subsidiary [illegible] Manufacturing [illegible] specialises in the manufacture of stainless steel sinks, wash-troughs, hollow-ware and allied items for commercial and domestic uses, and distributes heavy duty catering equipment.

The Barlow Rand group has been a major distributor of forklift trucks and allied equipment for many years Besco (Natal) markets Hyster and Crown mechanical handling equipment, Monarch industrial tyres, Tennant sweepers and Wisconsin and Robin engines Arc Engineering distributes a comprehensive range of welding equipment and accessories, while the machine tool division represents many leading overseas manufacturers.

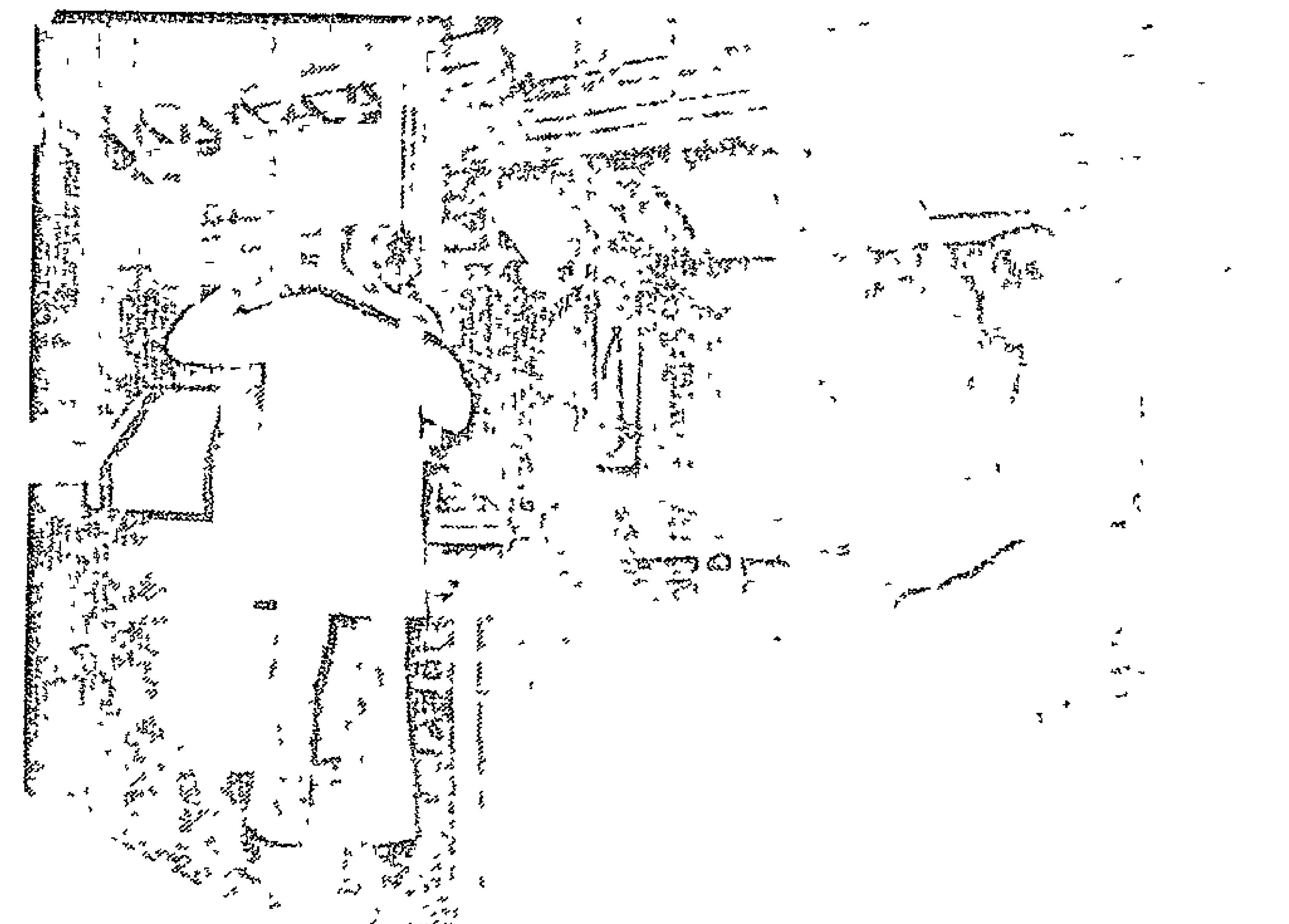
Many Barlow Rand companies have moved out of Durban to establish offices and workshops in other centres New Germany, with amenities and proximity to Durban, has proved attractive

The names Barlows and Caterpillar are almost synonymous to many people. One of the most important milestones in the history of Barlows — at [illegible] time certainly the most important — was being appointed Caterpillar sales and service dealer for most of South Africa in 1927

Also based in New Germany is Barlows Manufacturing Company's television and sound products factory. Marketed under the Barlow-Vision and National brand names, the colour and monochrome sets enjoy a significant market share and are backed by a countrywide servicing arrangement Also manufactured are National radios, hi-fi equipment and tape recorders, and the Barlow Wadley portable crystal-controlled shortwave radio receiver

Further inland at Cato Ridge, United Plywood and Timber Industries concentrates on the production of boards and plywoods for exports and local consumption.

In Pietermaritzburg the Barlow Packaging (Natal) plant has one of the largest outputs of the three Barlow Packaging group's corrugated container factories. Most of the raw paper comes from Zululand and its products not only supply the Natal demand but reach into other provinces as well



BOHLER STEEL Africa (Pty.) Ltd., a company which is part of the world-wide VEW Group with headquarters in Austria, has expanded by moving to new premises in Pinetown. This gives the company four times the previous working area.

For many years Bohler Steel was represented in Natal by an agent. Three years ago it was decided to improve its services to local industry. A branch was opened in Pinetown in August, 1974, and now it has been found necessary to expand.

In addition to providing special steels, the company [illegible] tools, [illegible] [illegible] ing director of the company, and [illegible] Cavanagh, the company's Natal branch manager.

MANUFACTURING
GENERAL.

OCT. - NOV. 77.

FEB. - DEC. 1978.

BARLOW RAND LIMITED

(*In die Republiek van Suid-Afrika ingelyf*)

Voorsittersverklaring

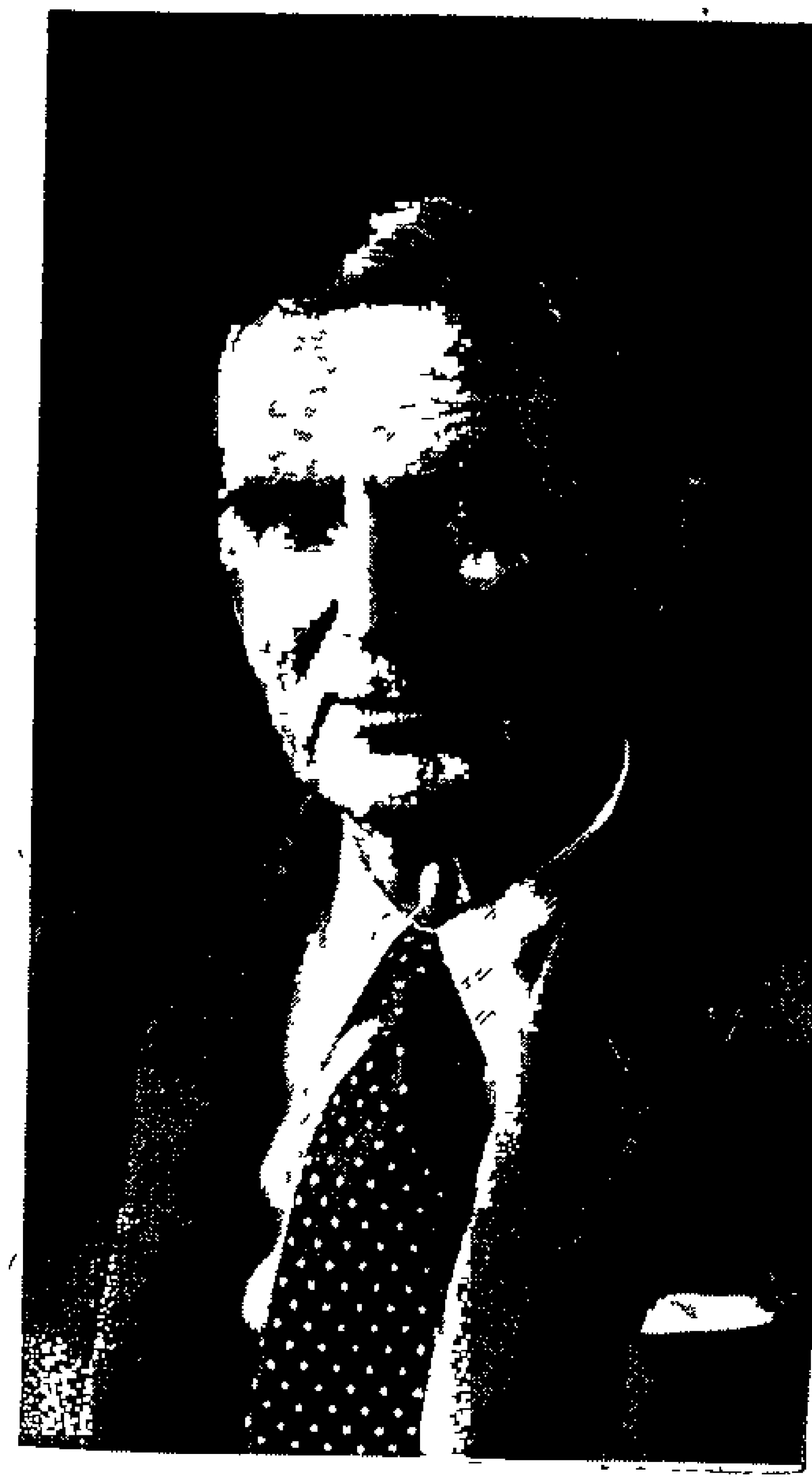
Sake Rapport 3/12/78 (180)

Die afgelope jaar

Dit is aangenaam om verslag te kan doen dat daar die afgelope jaar 'n algemene verbetering in die besigheid van die meeste van ons maatskappye was. Groepresultate toon 'n gekonsolideerde netto bedryfswins van R95,0-miljoen. Ons dividend vir die jaar is 30 sent, vergeleke met 26 sent verlede jaar.

Hierdie resultate, wat al die verwagtinge wat ek 'n jaar gelede gekoester het, oorskry, is in 'n groot mate te danke aan die voortgesette getrouheid en vlytigheid van ons werknemers op alle vlakke, en ek wil graag my waardering betuig aan al ons personeellede en aan my kollegas in die Direksie vir 'n jaar wat as uiters bevredigend bestempel kan word.

Jaar geeindig 30 September	R-miljoene **1978**	1977	1976	1975	1974
Totale bates	**1 457,5**	1 106,6	812,8	706,1	563,6
Omset	**1 624,0**	1 245,7	1 067,7	921,4	726,2
Wins voor belasting	**214,0**	170,3	141,2	111,9	92,6
Gekonsolideerde netto bedryfswins	**95,0**	77,2	72,9	63,9	53,5
Verdienste per gewone aandeel — netto bedryfswins	**88,6c**	75,7c	71,9c	64,8c	54,8c
Dividende per gewone aandeel	**30,0c**	26,0c	24,0c	23,0c	20,0c



SAKE LAPPC

Die verantwoordelikhede van ons groep is ... nsienlik aangesien ons die verwante maatskappye waarin ons regstreeks 'n bestuursrol vervul moet insluit Ons het 138 000 mans en vrouens in ons diens, die loonstaat vir hierdie mense bring 'n omset van R2 003-miljoen en 'n wins van R292-miljoen voort waarop 'n belasting van R101-miljoen betaal word Uit hierdie syfers kan u 'n begrip kry van ons omvangrykheid en hoe belangrik dit is dat ons mense gelukkig is en hulle werk geniet, hetsy dit in hierdie land is of die ander waarin ons bedrywig is

Die groep se uitvoere (die opbrengs van die verkoop van goud uitgesluit) het met R30-miljoen vermeerder tot 'n ongeewenaarde peil van R216-miljoen Die grootste gedeelte van ons uitvoere bestaan uit onedele minerale soos steenkool, uraan en chroomerts met toenemende hoeveelhede uit benefisieerde grondstowwe in die vorm van sement, ferrochroom, vlekvrye staal en sekere vervaardigde staalprodukte. As 'n mens in gedagte hou dat toestande in baie van die internasionale markte moeilik was, kan hierdie prestasie as redelik beskou word

Gedurende die jaar was dit vir ons aangenaam om 'n groep buitelandse bankiers te onthaal Tydens hulle verblyf het ons hulle sommige van ons groep se bedrywighede gewys en hierdeur kon hulle 'n beter begrip kry van ons bestuursmetodes en dienspraktyke Dit is die tweede keer dat ons so 'n besoek gereel het en myns insiens is besoeke van dié aard vrugbaar omdat hulle die nasionale belang dien deur die vertroue van buitelandse beleggers in Suid-Afrika te bevorder en sodoende bydra tot die invloei van kapitaal wat lewensbelangrik is vir ons toekomstige welsyn Dit is beslis die ondervinding van ons groep Daarbenewens is dit myns insiens uiters belangrik dat intelligente manne self die probleme waarmee ons in dié land te kampe het, kan insien en hoe ons probeer om hulle te bowe te kom

Die gebeure wat vanjaar vir die groep van die allergrootste belang is, was egter ons groot verkrygings wat 'n belang van 50 persent in GEC South Africa asook 'n belang van 55 persent in die saamgesmelte Reed Nampak/Barpak-groep insluit Hierdie aankope is gedeeltelik gefinansier deur twee uiters suksesvolle regte-uitgiftes van preferente gewone aandele, wat in dié land uniek van aard was, ten bedrae van sowat R46-miljoen, en dit nogal op 'n tydstip toe dit g'n maklike taak was om aandelekapitaal in Suid-Afrika te verkry nie Myns insiens was dit 'n uiters bevredigende bewys van die vertroue wat ons aandeelhouers in hulle maatskappy toon Soortgelyke vertroue, nie slegs in die maatskappy nie, maar in Suid-Afrika as geheel, is deur sodanige buitelandse banke getoon wat gedurende die afgelope jaar die ekwivalent van R50-miljoen in bykomende leningskapitaal voorsien het vir die verdere ontwikkeling van die groep

In die geval van albei hierdie verkrygings wat gedurende die laaste gedeelte van ons jaar gedoen is, is die uitwerking op groepverdienste nie wesenlik nie, maar hulle sal na verwagting 'n belangrike bydrae tot ons winste in die toekoms lewer Hulle is suksesvolle en goed bestuurde groepe met opvattings wat in 'n groot mate strook met ons s'n

GEC South Africa is 'n uiters belangrike elektrotegniese vervaardigingsorganisasie in dié land en baie van sy bedrywighede is aanvullend by dié van ons bestaande ingenieursbedrywe Die verwantskap wat ons nou met die hoofmaatskappy in Brittanje het, sal ons belange in 'n veel omvangryker tegniese terrein uitbrei deurdat die kennis en kundigheid van sy personeel nou tot ons beskikking sal wees. Myns insiens sal dit 'n voortreflike vennootskap blyk te wees met die kombinasie van ons plaaslike ervaring en hulle lang-gevestigde bekende vaardighede

Ons belegging in Nampak beteken dat ons nou 'n groot en diversifiseerde belang op die gebied van verpakking het Ons eie verpakkingsbelange sal goed inpas by dié van Nampak wat 'n goeie prestasierekord het en baie maatskappye besit wat die voortou op hulle bepaalde gebiede neem Die nuwe groep wat die grootste verpakkingsgroep in Suid-Afrika is, is in 'n sterk posisie om goed te presteer in hierdie hoogs gesofistikeerde ontwikkelende nywerheid

Vroeer in die jaar het ons ook die NMI-Groep wat in Natal gesetel is en wat Mercedes-Benz-voertuie bemark, verkry, asook twee ander kleiner motorverspreidingsmaatskappye, in Natal Hierdie beleggings is gedoen met die doel om ons bestaande belange in die motorbedryf in Suid-Afrika uit te brei en te diversifiseer Ná die jaareinde het Federated Timbers die bouhandelaarsbelange van Plate Glass & Shatterprufe Industries by hulle bedryf gevoeg

Hierdie verkrygings sal die Barlow Rand-groep verstewig en ek wil graag dié geleentheid te baat neem om die werknemers van al hierdie maatskappye hartlik welkom te heet Ek hoop dat hulle dit aangenaam sal vind om saam met ons te werk

Ons word dikwels gevra wat ons houding ten opsigte van verdere diversifikasie is In die algemeen gesproke het ons altyd daarna gestreef om 'n bree beleid van diversifikasie te handhaaf, want ons insiens help dit om aandeelhouers sowel as werknemers teen nadelige skommelinge in bepaalde sektore van die ekonomie en van ons groep se besigheid te beskerm Namate geleenthede hulle voordoen, sal ons voortgaan om maatskappye, wat groeipotensiaal besit en deur bekwame en eerbare mense bestuur word, by die groep te voeg Ons sal ook al hoe meer aandag bestee aan die moontlikheid van nuwe verkrygings deur ons buitelandse maatskappye, aangesien die markaandeel van sommige van ons besighede in Suid-Afrika na ons mening nou groot is in verhouding tot bekombare besigheid

Die Suid-Afrikaanse ekonomie

Gedurende die afgelope jaar het die langverwagte ommeswaai in die Suid-Afrikaanse ekonomie uiteindelik sy verskyning gemaak en na die jaar 1977 waarin daar geen groei was nie, is daar nou duidelike blyke dat n matige ekonomiese oplewing sedert die begin van 1978 plaasgevind het Dit is teweeggebring deur 'n veel hoer goudprys verbeterde uitvoere en 'n vermeerdering in binnelandse verbruiksbesteding Die mate van verbetering in plaaslike vraag is egter moeilik om te skat aangesien verbruiksbesteding grootliks beinvloed is deur aankope wat vooruit gedoen is, veral van motors en toestelle, voor die instelling van die algemene verkoopbelasting op 3 Julie

Die Minister van Finansies het beweer dat die Regering 'n beleid van groei met finansiele dissipline volg Die uitbreiding van die ekonomie word dus versigtig gekontroleer deur die owerhede wat gedurig bewus is van die aantasbaarheid van die land se betalingsbalans, veral op die kapitaalrekening, van die gevare van langdurige hoe inflasie, en van die potensiele tekort aan professionele, tegniese en ander geskoolde werkers almal probleme wat onafskeidelik verbonde is aan 'n situasie waar groei teen 'n vinnige tempo geskied Ongelukkig is baie min vordering gemaak met betrekking tot die verligting van die ernstige aangeleentheid van werkloosheid onder ons swartes, en die mate van vaste belegging bly op 'n lae peil Om hierdie redes, en ten einde besigheidsvertroue te verbeter, is dit dus belangrik dat verdere stimulerende maatreels nou sowel as in die volgende Begroting ingestel word Watter besluite ook al met hierdie doel voor oe geneem word of hulle betrekking het op belastingverligting of 'n toename in besteding in die owerheidsektor, dit is noodsaaklik dat hulle sodanig van aard is dat hulle spoedig doeltreffend kan word In dié opsig is dit opmerkenswaardig dat die program vir die bou van huise vir die stedelike swart bevolking wat meer as 'n jaar gelede aangekondig is, nou eers op tou gesit is die beloofde verbeteringe in hulle grondbesit nog steeds nie volbring is nie en die skema vir die elektrifikasie van Soweto skynbaar min vordering gemaak het

In elke ministeriele verklarings gedurende die afgelope jaar of wat is dit heeltemal duidelik gestel dat die Regering wil hê dat Suid-Afrika as 'n bedryfsvrye maatskappy moet ontwikkel en dat die verantwoordelikheid om die ekonomie uit die onlangse resessie op te hef, grotendeels by die privaatsektor berus Dit is 'n uitdaging wat ons sonder aarseling aanvaar Terselfdertyd vind daar 'n welkome verandering plaas in die Regeringsbeleid ten opsigte van die uitbreiding van nywerhede waarin dit owerheidsfondse belê het Myns insiens word die ontwikkeling van privaatinisiatief tans aangemoedig sonder vrees vir die mededinging van sodanige Staatsondernemings Suid-Afrika is een van die weinige lande in die wêreld wat in dié rigting beweeg en ek hoop dat hierdie neiging waar

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geneem is deur nywerheidsmaatskappye in die Weste wie se bestuurs- en besigheidsopvattings heelwat met ons s'n strook, maar wie se regerings in 'n veel groter mate by hulle sake inmeng as wat die geval hier is.

Dit is my mening, sowel as dié van ander, dat dit nou tyd is dat die Regering verdere verligting aan persoonlike belastingbetalers moet gee, veral diegene in die hoër belastinggroep. Die mense wat binne dié kategorie val, sluit senior uitvoerende beamptes in wat 'n belangrike rol speel in die groei van die land se ekonomiese bedrywigheid, in die skepping van nuwe werksgeleenthede, en in die lewering van maatskappywinste waarop die Regering staatmaak vir 'n aansienlike gedeelte van sy inkomste. Die huidige belastingskaal dreig om afbreuk te doen aan die inisiatief wat onontbeerlik is om groei te bevorder en selfs as ontmoediging kan dien vir buitelandse nyweraars en finansiers wat dit andersins sou oorweeg het om in Suid-Afrika beleggings te doen. Die gevolg is dat nuwe beleggings grotendeels oorgelaat word aan finansiële instellings soos versekeringsmaatskappye en pensioenfondse wat weinig of geen belasting betaal.

Die maksimum koers vir persoonlike belasting wat veel hoër is as die gewone maatskappybelastingkoers, word toegepas op inkomstes bo R28 000. Dit het sedert 1969 onveranderd gebly. As die verhogings in die lewensduurte in aanmerking geneem was, sou hierdie inkomstepeil volgens logiese redenering teen 1977 met R60 000 toegeneem het. Die feit dat die belastingstelsel in gebreke bly om die verhogings in lewenskoste te erken, het 'n wesenlike vermindering in besteebare inkomste tot gevolg gehad wat weer op sy beurt ongetwyfeld 'n nadelige uitwerking op die groei van beleggings in privaatondernemings sowel as dié van verbuiksbesteding gehad het. Dit skyn vir my asof die Regering in 'n posisie behoort te wees om die regstreekse belastingdruk op individue te verlig as gevolg van die aansienlike vermeerdering in inkomste afkomstig van die goudmynbedryf en na die instelling van die algemene verkoopbelasting. So 'n stap sou as aansporing in die ekonomie dien sonder om inflasionistiese druk te verhoog en die uitwerking van so 'n maatreël sou feitlik onmiddellik waargeneem word.

Dit sou miskien nie onvanpas wees om terselfdertyd die besoldiging te verbeter van ons mees senior staatsamptenare nie wat groot verantwoordelikhede dra, in sommige gevalle groter as dié van baie topleiers in die sakewêreld.

Maatskaplike verantwoordelikhede

Dis nou al etlike jare dat aansienlike vordering gemaak is in ons maatskappy sowel as in ander Suid-Afrikaanse maatskappye t.o.v. gelyke geleenthede en beloning vir werknemers van verskillende rassegroepe. Na ons mening is ons eie groepbeleid vooruitstrewend en ons bestee nog steeds aansienlike aandag aan opleiding en ontwikkeling op alle vlakke. In die jongste jare het die werkverskaffingskodes vir die Suid-Afrikaanse filiale van buitelandse maatskappye, veral die "Sullivan Principles" en die E.E.C. kode, heelwat belangstelling gewek. In 1977 is die eerste belangrike plaaslike kode voorgeskryf deur die Stedelike Stigting en die Raadgewende Komitee van Suid-Afrikaanse Werkgewers insake Arbeidsaangeleenthede wat bestaan uit verteenwoordigers van alle nasionale werkgewersliggame. Ons was heeltemal bereid om hierdie kode te ondersteun, maar was van mening dat ons iets meer omvattends vereis wat toegespits is op die spesifieke behoeftes van ons groep. Die gevolg was die Barlow Rand-groep se Kode van Werkverskaffing wat in Junie 1978 uitgegee is. Die doel van die kode is om vaste riglyne vir maatskappybestuurders te verskaf en terselfdertyd ons diensbeleidsrigtings aan ons werknemers, aandeelhouers, sakevennote en bankiers bekend te maak.

Die kode waarvan afskrifte op versoek deur aandeelhouers verkrygbaar is, is 'n bevestiging van ons beleidsrigtings wat in opeenvolgende jaarverslae verkondig is en riglyne wat van tyd tot tyd aan groepmaatskappye uitgereik is. Die kode onderneem bepaalde verpligtinge t.o.v. keuring en bevordering, opleiding en ontwikkeling, besoldiging, aftredingsvoordele, onderhandelingsregte, die integrasie van fasiliteite en die verbetering van die werknemers se lewenstandaard. Maatskappye in die groep is besig om programme en roosters op te stel om enige leemtes wat tussen hierdie verpligtinge en huidige praktyk bestaan, te oorbrug.

'n Tweede projek wat deur ons opleidingstigting gemagtig is, is byna voltooi. Dit is 'n tegniese hoërskool by Mdantsane, naby Oos-Londen, en is deur die C. S. Barlow-Stigting aan die mense in die Ciskei geskenk. Die skool open aan die begin van die skooltermyn in Februarie 1979 en sal aanvanklik in die behoeftes van 450 leerlinge voorsien. Die bedrag van R750 000 word deur die Stigting bestee met die verskaffing van die geboue van die projek onder toesig van ons eiendomsafdeling en sy konsultante. Die projek is in noue samewerking met die Ciskeise Regering beplan en ons assosiasie met die Hoofminister, sy Kabinet en hulle amptenare was besonder aangenaam. Ons het ook waardevolle hulp en raad van die Suid-Afrikaanse Regering deur bemiddeling van sy Departement van Onderwys ontvang. Die Stigting sal ander projekte oorweeg ingevolge die doelstelling wat hy steeds nastreef, naamlik om die ernstige tekort aan geskoolde arbeidskragte in Suid-Afrika aan te vul deur tegniese onderwys en opleiding vir swartes in Suid-Afrika te bevorder.

Die gesamentlike bates van ons onderskeie groeppensioenfondse wat afsonderlike regsgeldige entiteite is, oorskry nou R100-miljoen en bydraes deur groepmaatskappye bedra ongeveer R10-miljoen per jaar. Wesenlike bydraes word ook gemaak aan nywerheids- en mynbedryfsfondse buite ons beheer.

Die groeppensioenfondse is onderworpe aan gereelde aktuariële waardasie en word gedurig hersien ten einde te verseker dat hulle hulpbronne op 'n toereikende peil gehandhaaf word om verpligtinge t.o.v. toepaslike aftredings- en sterftevoordele aan ons werknemers van alle rassegroepe te dek.

Vooruitsigte vir aanstaande jaar

In die loop van die afgelope jaar is etlike verbeteringe aangebring aan die maatskaplike omgewing waarin ons werksaam is, maar ons koester groot verwagtinge dat die Regering onder sy nuwe leierskap sal besluit om verreikende veranderinge aan te bring na aanleiding van sy oorweging van die aanbevelings van die Wiehahn- en Riekertkommissie. Gedurende die afgelope jaar was daar ook heelwat diplomatieke bedrywigheid, ofskoon dit grotendeels onbeslis van aard was in sommige van ons buurstate in Suidelike Afrika. Die houding van die Westerse moonthede in dié opsig is moeilik om te begryp deurdat hulle blykbaar nie aarsel om toenemende druk op hulle voormalige bondgenote te plaas nie en sodoende die Marxisties-aangevuurde terrorisme te ondersteun terwyl hulle terselfdertyd versuim om op te tree wanneer aksie vereis word. Desnieteenstaande koester ons nog steeds die hoop dat bevredigende skikkings in Rhodesië en Suidwes-Afrika, beide lande waarin ons groep se belegging in manne sowel as materiaal wesenlik is, getref sal word. Dit is ons beleid om hierdie beleggings te behou en hulle uit te brei sodra die geleenthede daartoe hulle voordoen.

Daar is etlike aanduidings dat die opwaartse neiging in ons ekonomie gedurende 1979 sal voortduur. Dit veronderstel natuurlik dat daar geen wesenlike sosio-politieke omwenteling sal wees nie en dat die Regering nog 'n paar besliste stappe sal doen om die ekonomie te stimuleer. In dié geval behoort daar aanstaande jaar 'n reële groei in die Suid-Afrikaanse bruto binnelandse produk van tussen 3 en 4 persent te wees.

Baie van die nywerheids- en handelsmaatskappye in ons groep begin reeds bewus word van die uitwerking van die ekonomiese herstel en begroot vir verbeterde resultate. Ons sal ook in 1979 bevoordeel word deur 'n volle jaar se handel uit beide GECSA en Nampak. Aan die ander kant het ons mynbouafdeling wat beter presteer het as wat verlede jaar in die vooruitsig gestel was, nou 'n verdienstepeil bereik waarop dit na verwagting tot 1980 sal bly.

Die finansiële posisie van die groep is stewig en as die pas verbeterde bedryfstoestande in Suid-Afrika voortduur, sal die komende jaar myns insiens 'n mate van groei in verdienste toon.

C. S. Barlow

Sandton, 14 November 1978

ATI/SOUTH ATLANTIC (180)

Recovery prospects

VAM

Activities: *Holding company for Anglovaal's industrial interests Subsidiaries include Cons Glass (55% owned), Claude Neon (51%), Nat Bolt (64%), Steelmetals (71%) and South Atlantic (74%) The latter holds 59% of T W Beckett, 83% of Globe Engineering and 57% of I&J The top company is 59%-owned by Anglo Transvaal Consolidated*

Chairman: *B E Hersov* FM 10/11/78

Capital structure: *13,9m ordinaries of 50c 1m 5,5% cum prefs of R2, 1,4m 8% 'A' cum red prefs of R1 and 49 000 8% 'B' prefs of R1 Market capitalisation: R35,7m.*

Financial: *Year to June 30 1978 Borrowings long and medium term, R19,7m, net short term, R11,9m. Debt:equity ratio: 34,5%. Current ratio: 1,8 Group cash flow R31,6m.*

Share market: *Price 257c (1977-78 high, 260c, low, 145c, trading volume last quarter, 302 000 shares). Yields 33,3% on earnings, 7,8% on dividend. Cover 4,3 PE ratio 3,0.*

	'75	'76	'77	'78
Return on cap %	19,8	17,8	16,6	18 6
Turnover (Rm)	344,5	394,4	441,6	431,7
Gross profit (Rm)	31,6	33 2	34,7	39,1
Gross margin %	9,2	8,4	7,9	9,1
Earnings (c)	69,8	69,0	68,0	85,5
Dividends (c)	16	18	19	20
Net asset value (c)	401	460	513	576

Fears that I&J's 1977 dividend cut would limit dividend income have been put to rest I&J recovered dramatically in 1978 but the much lower 1977 dividend is reflected in these accounts In order to bump up this year's dividend from South Atlantic in the light of the recent I&J recovery, cover was reduced in TW Beckett and Globe, both of which reported lower earnings but increased dividends Unlisted Concentra and Kerguelen also increased their dividend payments substantially, to make good the I&J shortfall.

South Atlantic will receive R1,1m, from I&J this year, a R700 000 improvement on the R386 000 dividend included in the latest accounts If TW Beckett, Globe and the unlisted companies can maintain their higher payments, the South Atlantic dividend could be in for a respectable rise next year, after being pegged on 16c for three years If so, the benefits will only accrue to ATI in the following year The 1978 improvements in I&J will only be reflected in ATI's 1980 results

South Atlantic's dividend income was virtually unchanged at R2,4m Nearly all was paid out in dividends (R2,1m) and expenses While the time lag in bringing the I&J dividend to account provides notice of and therefore some protection from downturns in that quarter, there is not much cover or dividend resilience in the event of a more general downturn

ATI, on the other hand, makes sizeable retentions It received R5m in dividends and interest and distributed R2,7m to ordinary shareholders Prefs and other costs absorbed about R800 000, meaning retentions of R1,4m

Chairman Basil Hersov is basically bullish about South Atlantic in the year ahead, saying "shipbuilding losses have now been fully absorbed . we are optimistic about the recovery of the fishing resource . " and "there have recently been signs of more stable prices in the international tea and coffee markets "

Referring to ATI, he says "group companies are ready to take full advantage of any upturn in the economy and the profit for the current year is expected to exceed that of the previous year " Considering the capital intensive, highly cyclical nature of both South Atlantic and ATI and their current excess capacity, profits and dividends are highly geared to a recovery This is especially so on the engineering side, which has performed poorly in recent years

Turning to the consolidated accounts, I&J is the main profit contributor to South Atlantic, providing 43% of published earnings, while TW Beckett and Globe contributed about 25% each South Atlantic, in turn, was the biggest profit contributor to ATI, contributing 34% of published earnings, followed by Cons Glass which contributed 24%.

South Atlantic has 55% of group capital employed It provided 59% of ATI's

EARNINGS AND DIVIDEND BREAKDOWN

South Atlantic	Earnings c per share		Dividends received (R'000)	
	1978	1977	1978	1977
I&J	18,8	6,4	386	1 158
TW Beckett	10,3	11,4	391	365
Concentra	2,6	2,3	400	50
Food Corp.	1,0	—	—	—
Globe	10,7	11,4	702	569
Other	0 6	1,5	522	270
Published eps.	44,0	33,0	†2 401	†2 402
FM adjustments*	(0,3)	(0,6)		
Earnings	43,7	32,4		

ATI	Earnings c per share		Dividends received (R'000)	
	1978	1977	1978	1977
South Atlantic	29,6	22,0	1 494	1 494
Cons Glass	21,0	16,4	921	818
Nat Bolt.	7,6	6,7	433	310
Steelmetals	5,2	7,8	263	414
Claude Neon	3,6	2,2	173	144
Denver Metal	7,4	6,3	n/a	n/a
El Rogoff.	(0,7)	(0,9)	n/a	n/a
SA Fine Worsted	4,6	4,4	n/a	n/a
Tristel	3,0	—	n/a	n/a
Other	5,8	6,1	1 611	1 059
Published earnings	87,0	70,0	†4 895	†4 239
FM adjustments	(1,5)	(2,0)		
Earnings	85,5	68,0		

**Mainly profits and losses on sale of assets*
† Total dividend receipts.

turnover and 45% of gross profit Both South Atlantic and ATI are fairly liquid, although the top company's total borrowings are R52,6m ATI's debt ratio is a respectable 34%, while South Atlantic's is 33% Interest and lease cover in the top company is 5 (4,2) and in the subsidiary 4,7 (4,6) Cover of dividends received is probably of greater interest and here the top company is well ahead

Which is better value? Behind every ATI share there is 66c of South Atlantic at current prices, so the rest is in for 191c, a PE of 3,4. ATI is better spread, better covered and returns more on capital employed It is also relatively insulated from recent trouble spots, I&J and Globe, and yields 7,8% against South Atlantic's 9,7%. But South Atlantic has a bit more recovery potential so investor preferences must depend on expectations for the economy.

David Carte

(150) FM 2/11/13

RETAILERS GO IT ALONE

Dissatisfaction with official statistics (*FM* last week) has prompted at least one group of businessmen to compile their own

Last November, 25 leading retail chains (including OK Bazaars, Foschini, Edgars and Greatermans) set up the Retailers Liaison Committee Since then, the RLC, whose members account for about a third of total retail sales, has compiled monthly sales indices These cover various sectors such as furniture, footwear and food, and also include a breakdown of white/black spending patterns To maintain confidentiality, retailers' returns are collated by an independent auditor

"We've been thrilled with the results of the index," says RLC co-ordinator Doug Parker "The trends we're getting are giving us a better reading of the sector than the Department of Statistics' figures" Though the department's sample is far broader than the RLC's, Parker points out that "unlike the department, we're dealing with senior executives who are interested in the index and can understand the figures

An example of the discrepancy between the two is food sales Statistics figures show a rise of 2%-3% in the past year, while the RLC's evidence points to a double digit increase The reason the department still classifies hypermarkets as department stores (though it is reconsidering this point)

The RLC's figures confirm that the consumer boomlet has passed blacks by The growth of retail sales to blacks this year has steadily slowed and in July and August their share of RLC members' furniture and clothing sales actually declined

Parker, who is setting up his own retail research consultancy next month (which will inter alia administer the RLC index), plans to compile separate retail indices for the liquor pharmaceutical, jewellery and hardware trades In the meantime, he is trying to persuade four reluctant chains to join the RLC

INVENTORIES FM 27/10/78.

The restocking mirage

130

"If the recovery is to develop any momentum and to exhibit staying power," says Stellenbosch's Bureau for Economic Research in its latest *Opinion Survey*, "then the initiation of a new inventory cycle is of cardinal importance." SA business must stock up again

But the survey's results indicate that consumers will have to step up their spending if a new round of stockpiling is to become a reality. Though the proportion of wholesalers and retailers reporting undesirably high stock levels has fallen substantially in the past three months (from 32% to 17%, and from 28% to 24% respectively), only a small minority (11% in each case) reckon their inventories are too low.

In the case of manufacturers, the current picture is even less encouraging. Almost a third say their stocks of finished goods are too high in relation to expected demand, while over four-fifths are happy with present raw material inventories

Among those industries still sitting on particularly high stocks are brick, metal and electrical equipment manufacturers By contrast, most dairy, furniture and automotive component factories have run down their inventories further than they think is prudent Similarly, over 40% of industrial machinery wholesalers reckon their stocks are too low.

Businessmen are generally still far from happy with trading conditions Over 70% of retailers and manufacturers quizzed by the Bureau (but only a quarter of wholesalers) say business is bad Even two-thirds of the motor trade is unhappy with current order intake. Hardly the stuff of which a new restocking cycle is made

But there is hope Well over half the factory owners polled think their production and sales volumes will be higher in the fourth quarter of 1978 than in the last three months of 1977. Particularly optimistic are grain millers, printers and publishers, rubber producers and automotive component manufacturers.

What's more, over 60% of wholesalers and 70% of retailers expect an increase in the orders they place and in their own sales Footwear and grocery retailers have the highest proportion of optimists

The question is will Minister Horwood loosen the economy's reins enough to justify these bullish forecasts? As the Bureau notes, "the continuation of the economic revival will to a very large extent be reliant on the size of private consumption expenditure." To keep that rolling, Pretoria needs to take action — soon.

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PROFITS

Industry's long wait

FM 27/10/78

A racing gold price and a buoyant stock market have concealed the spotty recovery of profits from industrial companies By the end of June no major turnaround in annual profits was apparent, although the next six months should see improvements in the figures from certain sectors

Our table, compiled from 80 industrial companies reporting for the year to end June, shows aggregate pre tax profits have fallen marginally Of the 14 sectors in the sample, only seven lifted annual pre-tax profits by more than the rate of inflation Six sectors reported profits lower than in the same period last year

The companies in our sample were reporting on a year that took in the bottoming of the economy late in 1977, and the mild upturn of the first half of 1978 The next batch of annual reports will hopefully reflect the full benefits of 1978's projected 2%-3% real GDP growth, as well as nine months' gain from the March budget concessions These included reduced tax surcharges for companies (from 7,5% to 5%), permission to deduct losses on foreign currency transactions for tax where forward cover was not available, and early repayment of the loan levy

Driving ahead

The best performance came from motor companies Pre-tax earnings rose by 61%, while taxed profits jumped 75% The high percentage increase stems mostly from the low previous base The sample includes McCarthy, Capcar and Robbs, which pulled 1978 profits back after dismal performances in the previous year Indeed, Capcar and Robbs reported losses in 1977

Food companies drew second place in the increases list, largely because Irvin & Johnson pulled profits back from a very low 1977 total Otherwise, food sector increases were a modest 2% before tax

Building companies listed in Hollard Street were also among the top gainers Pre tax profits rose 9% on average, about par with the inflation rate. Again, part of the improvement arises from a low 1977 base This sector includes Grinaker and Murray & Roberts, which benefited by diversifying out of the industry Market conditions were helped, according to the recent Blaikie-Johnstone annual report, by the disappearance of competition as smaller companies fell by the wayside.

Furniture companies rode the crest of the waves two years ago with the introduction of TV This year they are at the bottom of the table with pre-tax profits down by 23%. Tedelex chairman Benny Slome explains that saturation point in the local TV market was reached faster than anywhere else in the world, and, coupled with over-production and overstocking, TV sales were often unprofitable Tedelex was fortunate to acquire a controlling interest in Ellerine, which contributed 61% of taxed earnings in 1978

Despite the fall in aggregate pre-tax profits, aggregate earnings attributable to shareholders (and not shown in the table) advanced by a modest 3,5% The reasons were lower tax and minorities payments The concessions to corporate taxpayers in the March budget applied from April 1, so lower proportionate tax charges resulted

Surprisingly, dividends to shareholders rose faster than taxed earnings, perhaps a smaller increase in retained profits was needed because surplus capacity obviated the need for additonal investment in stock and equipment Some companies held dividends despite falling profits The clothing sector is an example where dividends were mostly unchanged, at R2,9m, despite a 12% dip in earnings

The outlook for corporate profits looks brighter for the next six to 12 months The full benefits of the mild economic stimulation should be reaped, although percentage profit advances in sectors like the motor industry may not be as marked since the pre-gst buying of May-June was a once-only phenomenon based on credit finance

One stockbroker reckons leading companies should see earnings up 14% by June next year, with dividends increasing 12% The bigger gains will be in geared, low profit base companies, as earnings growth should outstrip sales as capacity slack is taken up

The recent Barclays Bank opinion survey showed 81% of corporate respondents were optimistic about the next three to six months They detected enhanced consumer confidence, there was more money around, and demand appeared to be expanding Facets of the higher demand included increased black spending power, expansion in the mining industry, and government stimulation to industries such as building Lower interest rates were also a reason for the optimism, which follows a continuation of the second quarter's recovery into the third quarter In the building and construction sectors, 44% of firms said activity in the third quarter was on a par with the second, while 37% of the sample reported increased work.

Respondents also offered hope for an upturn in fixed private investment in the medium term About 56% said they would not make any new fixed investment over the next six months, but 44% said they were contemplating investment This compared with only 16% in the previous survey

Profit margins were still under pressure, but 57% said the position was better than at the same time last year, so total profits were better Reasons for this included productivity and efficiency improvements, and higher sales volumes

On the other hand, a recent Standard Bank bulletin warned that consumer expenditure appears to "be one of the weakest elements in the recovery at present" Since the rush to buy ahead of sales tax, total real retail sales have fallen to levels comparable with the worst period of recession. The bank says consumers cannot afford to buy as real wages are stagnating and unemployment appears to be rising again after a first quarter fall

INDUSTRIAL PROFITS †

	R'000 Previous	R'000 Latest
Beverages	3 550	3 911
Building	50 565	55 159
Chemicals	32 591	37 240
Clothing	17 622	13 140
Engineering	36 840	29 950
Food	17 503	21 770
Furniture	14 996	11 582
Motors	6 332	10 202
Paper & packaging	7 793	10 548
Pharmaceuticals	2 531	2 571
Printing	429	427
Steel & allied	36 919	31 996
Stores	32 451	40 492
Transportation	43 917	33 099
	304 082	302 103

† This table has been compiled from pre-tax profits reported in accounts received from 80 quoted companies with June year-ends

Tax relief in the next few months is possible, though unlikely In his budget, Senator Horwood estimated total receipts from gold tax and lease agreements at R435m and R145m respectively. Then, the gold price was about $175, now it is around $230 and platinum prices have shot through the roof This could allow for a reduction in personal loan levies, and if the pleas from men like Bankorp chairman Fred du Plessis are heeded, a reduction in company loan levies, too If company levies are lowered, it would encourage investment and create employment, since at present the return on capital employed is too low in too many sectors

But few expect any action on this front before the De Kock Commission has reported on exchange rate policy, which is unlikely to happen much before December

WESTERN CAPE

Multiracial it is, multiracial it stays

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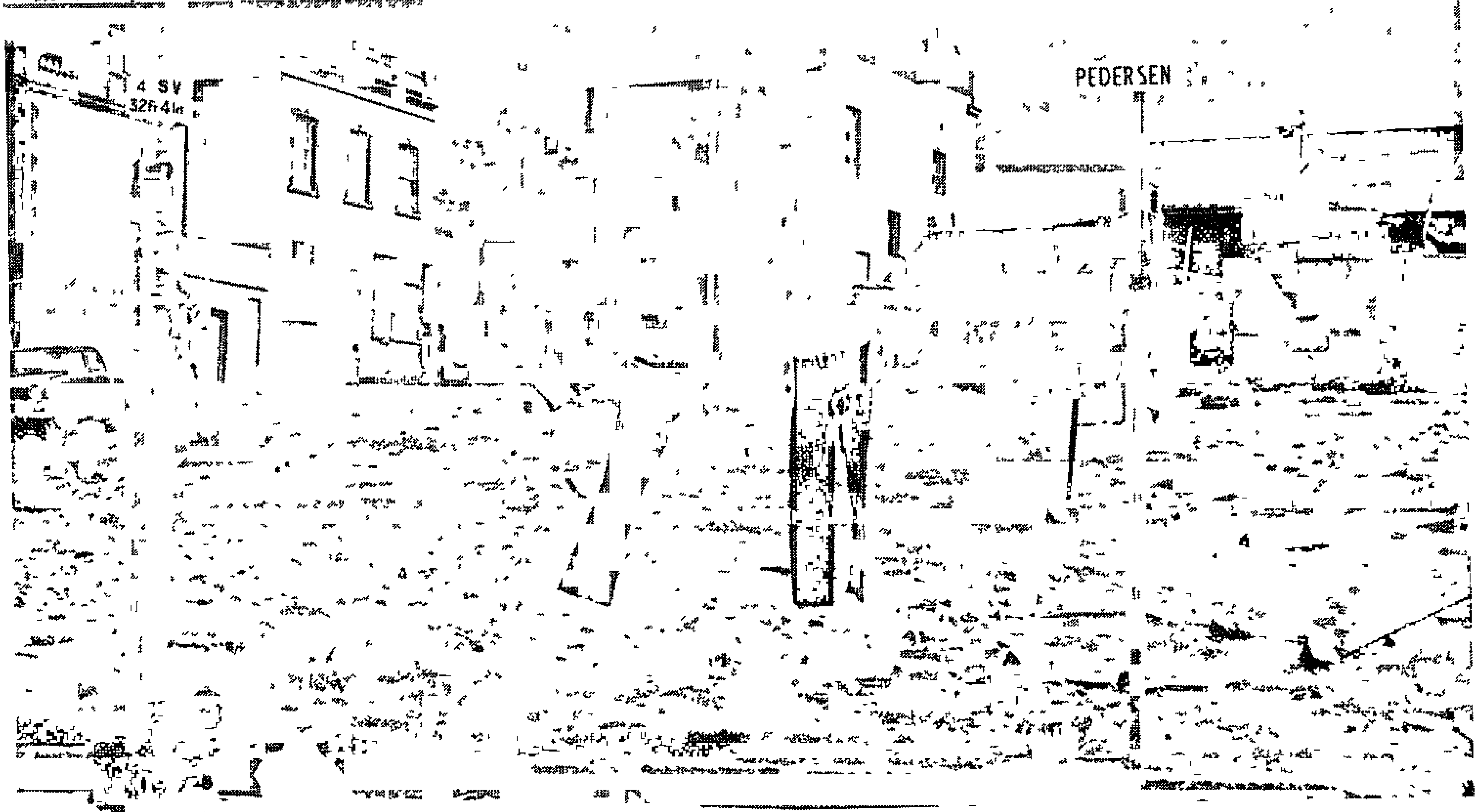
Pure apartheid – reserving particular regions exclusively for particular races – has long been known to be incompatible with economic reality. Even so, there are those who persist in singling out the Western Cape as an exception: it, at least, should be made the exclusive preserve of white and coloured people with Africans completely excluded, they maintain.

But even that is nonsense, as recent studies by Stellenbosch's Bureau for Economic Research clearly demonstrate.

In theory, the idea of a preferential labour area for whites and coloured people is neat enough because of the Western Cape's vast distance from the black homeland. In practice, it does not work because of the relative absence of restriction on the upward mobility of coloured workers and their growing unwillingness to perform unskilled jobs. In addition, the severe housing shortage for coloureds in the region has prompted government to introduce a form of influx control linked to the availability of housing, which has effectively checked the flow of unskilled coloured labour from rural districts to the Cape [illegible] metropolitan area. Thus the demand for black labour despite the deterrents is unabated.

According to Attie de Vries, deputy director of the bureau, the Western Cape employs 11% of the total SA labour market, yet the population of the region is a mere 6% of the national total. The difference is made up with imported African labour. So much for a coloured labour preference.

Because the working population of the region is apparently twice as large as would be required to meet local needs, there is tremendous pressure on the regional economy to export, both abroad and to other parts of the country. However, the absence of basic raw materials, the high cost of power, and remoteness from major markets add to the vulnerability of the economy, which in any case is highly sensitive to movements in the business cycle.



District 6 . pushing coloured people out has only turned them into commuters

According to De Vries, the primary sector of the national economy grew 20,5% last year, compared with 8,7% in the Western Cape (0,3% from mining/quarrying and 8,4% from agriculture). Because it lacks natural resources, the economy of the Western Cape is based on manufacturing and service industries and commerce. Manufacturing (clothing, textiles and food processing) is labour intensive. Six out of 10 of the most important sub-sectors of the manufacturing sector make consumer goods, compared with three out of 10 in the PWV area. This, too, adds to the region's vulnerability.

A further negative factor is that agriculture in the region is more capital intensive than anywhere else in the country, so that its potential to absorb surplus labour is lower than the rest of the country's.

In the period 1960-75 regional GDP consistently lagged behind growth in the national economy, but now the gap seems to be widening. The Western Cape did not share in the recent upswing in national demand because the latter centred on consumer durables. Hopefully, that demand may now shift towards semi-durables such as clothing and footwear.

The high content of imported African labour in the work force implies that there is a large pool of coloured labour suspended between an unwillingness to do unskilled work on the one hand and the traditional colour bar on advancement on the other. But it does not mean that coloured unemployment would be reduced if African labour were to be shipped off to the homelands or severe restrictions placed on its continued employment in the region.

It could only be done by increasing wages sharply. Yet Cape employers complain bitterly that their wage costs are already too high compared with the rest of the country. If deprived of their African labour they would be unable to compete in national markets, so general unemployment would result.

Attempts by government to create job counter-attractions at Atlantis and Saldanha have not worked all that well. Although there is adequate housing in the decentralised areas there is not enough work. As a result, the number of coloured residents of these areas who commute to Cape Town to work on a daily or weekly basis has almost trebled. Decentralisation has therefore succeeded only in a partial redistribution of people but has not contributed to real economic growth, except to boost the commuter transport business.

The Stellenbosch bureau says there is a strong possibility that the matter will resolve itself in the medium term if, as expected, government removes the last remaining restrictions on the upward mobility of coloured workers. Between 1960-65 94% of the increase in the number of blue collar skilled workers came from whites. Between 1970-75 72% of the increase came from non-whites and 50% of the total increase came from the coloured community. With the sharp fall in immigration and the extension of the national service it is expected that the process will accelerate.

The extent to which this has already taken place is reflected in data supplied by the Receiver of Revenue. In 1975, the latest year for which reliable statistics exist, the total number of taxpayers in SA rose 5,4%. In the Western Cape it increased 14%. In the same year taxable income increased 49,6% as a whole, 54,5% in the Western Cape. But total tax paid in SA increased 71,7% compared with 66,1% in the Western Cape. According to the bureau this could only mean that an increasing number of coloured people are being registered as taxpayers but they are paying less because they have just joined the ranks. This augurs well for consumer demand in the future.

There is another factor which could step up the pace of coloured advancement into the white domain. If government persists with the application of Section 3 of the Environment Planning Act in the PWV area, employers will have to replace Africans with machines or they will have to import whites from other regions to maintain 2:1 ratios.

Many whites could be sucked out of the Western Cape in this manner, leaving vacancies for coloured workers. Moreover, if government's proposed new constitutional dispensation leads to the removal of discrimination from the work place there is a distinct likelihood that many whites will lose out in the competition for work. But it remains doubtful that such developments will reduce the demand for African labour in the region. They are more likely to increase it.

FM 6/10/78

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FOREIGN INVESTMENT

More from Uncle Sam

Who says US investment in SA is falling? Not the US Commerce Department. According to the Department's latest *Survey of Current Business*, American investment south of the Limpopo has in fact risen in the past two years

In 1975 direct investment in SA totalled $1,578 billion. It increased to $1,668 billion by the end of 1976, and to $1,791 billion last year. Income from these investments amounted to $197m during 1977.

The *Survey* gives a breakdown of investments in certain sectors, as follows (1977 figures): food products — $115m, chemicals and allied products — $102m, primary and fabricated metals — $53m; machinery — $186m; transport, communications and public utilities — $2m, trade — $199m Figures for the mining, oil and transport equipment sectors have been suppressed to avoid disclosure of individual companies' data.

It takes time to sell abroad says Rosenberg

SVENMILL, the Cape Town based fabric manufacturer, has clocked up an impressive export sales record and is hoping to boost income from overseas by 50 percent on 1977's figures

Svenmill, which walked off with third prize in the Sunday Tribune Exporter of the Year competition, began exporting in a small way to neighbouring African states some five years ago

Today, it has customers in an impressive list of countries, which include America, Canada, Britain, Australia, Italy, Germany and Switzerland

And the company did not choose the easiest markets to penetrate, for some of the world's largest textile producers are based in its marketing areas

Betram Rosenberg, Svenmill managing director, says his executives are continually on the move investigating markets and the gaps that Svenmill can fill

"Many countries", he says "have varying tariffs on certain fabrics and we have to take these into account when choosing the optimum export commodity.

"Australia, for example, heavily penalises woven fabrics so our obvious choice was to sell warp knitted There again, the United States had virtually no duty on warp knitted, so there was another obvious choice"

Rosenberg says the overseas markets were difficult to break into because American and European buyers are not keen on one-off deals preferring to have a continuous source of supply

"The result is," he says, "that they are not keen on doing business with a new supplier and want to deal with people they know are permanently in business and not one of these fly-by-night boys In some cases we only managed to sell on our third or fourth overseas visit

Rosenberg says the United States buyers have a habit of placing very small initial order "only a couple of hundred metres," he says

Reason for this is that the buyers cut the initial order up and place it in sample books which are in turn sent on to potential customers The next order is based on customer reaction to the samples

"The problem is that this system takes time It can take up to six months before the sample books are sent out and up to a year before the next order is placed," says Rosenberg

In Europe, says Rosenberg, the situation varies Some use the American system while others work on a more normal basis of buying and selling on to the showrooms

Svenmill has faced some political problems, but mainly in America and Scandinavia He said a number of companies were afraid to buy South African goods for fear of industrial action by employees when it was discovered where the fabrics came from

In Scandinavia he said, the look of the fabrics was right, the price was right, but the businesses did not want to buy South African goods

Rosenberg said there were two factors in a successful export campaign They were the price competitiveness of a product and the fact that it was different from that produced locally and therefore sold because it was unique In the latter case, price was not all important

OVER-CAPACITY 'FORCED' PAPER MILL'S BOOST

IN TODAY'S economic climate there is a national need for South African manufacturers to export because the country needs foreign exchange However, it is usually the manufacturer's diminishing order book which moves him to look overseas to maintain his plant at full capacity

Because of the general over-capacity of paper mills supplying fluting and liner to the corrugated box industry in South Africa, Ngoye Paper Mills Ltd, a subsidiary of Huletts Group, was more or less forced, to seek additional export for surplus production

Employing the system of marginal costing to keep prices competitive and aided by the Government's export incentive scheme, Ngoye has enjoyed considerable success, particularly in the past two years, in penetrating the world's paper markets against severe competition at dump prices from the Americans, Scandinavians and Japanese

The measure of this success can be judged by the fact that in 1977/78 Ngoye was the biggest supplier of fluting paper to the Hong Kong market

Ngoye Paper Mills began operations in 1953, largely as a result of Huletts' need to find suitable and profitable uses for the by-products of sugar cane production — in this instance, bagasse

Today Ngoye is a major supplier of fluting and liner paper to the South African packaging industry and operates two mills, one at Felixton near Empangeni which produces 6 500 tons of fluting per month from sugar cane bagasse and the other at Piet Retief in the Eastern Transvaal with a monthly capacity of 5 500 tons of both fluting and line paper from virgin pulp

We're there to stay, says Hebox MD Mike Toet

DESPITE the threat of fierce price-cutting and price-fixing of raw material supplies, Hammarsdale's Hebox Textiles has elbowed its way into a good export market and intends to stay there

Hebox came second last month in the **Sunday Tribune's Exporter of the Year competition**

Hebox managing director Mike Toet told **Tribune Finance** that the decline in the textile industry in Europe was leading to fierce competition with resultant price-cutting

Another problem was that European textile mills were able to purchase their cotton on world markets and vary their prices according to market trends

In South Africa, he said, the industry was forced to buy cotton locally at a price that had been fixed for a year

This means, he said, that at times prices were far higher than those of overseas competition

The net result to Hebox is that it has been forced to cut its prices to the bone to remain competitive

"And still," he says "we are not really competitive from a price point of view We try not to push the price of the product but rather concentrate of the quality, which is pretty highly regarded"

The problem of costs and competition has become so fierce, says Toet, that there is a distinct possibility Hebox will export only the cloth and construct a finishing and dying plant in Europe

However, despite problems, Hebox has pushed ahead and by the middle of this year had exported nearly 2,3 million metres of textiles to European clothing manufacturers During 1977 exports showed a 245 percent increase over the figure for 1976 and 1 576 percent over the 1975 figure

At present Hebox is only exporting denims, but a close look has been taken at the European textile market in order to determine just what is needed and where the weak areas are

And Hebox's research and development operation is now working flat out on fabrics designed to broaden considerably Hebox's base in Europe

"We have sent marketing manager Ron Wyatt to Europe on a full-time basis, and his job is to now penetrate new areas and service existing customers," says Toet

Until mid-1976, Hebox's export efforts were minimal, but it was decided says Toet, to broaden the base of the company's products The local market was not large enough to take up the production capacity so it was decided to look overseas

Another factor in looking to Europe as an export market was Hebox's close relationship with the local arm of the US giant Bluebell Wrangler Hebox spoke to them and asked for an opportunity to quote for Bluebell's European operation The answer was "yes" and the project got under way

Safmarine's role in exports has been of a leader

IN THE 32 years it has been ploughing the trade routes of the world's oceans, Safmarine has played a significant role in the development of South Africa's exports

The line's development into a major force in world shipping has been in parallel with the development of South Africa's trade and its building programme for new ships has in many cases anticipated the development of major needs

Because South Africa is among the top three fruit-producing countries, Safmarine developed a new breed of ships in 1963 the fully-refrigerated vessel designed to carry citrus and deciduous fruits to the market places of the world

These reefer vessels proved so successful that within five years Safmarine had built six, all named after fruit producing areas in South Africa They are Tzaneen, Letaba, Zebedelia, Langkloof, Drakenstein and Hex River

For more than a decade, these reefer ships have been carrying between 25 and 30 percent of South Africa's fruit production to overseas markets

The line has also served the sugar trade well, for when the industry had developed to the stage where it could seek significant export markets, Safmarine, in co-operation with the South African Sugar Association built the country's first bulk sugar carrier, the Sugela which went into service in 1965

The export of mineral ores, sugar and other agricultural products assumed such proportions during the late sixties and early seventies that Safmarine had its first bulk carrier built The Sukumbi went into service in 1973, followed by Skukuza in 1974 and Sabie in May 1975 Today, Safmarine bulk carriers carry 40 percent of the country's sugar exports to Japan

Safmarine is also in the giant bulk carrier business and owns and operates — with partners, the 155 000 ton Vanguard and the 170 000 ton Sishen

These two vessels together with a third ship on charter give Safmarine and its partners 35 percent of the Sishen / Suldanha ore shipment contract

Safmarine is also playing a major role in the container revolution and is placing five ships on the service — the largest contribution of the nine lines involved The service will operate with 16 full cellular roll-on roll-off vessels

SALES DUTY (180) FM 25/1/78

Follow-through

What have matches, beads, furniture and toilet paper in common? Simply that sales duty was totally removed on all of them on July 1. Other commodities, like cars, had duties substantially reduced.

Did end-prices drop accordingly?

Yes and no. Every manufacturer and retailer did his own thing, so prices varied.

In furniture, the bigger manufacturers did reduce prices and retailers are, by and large, passing them on. Prices in many furniture lines are now less than they were before gst. But small backyard factories, known as "rat shops," have held their prices — not surprising since many of them never bothered to pay the duty anyway.

Appliance makers also passed on the sales duty reductions — but increased their prices on the same day. The exception was TVs, where end prices came down.

Don't congratulate the furniture industry though. Prices are likely to go up by about 5% soon, so any end-price reductions will soon be wiped out. Furniture manufacturers argue that they have had to keep down prices for 18 months and that increased steel and electricity costs now force them to raise their prices.

As for cars, the industry as a whole has made losses for three years running — last year it was R50m. That's why not all the manufacturers passed on the duty reductions.

In the motor industry prices tend to reflect competition rather than costs, which has helped hold prices.

(180) FM 14/7/78

(30)

CONSUMER SPENDING

Christmas in June . . .

Retailers will remember June 1978 for a long time The start of gst gave them plenty of headaches, but it also got the tills ringing "Buying far outstripped expectation," exclaims one bemused bottle store owner. "Some people even borrowed money to buy"

An Assocom round up shows that food, furniture and appliance dealers fared best Furniture sales to whites, especially in the last two weeks of the month, were "abnormally high" TV sets and sound equipment sold well Department store turnover "generally exceeded budget"

An *FM* survey confirms these findings Pick n Pay's hypermarkets beat Christmas turnover by 25% Sales at the Boksburg hyper were 30% up on the fortnight before Christmas, while the new Norwood hyper substantially exceeded its June budget

Doug Dawson, Greatermans vice president (finance), discloses that his group's department store turnover was 34% higher last month than in June 1977, Checkers sales were up 18,5% "People went crazy The fillip was definitely from sales tax fever with possibly a small recovery element in durables," notes Dawson.

OK Bazaars compounded the pre-gst spurt by running a national "across-the-board" sale MD Meyer Kahn reports that "coupled with the obvious buying in anticipation of gst, the sales figures were a total bonanza" June turnover was more than a third up on average monthly sales Furniture sales were "substantially more than double those of June 1977"

Furniture and appliances were generally fast movers, probably because the tax savings were relatively high Dion's MD Norman Cohen says there was an enormous upsurge in demand for large items like fridges TV and hi-fi Sales were up 50% on June budgets and outstripped his expectations by roughly 20%

Liquor sales gave bottle stores good sales Associated Premier Liquor Holdings MD Brian Joseph enthuses "Customer reaction was staggering The public over reacted On June 30 and July 1 we couldn't cope in our 11 outlets Trading was up 30% to 40% on last June with people laying in stocks for a year to 18 months"

"June was a very good month," confirms Chris Gibb, sales manager of Caterpillar, which distributes tractors, trucks, loaders, scrapers, front-end loaders *et al* "Apart from forward buying before gst there was also a lift-off in the construction industry" Other heavy equipment dealers agree

The biggest sales wave was on passenger cars Alfa Romeo Cars in Johannesburg reports June sales were up 30%

Demand for the new Rover "has put us on a 12 week waiting list," says Leyland's PR man Arne Pitlow BMW recorded sales of more than 700 units in both May and June "We sold 300 units in the last week before gst," says marketing manager John Jessup

The Naamsa June sales figures sum it up Car sales totalled 26 128, the highest figure ever

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LATIN III

Tacitus Annales XIV

A. We shall concentrate on sections 1-39, 48-56 and 60-64.

B. Summary of the sections to be covered.

1-13: The death of Agrippina

Dawson, A. Whatever happened to Lady Agrippina, Class. Jnl. lxiv, 1969 253-267

Katzoff, R. Where was Agrippina murdered? Hist. xxii, 1973 72-78

Scott, R.D. The death of Nero's mother, Latomus xxxiii, 1974 105-115

Quinn, K. Latin explorations 1963 esp. pp. 110-129.

14-22: affairs in Rome and Italy: games, riots, deaths etc.

Moeller, W.O. The riot of A.D. 59 at Pompeii, Hist. xix, 1970 84-95.

23-26: Corbulo and the Parthians

Gilmartin, Kristine, Corbulo's campaigns ... Hist. xxii, 1973 583-626

27-28: Nero's administration in action

Note ref

29-39: Britain

Dudley,

48-56: treason

Bradley

Baldwin,

Bastomsk

Henry, I

60-64: Octavia

C. General referen

Benario, H.W.

180

Industry dawdles

RDM 14/7/78

Financial Editor

MANUFACTURING industry still shows no sign of a significant breakout from the slow upward climb out of recession.

A major new growth phase led by fixed investment is a long way off

But some progress, painful though it be, is being made If the consumer spending upturn proves lasting and not just a one-off move linked to general sales tax, industry will gradually feel the benefits

The May index for the volume of manufacturing production reflects the plus and minus position for industry

On the plus side, the average level of the index rose by 1,1% between December, 1977/February, 1978 and March/May, 1978

But on the minus side, this has to be seen against the fact that between June, 1976/May, 1977 and June, 1977/May, 1978 the index fell by 2,4%

Lost ground is being made up, but real new growth is not yet apparent There is, however, every reason to expect that manufacturing industry will show a much better performance this year than in the dismal time of 1977

But as with the whole economy, the inevitable question is — how long will it last? That is the psychological confidence barrier that has yet to be generally overcome

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METCALF
for REGISTRAR

THE ARGUS, MONDAY, JUNE 12 1978 180

Cape industry aid planned

THE Government is planning to protect and assist industry in the Western Cape, the Minister of Economic Affairs, Mr J C Heunis, said in Cape Town today.

He told the Cape Chamber of Industries that he was aware of the disadvantages under which industrialists in the Western Cape operated. Steps were being taken to quantify the disadvantages to help find solutions for them.

Mr Heunis said the investigation into the feasibility of a uniform geographic tariff for electric power was already far advanced and he should receive the recommendations of the Board of Trade and Industry this year.

The pointed out that the cost of electric power was about 66 percent higher in the Western Cape than on the Rand.

Mr Heunis said another investigation was being carried out by the University of Stellenbosch with the aim of analysing all the cost elements which threatened the survival of the most important industries in this area.

Once the facts were known and the problems quantified it would be possible to consider the nature of any remedial action.

Mr Heunis said that economic indicators had confirmed expectations of an upswing in the economy.

Retail sales, after adjustment for seasonal factors and price rises, had shown a rising trend since the second half of last year which had continued this year.

A similar trend has been evident since the last quarter of 1977 in the number of new cars sold.

The physical volume of manufacturing production in the first quarter of this year — for the first time in two years — had shown an increase compared with the previous quarter.

GENERAL

There are no wall plugs in any of the dormitories and all the hostels have really dirty walls. Clearly none have been painted since first being built.

Small change

FM 2/6/78 (180)

Inefficient small businessmen have no automatic right to survive. But it's time more was done to give them the chance to succeed

As the depressing signs of our flagging economy are paraded and commented mournfully upon, the plight of small businesses has been continually in the limelight. But is enough attention being paid to it?

When the high-and-the-mighty crash — and plenty have — the waves ripple around the business community. Not so when it's a small man. But he comprises a fairly hefty slice of the economy, and in dribs and drabs he's going under — with possible serious repercussions Joe's Builders may not be a Glen Anil, nor Fred's Traders an Alwarvo — but, collectively, small businesses are important

What is a small business? In general, it's privately-owned, privately-managed and privately-operated. Turnover is seldom more than R1m a year (though it can be more in low mark-up areas, such as wholesaling) Such a business seldom employs more than 100 people, often it is a one-man show with only two or three on the payroll

In the manufacturing industry there are 11 000 companies employing less than 100, they constitute 82% of all firms in that sector. They provide 30% of total employment in manufacturing, although they account for only 20% of total production.

In retailing in 1971 (alas, the last available statistics) there were 52 149 establishments of which 64% were one-man businesses, 7% partnerships and 22% private companies employing less than 100. Thus 93% of all firms in retailing were "small businesses." They accounted for, however, only about 65% of retail sales.

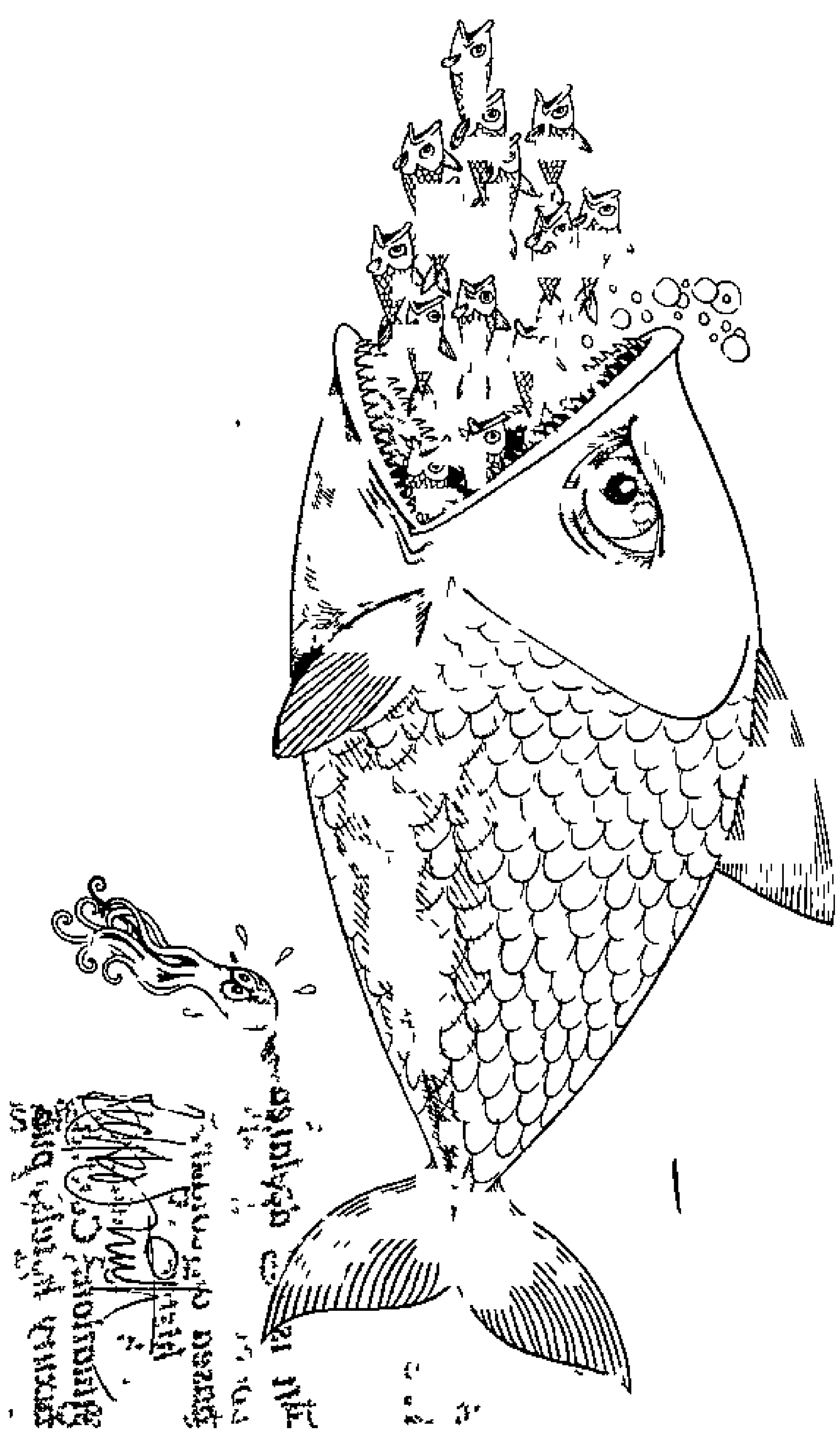
The numbers will have grown considerably since 1971, in spite of the hard times in recent years and the growing number of bankruptcies. For the 1978 census, the Department of Statistics has sent out 108 000 forms compared with 60 000 in 1971

Nevertheless, Jurgen Smith, director of the Small Business Advisory Bureau (SBAB) at Potchefstroom University, estimates that there's been a decline in the market share of small businessmen. "Probably 5% in favour of big business."

This, the general dip in consumer spending, and tighter credit (as well as more bad debts), has contributed to the increasing number of small business failures.

Says the annual report of the SBAB. "The percentage of insolvencies of private persons and partnerships in 1976 showed an increase of 26% over 1975." It points out that 65,6% more companies and 45% more individuals were liquidated and sequestrated in the early part of last year compared with the same period in 1976. "One can expect that if this situation were to continue many small businesses will disappear."

Figures of total insolvencies, including individuals and partnerships but *excluding* private companies, have grown stead-



Financial Mail June 2 1978 699

the same as the others. In consequence, one barrack was investigated thoroughly, and what is said about that barrack applies to the others.

12/5/78 180

Biko sales soar

Firm says ointment on the market for years

12/5/78 180

EAST LONDON — Sales of a Biko ointment in black and yellow tins — the colours of the banned Black People's Convention — are soaring here.

But the managing director of the firm making it, Mr Peter Gale, said the ointment had been on the market for years, and had nothing to do with Steve Biko.

I paid 30 cents for a 12 gram tin of the green, vaseline-like ointment with a faint smell of wintergreen.

The assistant at the chemists shop where I bought it in Braeside, East London, said the ointment was introduced to them in April by a representative of Kowie Medicine — Mr Gale's firm.

Since then they had sold more than 50 of the 12-gram tins and people were switching to the Biko ointment from other preparations.

Mr Gale said Kowie Medicines had been started at Port Alfred in 1932 by Mr Von Ginkel and was taken over by Baker King and, subsequently, by the Frame Group.

He, in association with two other partners took over the firm two and a half years ago.

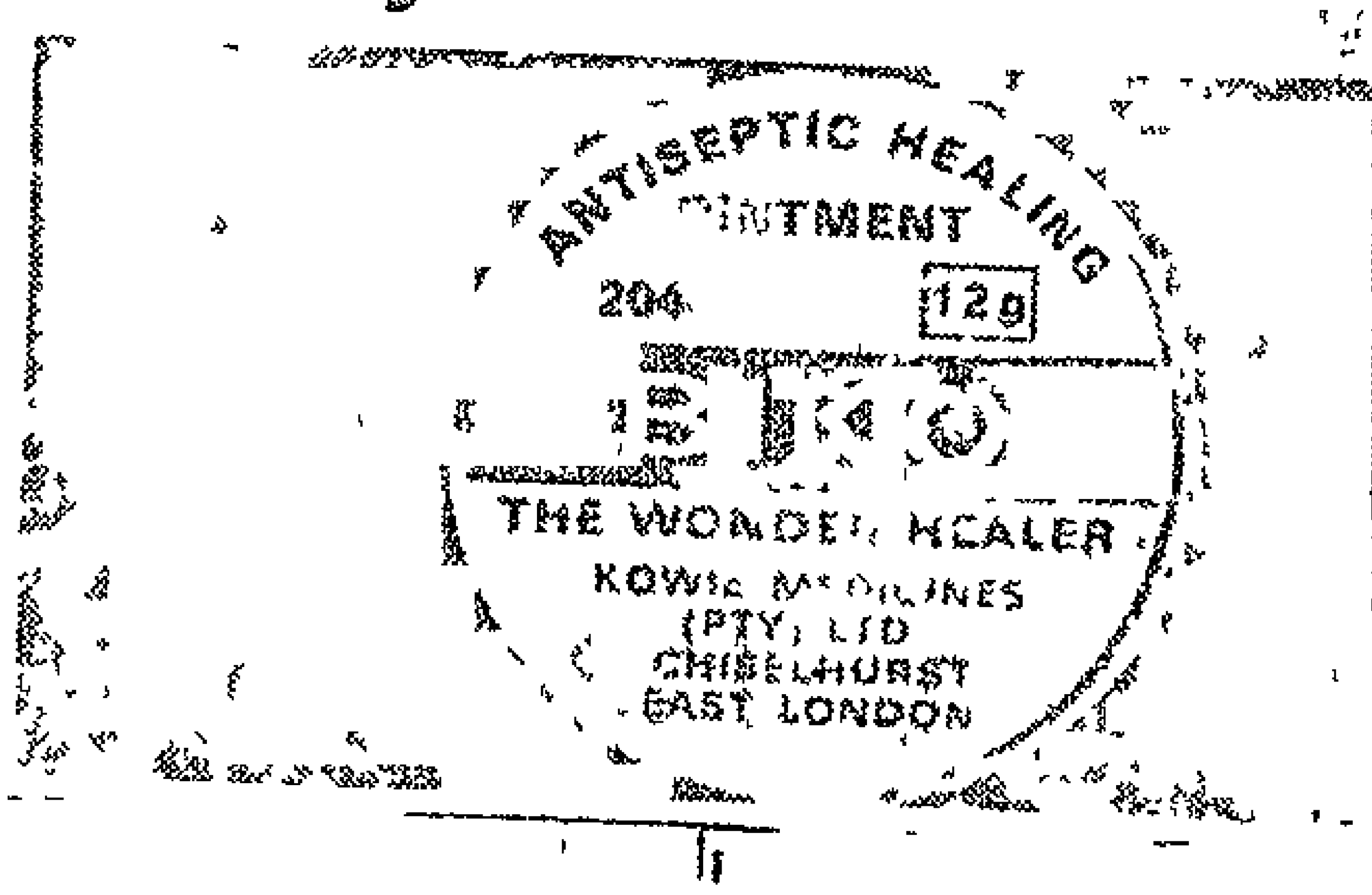
They took over many lines — they had 202 in all — including the Biko ointment.

Mr Gale said he had catalogued proof that the ointment was being made in 1976 and could probably produce samples of the substance and tin from 1974.

He was not aware that black and yellow were the colours of the Black People's Convention and they were not making capital out of Biko's name.

The firm had no intention of phasing out the product as it was an established one, the name Biko and the colours of the tin were coincidental.

"We have other products marketed in black and yellow containers," he said.



"THE PUBLIC IN THE END WILL HAVE TO PAY," SAYS ALAN GARDINER

Sun. Tribune 7/5/78

Firms blast bonus bond stamp bid

By Alan Peat: Finance Editor

A JOHANNESBURG scheme to launch trading discount stamps in July has been violently opposed by all sectors of business contacted

Following a SABC-TV debate and Press reports, the trading stamp scheme has been discarded as "terribly inflationary" and something which "will cost the consumer money", by leading business authorities

The promotional company which intends to opeate the scheme, The Change Makers, has, says managing director Don Hawkridge, had approval from the Treasury and the Defence Force

The company has also overcome the presumed illegality of trading stamps (under the Trade Practices Act of 1976, Section 10) by finding suitable "exemptions in certain sections" of the Act"

According to Hawkridge the stamps "to get into the framework of South African law have to be tied to cash as well"

On redemption the stamps offer the choice of cash or Defence Bonus Bonds to the value of the stamps collected from retailers on purchases.

The trading stamp books will, says Hawkridge, also bear the Bonus Bond logo. The company applied to the Treasury for permission which was granted, he said

"The Treasury says we can use the logo, but have no exclusivety," he added.

The Change Makers have been "gathering momentum for four or five months", says Hawkridge, and the company plans to have a redemption of one million five-rand-books of stamps a month after the first year This he says "will achieve R5 million a month into Bonus Bonds"

While the company has cleared the approval of the system, and has signed up trading organisations — "including a food chain," says Hawkridge — business opinion is heavily against the idea

And some businessmen have been sceptical of the company's statements on the success to date

Said Professor Leon Weyers, chairman of the South African Consumer Council: "We are irrevocably against this scheme

"We have analysed this particular one, and it will cost the consumer money Ultimately the system would be built into price Unfortunately he has solicited the support of the Defence people"

According to Sidney Matus, executive director of the Spar Organisation "The launching of trading stamp schemes in South Africa, no matter how patriotically or well motivated, will ultimately have one serious consequence — it will push up prices to the consumer"

Matus said that Spar and the sister chain Savemor, had been offered the scheme, but had turned it down for several reasons

But Hawkridge said that Spar hadn't officially said no to the scheme yet

The idea has also been strongly rejected by other retailers

Meyer Khan, managing director of OK Bazaars said:

"We are on record as saying we regard these stamps as terribly inflationary The UK is now dropping them after they were a great success Prices dropped — sometimes by as much as 5 or 6 percent — after they were discarded".

Alan Gardiner, Natal manager of Pick 'n Pay said "I would love to see a way to support Defence Bonus Bonds, but not through this basis

The trading stamp operator would have to get a cost and profit return.

"The public in the end would have to pay."

Chairman of Pick 'n Pay, Raymond Ackerman, has already rejected the scheme

Lawrence Herbert, director of the Greatermans Group (which owns the Checkers supermarket chain) is also anti-stamp

"We would have nothing to do with them," he says

"He always seems to indicate that he is just about to launch the scheme, and that a major competitor has signed"

A Motor Industries Federation spokesman also knocks the scheme on the head

"It has a tendency to unstabilise market conditions," he said "There would be no advantage."

The main business objections are.

There would be a store-level cash problem. A large number of stamps would have to be paid for and held in stock

There would be an erosion of profits caused by a direct assault on gross profits and through interest paid out on the amount of money for stamps This would have to be made up from the public

In the event of a stamp war breaking out, entire turnover discounts could escalate, and mark-ups would have to follow

Any short term benefits to one group of stores would soon be neutralised as soon as opposition stores began stamp circulation.

Tin producers push for price rise

(180)
8/4/78

LONDON — The International Tin Council will meet next week to discuss producer demands to raise the world tin pacts buffer stock price ranges. But a poll of major consumer nation delegations indicates no final decision will be taken before the council's meeting in June.

The world's major tin producers, Malaysia, Thailand, Indonesia, Bolivia and Nigeria, have been pressing for a revision of the buffer stock's range floor and ceiling which they say is necessary to protect recent and future investments in an industry which for the past two years was unable to meet world demand

The consumers, among them the US, Japan, West Germany, France and Britain and other hardliners oppose the increase

The buffer stock operates under the Fifth International Tin Agreement which became operative on July 1, 1976 It is designed to hold tin metal, or finance, which enables the buffer stock manager to buy tin when prices fall and sell it when they rise to stabilise prices

Because of a world shortage, prices set records last year and tin held in the stocks was exhausted The Tin Council holds no tin now

In practice, buying and selling operations are made within a set range As this range is set now, it cannot operate

The present floor of the range is 1 200 and the ceiling at 1 500 Malaysian dollars a picul 'But prices at Penang, where much of the tin from South East Asia is warehoused and dealt in, are higher than the ceiling range

A Malaysian dollar equals about $2,11 and a picul, a Malaysian weight measure is 133,33 lbs or 60 kg

Until a few years ago, the buffer stock ranges were calculated in sterling But after the pound's steady devaluation, the Tin Council switched to Malaysian dollars, a currency with a certain amount of stability

The producers, and some consumers, such as The Netherlands, would like to see the floor and ceiling range raised to 1 400 and 1 700 Malaysian dollars a picul

The reason why the producers are asking for higher ranges is that, to combat the shortage, hundreds of millions of dollars have been sunk in the tin mining industry and more are to be directed that way

This will lead to increased production and will be followed by lower prices

If the market collapses, producers fear the industry will hardly be able to cover day-to-day costs, without taking into consideration the cost of new capital invested

Buffer stock buying before prices hit uneconomic levels could cushion the fall and keep tin mining profitable — Sapa-AP

assets.

Until the interest rate falls to a level which will equate the demand and the supply of money, the lower rate of interest might indirectly cause an increase in the volume of investment and this is turn might cause prices to rise. This theory of liquidity preference is attributed to Keynes and shows how the quantity of money determines, not the general price level, but a particular price, the interest rate.

The modern approach to macro price theory is to view the economy as a whole in terms of the aggregate supply and demand. In other words, we must look at the flow of total money spending in relation to the flow of total goods and services. When money spending increases at a faster rate than production, the prices will tend to rise, some prices rising earlier than others until the influences of demand push and cost-pull may create an inflationary situation. During this period an increase in the quantity of money comes about as a result of fluctuation in the level of industrial activity and need not be the cause of changes in the level of prices.

(180) 7/4/78

AMIC (180) FM 7/4/78
Built-in growth

Activities: *Holding company for industrial interests within the Anglo American group. Wholly owned subsidiaries include Boart International, Scaw Metals, Bruynzeel Plywoods and SA Forest Investments. Investments include 26,4% of Debincor, 37,3% of LTA, 39,8% of Mondi, 40,3% of Freight Services and 8,1% of Highveld*

Chairman: *G W H Relly*

Capital structure: *26,9m ordinaries of R1. Market capitalisation R228m*

Financial: *Year to December 31 1977 Borrowings long and medium term, R17,1m. Net cash R13,7m Debt equity ratio 16%. Current ratio 1,8 Net cash flow R36,3m Capital commitments R8,5m*

Share market: *Price 850c (1977-78 high, 930c, low, 715c, trading volume last quarter, 86 000 shares). Yields 17,8% on earnings, 8,2% on dividend Cover 2,2. PE ratio 5,6*

	'74	'75	'76	'77
Return on cap %	21 3	21,0	21 0	19 6
Turnover (Rm)	268	366	318	362
Gross profit (Rm)	54,8	74 7	70 8	71 3
Gross margin %	20,4	20 4	22,2	19,7
Earnings (c)	116	155	160	151
Dividends (c)	57,5	63 0	65 0	70 0
Net asset value (c)	817	969	1 060	1 166

Boart International and Scaw Metals, which together account for less than half the net assets, contributed over 80% of group profits To put Boart and Scaw into perspective, both are now producing profits roughly equivalent to Highveld Steel But while Amic owns 8% of Highveld, it wholly owns Boart and Scaw Highveld made R33m before tax last year, Boart made R32m and Scaw R28m.

For the past three years, Boart has produced a consistently high level of earnings and despite 1977 being described as a difficult year, pre-tax profits were 19% higher, and could improve again this year The greater part (57%) of Boart's profits are earned outside Africa Boart earned 43% pre-tax on equity last year and the dividend it pays to Amic is covered 2,7 times

Scaw has produced impressive profit growth over the past few years and last year turned in a 10% increase It is highly profitable, making 44% pre-tax on equity last year and despite indications for 1978 being a difficult year profits are expected to be similar to the 1977 level Like Boart, Scaw's dividend is covered 2,7 times

Amic's Relly . . . scope for dividend rise

The best way of looking at Amic is in unconsolidated form Of the R23m of dividend income, R13m comes from wholly owned subsidiaries. SA Forest Investment and Bruynzeel, which together amount to R45m of net assets made losses last year and were not dividend generating. Even though their trading positions could improve this year, they are unlikely to contribute dividends for some time

The other R10m (43% of Amic's investment income) comes from the investment portfolio Dividend income here rose 16% on the back of higher payouts from Debincor, Freight Services, Highveld and Mondi

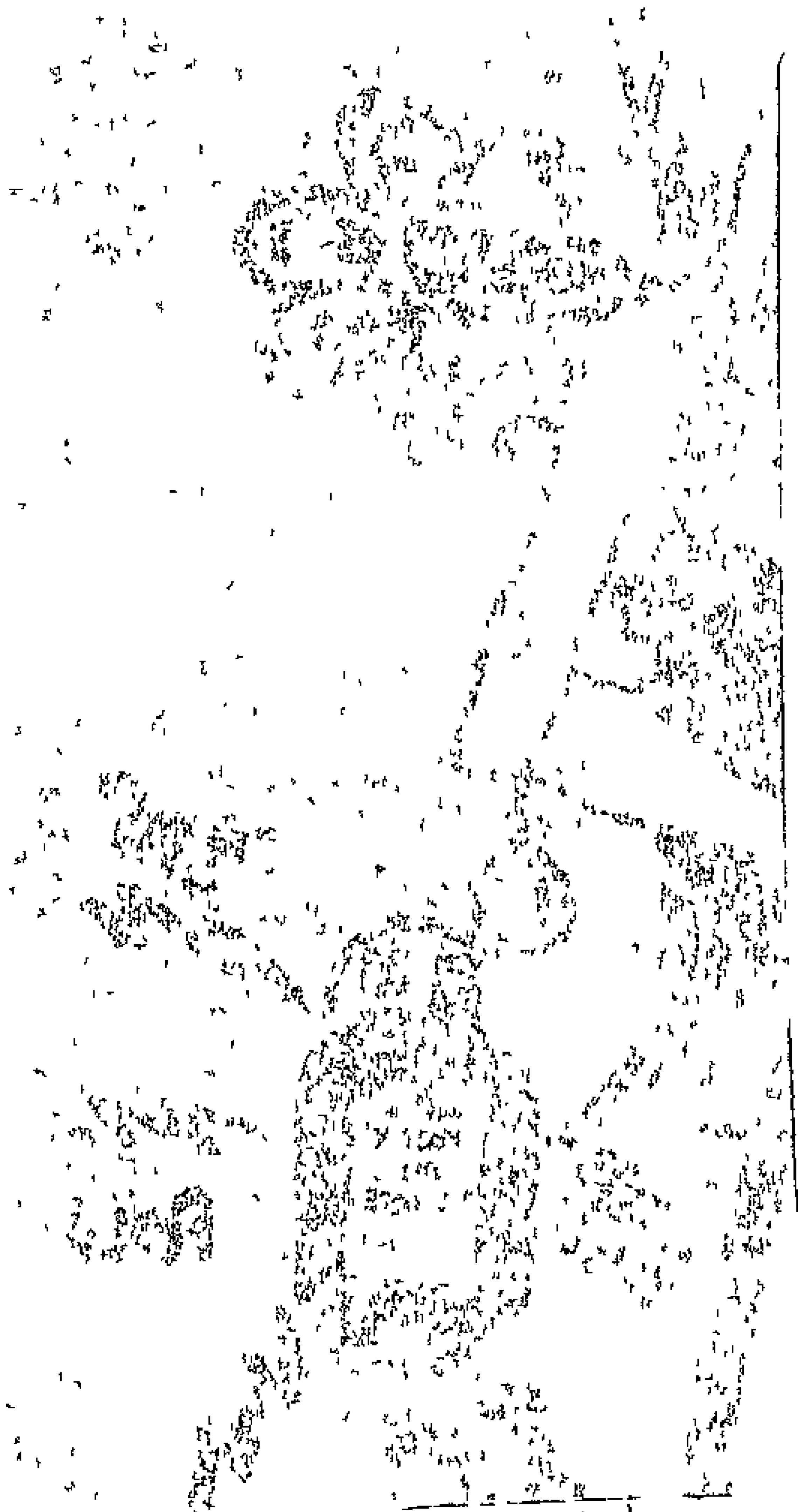
After admin and other expenses, Amic's distributable income was R22,3m equivalent to 83c per share from which a 70c dividend was paid. So there is cover in the top company as well

There is substantial scope for increasing dividend distributions from underlying assets and considering the existing leeway in the top company a 5c increase to 75c in the distribution can be expected This puts Amic on a prospective yield of 8,8% which is not expensive for what is probably the best quality industrial portfolio available *Richard Stuart*

CORRECTION

Writing on Metal Closures (*Companies* March 24) we said that subsidiary Plastic & Metal Industries (PMI), made a R82 000 pre-tax loss. This was in fact made by a division of PMI and not by PMI itself

7/4/78 (180)



FM 7/4/78 (180)

THE RECESSION

Dwindling demand

Consumer spending dropped by 0.6% last year — the first decline in real terms since the war. This is but one of the disturbing facts which lie behind the flat statement that SA's real GDP rose by only about 0.5% last year.

Along with other statistics just published by the SA Reserve Bank, the fall in consumer spending shows just how badly the country's three-year-old recession has hit both business and the man-in-the-street.

An analysis of expenditure on GDP published in the bank's most recent *Quarterly Bulletin* reveals that of all the components of expenditure, only exports rose in real terms last year.

The accompanying 14.6% drop in real expenditure on *imports* is obviously to be welcomed. But the decreases in private consumption expenditure, gross domestic fixed investment, and inventories — and even in consumption expenditure by general government — are not.

Not, at any rate, when it is by no means certain that last week's budget will prevent SA from spiralling downwards into even deeper recession, with higher unemployment levels and all the accompanying economic, social and political ills. And not when the marginal growth which SA experienced last year was attributable to the country's export successes alone.

The biggest — and most worrying — drop was in gross domestic fixed investment, its 10% decline in real terms last year brought it down to its lowest level since 1974.

In the private sector, real fixed investment fell for the second year running. Mining was down 8%, manufacturing 13%, commerce 14%, and residential construction 19%. Only the private transport sector showed growth (a staggering 92%), owing mainly to the purchase of ships for containerisation and the export of iron ore.

Investment by public authorities fared no better. The SAR's investment fell by 30% owing to the fact that the programme of aircraft purchases had come to an end. Real fixed investment by "general departments" fell by 11%.

Investment by the public corporations, on the other hand, rose significantly in manufacturing (51%) and electricity, gas and water (20%) owing to increased outlays on Sasol 2 and on the nuclear power station in the Western Cape.

But the other components of the corporations' fixed capital expenditure fell by 56% — largely as a result of the completion in 1976 of large-scale capital projects like Sishen-Saldanha.

As far as consumer spending — the fuel which fires the country's economic motor — goes, marginal real increases in expenditure on non-durable goods, and on services (both up by 3%) were more than offset last year by substantial decreases in expenditure on both durable and semi-durable goods.

In the former category expenditure on furniture and household appliances fell by 5%, on personal transport equipment by 10%, and on "other goods" (including television sets) by 34%.

In the "semi-durable" category, spending on clothing and footwear fell by 6%, and on other goods by 3.5%.

These drops in consumer spending are of course the result of a lower rate of increase in real disposable incomes, which in turn is the consequence of higher personal taxes, the absence of significant salary and wage increases, and unemployment. In addition, the prevailing economic and social insecurity has led to higher personal saving.

Tight rein

While government kept its own consumption expenditure on a tight rein during 1977, the bulk of the 6%-odd decline in its real outlays on goods and services is attributable to the (involuntary) reduction in defence spending. Real salaries and wages in the public sector increased by only about 4%, against 5.5% during 1976.

The level of total inventories — at constant 1970 prices — declined by R388m, contributing to a further fall in real aggregate domestic demand (about 5% down on 1976) and to a decline in the volume of merchandise imports. Sharp declines in real industrial and commercial inventories in the private sector were partly offset by increases in the real industrial inventories of the public corporations, agricultural stocks in trade, and livestock inventories.

Of course, none of these downturns in expenditure is surprising given the strict monetary and fiscal discipline imposed on the economy by government in its efforts to restrain inflation and rescue the balance of payments. These efforts have, of course, been largely successful. But SA's moribund economy is now clearly in urgent need of a pick-me-up. Whether Finance Minister Owen Horwood's 1978/79 budget will do the trick remains to be seen (page 24)

Sunday Times (Business) 12/3/78 (150)

Investors move as metal prices soar

NEW YORK — Metals prices soared on American commodity exchanges this week — particularly in futures markets — and several producer prices were also increased.

By JIM SRODES

This could have far-reaching bullish implications for South Africa's international trade surplus, which is generally expected to deteriorate this year, provided the trend is sustained

American and foreign investors who missed the early stages of the gold price rise now seem determined not to miss out on the boom in other metals

Silver led the metals advance, with futures scoring their biggest gain in two years For more than a year silver has been unable to cross the level of $5 an ounce But on Tuesday the Bellweather May delivery contract on the Comex closed at $5,318, then hit a record high of $5,4050 on Wednesday

Gold also shared in the revived demand Comex gold futures stood at $192,60 bid, $193,60 asked for May delivery on Wednesday, after having risen more than $2,50 an ounce the day before

On the New York Mercantile Exchange, platinum futures closed at the limit of $10 an ounce, for a $500 gain on each 50-ounce bar

Analysts attribute the futures surge to several factors "The coal strike clearly has everyone running for silver," says Vincent Conway, of Merrill Lynch

J Aron and Co, the bullion dealers, note that large and small investors have become vastly more interested in hedge assets in recent years

Most analysts agree that the spectacular silver gain is because it looks cheap these days when compared with gold, which appears to be heading to a $200 an ounce price without a pause

An important technical factor is that the move in the May silver contract price past $5,16 an ounce was an important signal to chart-watchers On three separate occasions since last October the silver price had stalled at that point, so that when it broke past this week new buy orders helped accelerate the advance

The active platinum trading saw the April delivery contract on the New York Mercantile Exchange close at $241,90 at midweek, after a record volume of 50-ounce bars had changed hands — four times the normal volume

The underlying gold market was boosted by the authoritative estimates of world bullion supply and demand being made available this week by leading gold dealers

While the components of dealer estimates vary, market analysts have noted that most sources agree that total private demand for gold reached a 10-year high in 1977 despite the rising price, that industrial demand for gold was not dampened by the rising price, and that gold markets are now heavily dependent on government sales of bullion as a market stabiliser

Government sales, including the IMF's monthly auction, accounted for 40 per cent of the total world supply last year

Apart from the surge on the exchanges, metals producers in Canada and the United States announced wide ranging price increases on various hard metal products

Le Nickel Inc, the U S marketing arm of Societe Metallurgue Le Nickel of France, said it will boost its ferro-nickel price from April 1 to $2,04 a lb of nickel contained in its products The increase is from the current $2 a lb level

The 4c a lb rise is the first increase announced by any major nickel producer for many months, and was interpreted by market analysts as being a pricing hint to Inco Ltd, the Toronto-based concern that is the world's biggest producer Inco recently cut 2c to 3c a lb from prices of many of those same nickel-based products

At the same time, Canadian steelmakers have announced price increases on a number of product lines Steel company of Canada, the nation's largest producer, announced a base price rise for steel plate of $10 a ton — 3 per cent — with effect from April 16

Steel Company of Canada also told customers its tinplate would go to an average of $33,50 a ton — about 7,3 per cent higher — on April 1 Dominion Foundries & 'steel Ltd and Algoma-Steel Corp, the number two and three producers, will also put up their prices

Manufacturing's ills: Here is the treatment

THERE are three significant areas of demand which the manufacturing sector can exploit to return to a higher plateau of growth: import replacement, exports, and the black market.

Just how these areas should be exploited will come under the scrutiny of the working group which the Minister of Economic Affairs has appointed to outline an industrialisation strategy for the country

For industry badly needs a cohesive blueprint for growth — a definite statement of the objectives of industrial policy and how they should be achieved

Such a strategy might not avoid entirely the frequent contradictions and inconsistencies of official policy, but it would provide a reference within which they could be reconciled

Recovery must be pursued on three fronts

AFTER dealing with the problems, Industrial Editor Tony Koenderman now turns to the solutions, in the final article in his series on the manufacturing sector.

The manufacturing sector, a growth leader during in the sixties, has been slowing down the growth of the economy in the seventies. Human resources are inadequately utilised The capital inflow has slowed down. Exports by this sector have contributed a declining share to total exports.

And South Africa has become relatively poorer in comparison with other African nations.

In this article, the main hopes for renewed growth — import substitution, exports and domestic market expansion — are examined

Propensity

Different Government departments, with conflicting objectives, would have a common base for dealing with issues that affect the sector.

It is well known by now that the economy has a strong propensity to import This becomes particularly noticeable in times of cyclical upswing, when domestic demand tends to be satisfied from imports rather than internal sources of supply

The reason is the inadequate competitiveness of our manufacturing sector, which also places it under a handicap in export markets

The importance of the manufacturing sector, it must be noted, lies more in the contribution it makes to output and value added than in its employment-generating potential Industry employs only 14 per cent of the country's economically active population, but accounts for 24 per cent of gross domestic product

So what are the reasons for industry's lack of competitiveness? And what can be done about it?

bles, some machine tools, white goods, and plastic products

Fragmentation has also been fostered by the Government's policy of allowing unrestricted freedom of entry into most markets, and the lack of a defined overall industrial development strategy

Other reasons given for the lack of competitiveness are poor labour utilisation, the availability and cost of certain raw materials (notably oil and bauxite), the shortage of capital, other countries' subsidisation of their exports, and some user resistance to South African-made products

must go hand in hand, and some review of export incentives would be necessary

The main scope for growth of the domestic market still lies in the black sector The white sector is all but saturated But the long-awaited take-off of black demand has not really occurred yet, and it may be a mistake to look for one

Expectations for this market have always been over-optimistic, and it may be wiser to anticipate a slow but steady growth rather than a sudden explosion of new demand

One of the main objectives of the important survey of import substitution potential conducted jointly by the Federated Chamber of Industries, Afrikaanse Handelsinstituut and the Steel & Engineering Industries Federation was to establish the causes of this tendency to import

"If these causes of inadequate competitiveness can be identified and removed, domestic industrial output can displace such imports without local industry requiring additional capital investment," the survey says

Objective

The second objective of the survey was to identify areas in which a new thrust of import replacement could occur and which might give further impetus to domestic industrial expansion

The potential for import displacement (where capacity already existed) was calculated to be about R610-million, and that for import replacement (requiring new capacity), was reckoned at R473-million

Bill

Something like two-thirds of the import bill is accounted for by only four manufacturing sectors — basic industrial chemicals, non-electrical machinery, motor vehicles and electrical machinery

That more of these items are not made locally is largely due to market size, which is considered to be effectively equivalent to a European nation of 8-million people

The problem of a small market is aggravated by its dual racial structure, and, says the import substitution survey, unrealistic expectations of rapid market growth in the black sector.

This has led to another problem — excessive fragmentation of the market In the motor industry, for example, there has been a proliferation of manufacturers each justifying its presence in the expectation of rapid demand growth in the black sector.

Other manufacturing sectors in which this trend has manifested itself are non-woven textiles, radios, ca-

The answer found by the survey was to identify areas in which further import substitution could occur Import replacement was the dominant growth force for two decades up to the mid-fifties, but has declined since then, and domestic market growth has become progressively more important

Philosophy

But the survey is adamant that the objective is not to push for import replacement at all costs

Its guiding philosophy in its task was to identify the real costs and benefits of import replacement, and by "investigating the type of cost disability experienced by local industry, to suggest ways and means of improving the trade-off between the costs and benefits of import replacement "

Thus, for example, attention was given to issues such as the lack of standardisation of equipment required by State buyers This shortcoming reduced volume viability to the point that local manufacturers could not compete against imports without excessive tariff protection.

The recommendations are extremely detailed, and it is impossible to generalise about them, but one example may serve to demonstrate the kind of thinking which prevailed.

Impact

However, some new political thinking could undoubtedly hurry the process along Imagine the impact that home ownership and electrification in Soweto could have on the demand for consumer durables

Imagine the impact that freedom of choice in the labour field could have on the shortage of skills, and ultimately on consumer demand

Imagine the impact of a strong black middle class on overall political stability, and in turn on the flow of capital into the country

Over to the Government

Enlightening

In the furniture sector, the survey comments. "The major imports of this sector were R2,9-million worth of chairs and other seats mainly from Comecon countries Recent investment in the industry has made the continuation of this import unnecessary and an anti-dumping duty in the form of a formula tariff may be justified where import replacement can occur on a cost-effective basis "

An enlightening discovery the survey made was that often purchasers went for imports simply because they did not know what could be produced locally

In relation to the question of volume viability, there was a close link between domestic sales and exports.

The survey found "numerous examples of products where greater competitiveness in the local market appeared to be contingent on an export initiative on the part of the manufacturing sector concerned "

The reverse may also be true that export competitiveness may depend on a healthy domestic market

Either way, it is clear the two types of stimulation

Why Berkshire's shares are rising on the Exchange

6/3/78 DA

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EAST LONDON — Early in January this year, shares in East London's Berkshire International could be bought on the Johannesburg Stock Exchange for 51 cents each (50c par shares) At the beginning of February the price had moved up to 54c, and at the beginning of this month up again, to 60c

Shareholders will learn the reasons for this encouraging trend at the company's annual meeting here on 29 March from the report of the chairman, Mr J A Chubb, but those reasons are quite simply — Berkshire has had another excellent trading year — and, even more encouraging for those shareholders is that the dividend is being upped 50 per cent, from last year's 2,5c to 3,75c

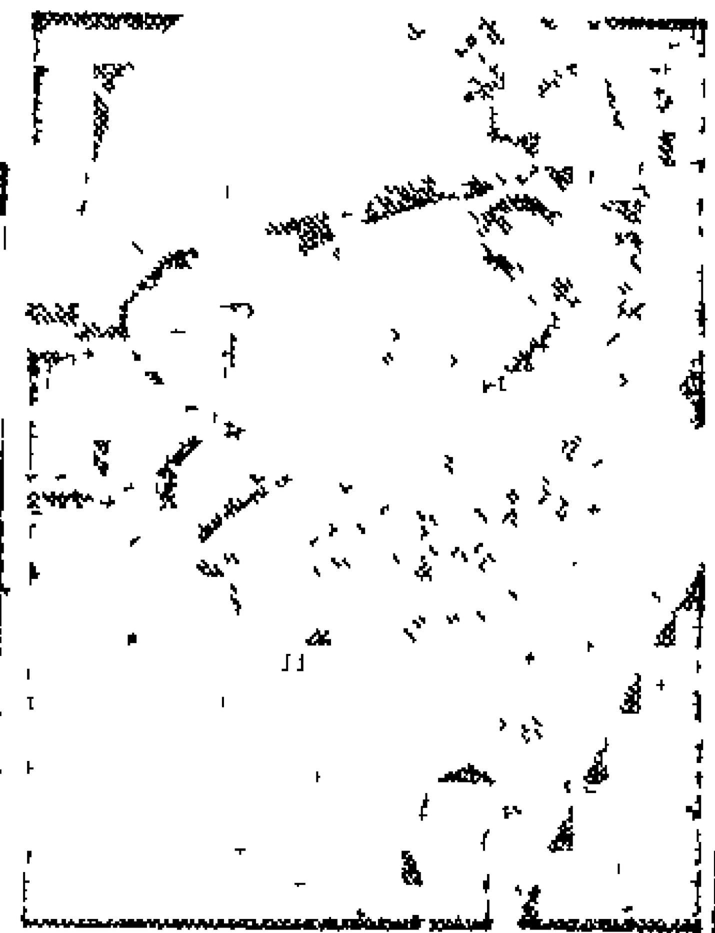
Sales increased over 1976's good year by 15,5 per cent, and income attributable to the shareholders rose from R435 000 to R665 000, an increase of 53 per cent, while earnings per share jumped from 27,7 cents to 42,5 cents And those are the reasons for the increased dividend

The hosiery division continued to battle in a market suffering from over-capacity, but at least the downward trend in pantihose sales was arrested during the second half of the year

More progress was made in the knitwear division, but the group's highlight is still the H D Lee denim division, the profit from which remains the dominant factor in the group's overall results

Furthermore, despite the problems surmounting Rhodesia, Berkshire (Rhodesia), operating in Bulawayo, in which the group has a 63 per cent interest, had a substantially better trading year

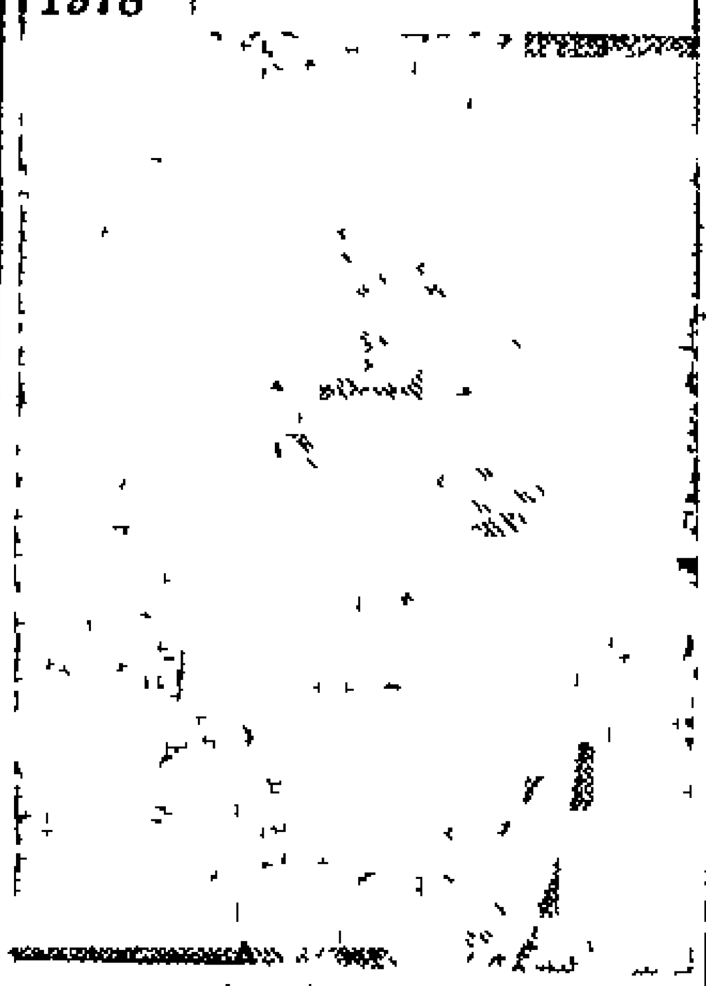
Should there be a satisfactory settlement to Rhodesia's political problems in the near future, allowing a free passage of currencies in and out of that country,



Leading Berkshire into higher profits . . . Mr J. A. CHUBB, chairman . . .

the group could benefit in a really big way next year.

Mr Chubb expresses confidence in the future of the group and expects it to at least maintain the 1977 level of profit during 1978



. . . and the managing director, Mr M. L. STRONG

Judging from the way in which Berkshire has recovered from its dramatic period of a few years ago, his confidence seems well placed

— BUSINESS EDITOR

SUNDAY TIMES, Business Times, February 26, 1978. 180

African trade slide hits manufacturing

What has South Africa's shrinking trade with the rest of Africa got to do with the problem of industrial growth? Industrial Editor, Tony Koenderman, examines the question in this article in his series on the manufacturing sector.

THERE IS no clearer example of the way politics is interfering with the growth of manufacturing industry — and hence the economy in general — than the shrinking proportion of South Africa's trade with the rest of Africa.

Fifteen years ago, 19 per cent of our exports went to other African countries, mainly our neighbours Throughout the sixties, this figure remained more or less constant In 1971 it was still 18,6 per cent

But in the six years since then, Africa's share has dropped by half — to 9,3 per cent in the first nine months of 1977

There are two main reasons

The 1970s have been a period of intensified trade sanctions against us by black Africa For example, Zambia, whose biggest trading partner we once were, has almost ruined itself in the effort to break the bond — and figures tell the tale of how successfully it is being broken

Our exports to Zambia reached a peak of R68-million in 1968 By 1976, they had fallen to R32-million, though they went up by 27 per cent in the first half of last year

In 1969 South African exports to Zambia were 5 per cent higher than British By 1976 imports from Britain were worth R100-million — three times as much as from South Africa

Another major reason for the decline has been the advent of black rule in Mozambique and Angola, whose economies before the departure of the Portuguese were each roughly the size of Rhodesia's

The decline in trade with these nations has occurred not only because they want to lessen their dependence on South Africa but also because of economic and social chaos There is, therefore, a hope that some of this trade can be restored

That we have managed to continue trading with black Africa despite political hostility, and have even increased the money value of that trade, is true but nevertheless of little comfort

For during the 1970s, if you exclude one phenomenal year (1974), the average annual rate of growth in exports to black Africa has been only 5,2 per cent — less than the inflation rate and therefore not real growth at all

That we have managed to find other markets — mainly the US and Japan — misses the point

This is that Africa is our natural market, where we enjoy — or could enjoy — the solid economic advantages of proximity and knowledge of African conditions

South Africa and South West Africa have 43 per cent of the population and contribute 70 per cent of the gross national product of the nine nations of Southern Africa, which for the purposes of this article can be said to end at the northern boundaries of Angola, Zambia, Malawi and Mozambique

Though inter-regional commodity imports are estimated to be less than 14 per cent of the value of all imported goods in the subcontinent, Southern Africa must offer this country its best chance of exporting manufactured products

When we attempt to export further afield, say to Europe or America, we run into two major problems.

First, we are competing with manufacturers who are more efficient because of their greater economies of scale, secondly, our distance from these markets gives us the added handicap of high freight rates

Our main industrial complex is not even at the coast but hundreds of kilometres inland, thus aggravating the transport problem

But our "Highveld Ruhr" is ideally placed for exporting to the rest of Southern Africa, several countries of which are landlocked

It is surely no coincidence that the declining pattern of trade with Africa is matched with remarkable consistency by a declining contribution to exports being made by the manufacturing sector

Manufactured exports have fallen from 26 per cent of the total in 1971 to 21 per cent, while the share contributed by primary and processed exports together has risen from 74 to 79 per cent

South Africa cannot expect to export much in the way of primary products, except food, to the rest of Africa They, like us but to a greater degree, are basically exporters of raw materials and importers of manufactured goods

Thus our imports from Africa are a considerably smaller proportion of our total imports, a proportion which has not changed much in the last decade In 1969 it was 5,2 per cent, and last year it was 5,7 per cent

It is apparent that we can hardly look for a significant increase in exports to Africa unless South Africa also increases its imports from them No country likes to maintain a consistently adverse balance of trade with another, and when that other country is South Africa the situation becomes doubly unacceptable

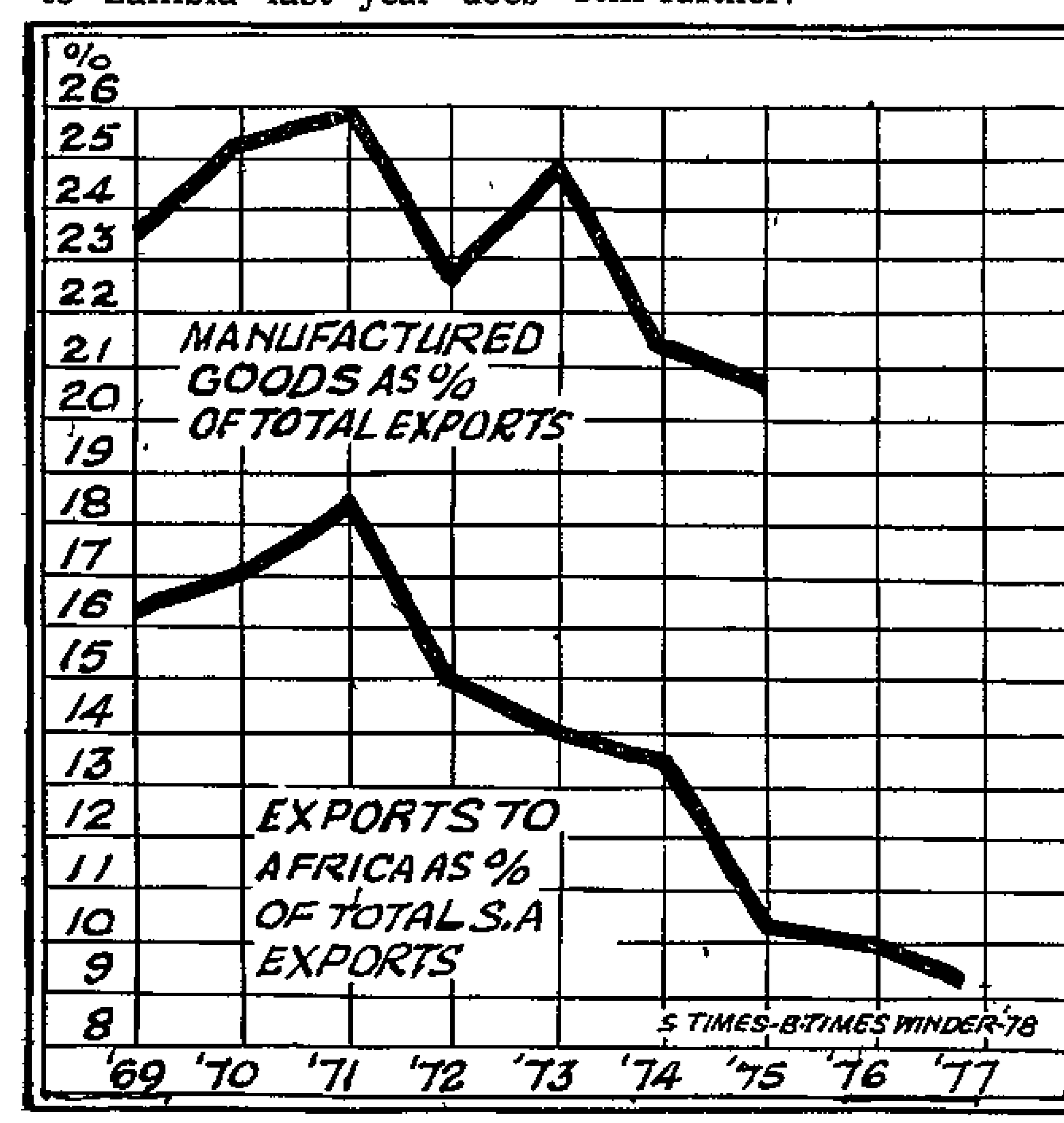
The big problem is What can we import from them?

It may be too early, and the movement not marked enough, to draw the conclusion that economic realism is beginning to outweigh political idealism in dealings with South Africa, but the abrupt upswing in exports to Zambia last year does provide a glimmer of hope that this is so

Botswana, Swaziland and Lesotho are alone in the sub-continent in sourcing more of their imports from South Africa than from the rest of the world

Generally, however, the future does not look bright Assuming Rhodesia and South West Africa get black governments soon, we can only expect them to fall into the general African pattern of reducing trade links with South Africa

And that means that our natural market for manufactured goods will shrink still further.



South Africa's exports to the rest of Africa, and its manufactured exports are shown here as a percentage of total exports. The similarity in the two curves is easy to see and suggests that the decline in trade with Africa is a major cause of the manufacturing slump.

SUNDAY TIMES, Business Times, February 26, 1978. (180)

Fifteen listings ripe for bids

WHEN stock markets are booming, a favourite pastime is for companies with inflated share prices and high price-earnings multiples to use their (possibly overpriced) paper to buy into intrinsically strong companies that can boost the bidder's assets and earnings base.

When stock markets are depressed, it's a different ball game Then, a popular technique of corporate raiders is to look for low-priced shares, often with unsatisfactory earnings trends, but reasonable recovery potential and assets whose nominal value is well in excess of their market prices

With cash often surprisingly readily available at the tailend of a recession, paradoxical though this may sound, it is often preferred to paper as the medium of payment

In South African conditions, there is a further relevant factor Many companies here are still controlled by their founders, or at any rate the second generation, and the dispersal of corporate ownership has not gone as far as in, say, the UK or US

Times like these can thus seem attractive for controlling shareholders to buy in minority interests at prices which look attractive in relation to market prices, but are way below net worth

The Hendler's case is but one illustration of this, the process was perhaps started as far back as February 1973, when Nathan Peck bought in outside interests in Pecks The absorption of SA Clothing and Desiree by their holding companies, Dubin and Seardel, are variations on the theme.

I have therefore drawn up a list of 15 companies that, on these considerations, seem potential takeover candidates All they have in common is a share price of well under half — and sometimes only about 20 per cent of balance sheet net worth It does not, of course, follow that these assets could be realised at their theoretical values, and equally obviously assets that are not earning reasonable returns have a dubious effective value

But all these companies have at some time shown the ability to earn fair profits (indeed, some are still doing so), and may have the potential to do so again

Most of them are in an earnings downtrend, the exceptions being the two clothing manufacturers, Adonis and Elmar; and a surprising number were listed towards the end of the 1968-69 industrial share boom.

This confirms the view which was held then that too many companies were being listed that were not in fact of a stature appropriate for a listed company Many of their latest profits look a sick joke in comparison with the projections made in their prelisting statements

While this is to some extent just a reflection of the unforeseeable economic recession of recent years, it also suggests that issuing houses in the late 1960s, with an eye to immediate underwriting profits and the other benefits that handling new issues brought, were insufficiently critical of the ability of these companies to withstand hard times

It should be stressed that inclusion in the table does not mean that any of these companies is necessarily up for sale, or that their controlling shareholders have any intention of buying in minorities, they merely satisfy my subjective criteria. In most cases, the latest figures refer to financial years that ended on June 30 last, but some have other financial year-ends, where needed, the story is brought up to date in the comments that follow.

What companies will the corporate raiders be looking at this year? Leading investment writer Michael Coulson surveys the field.

Blajohn/W. F. Johnstone

THE main asset of W. F. Johnstone is 84 per cent control of Blajohn, a building material supplier. Profits have fallen in each of the past three financial years, and it would not be surprising if the interim report (to December) showed a further drop

Net worths are of the order of three times market prices, and the current asset ratio of Blajohn is a healthy 3,9, although this could mean that stocks and debtors are larger than is desirable

Fowler

A 59 PER CENT subsidiary of Metkor, and hence indirectly of Iscor, this civil engineering and construction outfit was listed in November 1973 after a 10-times oversubscribed public offer of 2,7-million shares at 110c

It can be assumed that Metkor, which may have been embarrassed by subsequent performance, would be a seller at the right price, as in late 1976 abortive negotiations took place with the Dutch Verolme group

The current market price is only 16,5 per cent of indicated net worth, although the company has already said that "no meaningful profits" are likely this year Any significant losses would erode net worth further, as was the case last year

Panafic

THIS Germiston-based shopfitter was listed in December 1968 after a private placing of 600 000 shares at 100c, of which the vendors in effect took out R550 000 Present market capitalisation of the entire company is now little more than this, a recurring feature of the 1968-69 new listings discussed in this article is that whole companies are now being valued at much the same as what was sold off — usually only 25-30 per cent of the equity — less than 10 years ago.

Panafic is a December company, in the six months to last June, earnings were only half the previous year's level, but the interim dividend was maintained This company too, is pretty liquid, the 1976 balance sheet showing net cash of R200 000, and 1976 was the first year in five to bring an earnings decline

Adonis

A MEN'S knitwear manufacturer, listed at the summit of the boom in May 1969, after a private placing of 803 000 shares at 65c The vendors took out R450 000 of the R580 000 raised

Earnings have been falling steadily since a peak of 7,8c a share in 1974, but the improvement last year is actually greater than the bald figures show, as the comparable period was for 15 months

Elmar

MEN'S underwear and sports shirts are this company's staple Anoher mid-1969 listing, after a private placing of 1,1-million shares at 65c raised R706 000, somewhat less than the R860 000 ultimately effectively taken out by the vendors

This is a December company, in the six months to June last, there was a marginal decline in earnings Rumours two years ago of a possible takeover were squashed when the controlling Margolis family (72,5 per cent stake) said it had no intention of selling

B&S Steel

MAKES steel furniture, mainly for offices and similar markets Listed in November 1968 after a placing of 625 000 shares at 80c, raising R500 000, of which the vendors took out only R290 000 — well under average for this sample.

In late 1966, when the share price was about 10c higher than now, there were unsuccessful negotiations for a change of control

Last year, the interim report was published on February 18, but it had not appeared by the time of going to press Such delays can be a bad sign

Bakstey

PROBABLY in a more upmarket furniture sector than B&S, listed in June 1969 after placing 852 000 shares at 70c The vendors took R300 000 of the R597 000 this brought in

The record has been spotty, with profits in 1969-70, losses in 1971-72, and then profits again, although the interim report for the six months to June 1977 showed a net loss of R89 000, and expected a similar outturn for the year as a whole.

Other things being equal this would clip net worth by 3c a share But liquidity is sound, with R300 000 cash in the last balance sheet, a current ratio of 2,7, and no long-term loans, although a property has since been bought for R235 000

Searles

AN ODD man out in this list, being listed as long ago as 1947 as holding company for a group that's been in business in the Eastern Cape since 1859 Great Brak River is virtually a company town

In addition to the footwear interests that determine its place on the JSE, the cherry on the top is landholdings of almost 3 000 ha, much of it under timber, which could make the discount on true net worth considerably more than the theoretical 80 per cent

Often regarded as a takeover prospect in the past, nothing has ever actually materialised

Bivec/Berzack

BIVEC was listed in March 1969 after a combined placing (1 349-million shares at

• To Page 11

SUNDAY TIMES, Business Times, February 19, 1978.

Manufacturing's millstone

180

In this, the second of a series of articles on the manufacturing industry, Industrial Editor TONY KOENDERMAN concludes that the ills of this sector can be traced back principally to Government ideologies.

LIKE it or not, politics are responsible for many of the problems facing the manufacturing sector in the seventies, including what now looms as the gravest of all — the shortage of capital.

But in repeating what has become the most overworked of cliches, one runs the risk of losing one's audience

So let me hasten to add that the intention of this series is not to produce the facile conclusion that all that is required is for the Government to change its policies overnight and — poof! — industry will be set to rights

For that certainly is not going to happen

If manufacturing is once again to be a growth leader in the economy, as it was in the sixties, this will have to be achieved within the context of separate development, or plural democracies, or whatever buzz-word National Party policies go by these days

But this does not mean that many misguided applications of that policy cannot be redirected

However, it does make the redirection of the policy a sensitive and delicate issue

There are almost too many explanations for the way in which the manufacturing sector has swung from growth leader to laggard, so it is necessary to group them into categories of broadly similar character

● Political factors — what one might call the costs of apartheid This covers trends which stem directly from Government policies and are, therefore, capable of being controlled or altered to a considerable degree, but it also covers events which stem from the reactions of other countries to our internal political policies and which are, therefore, only within South African control to a limited degree

Trends which have been affected by political factors include the inflow of foreign capital, immigration, foreign trade patterns, labour policies and domestic demand.

● Largely economic factors. Though it is never possible completely to break the link between economics and politics, there are many aspects of business policy which could be altered without conflicting with current ideology

Here, one is talking about such matters as price control and tariff policies

● Events totally outside the control of South Africa The 1973 oil crisis and the worldwide increase in inflation rates which followed it are examples of this category

Let us first look at the political factors The maintenance of apartheid is costing us money — of that there is no doubt But how much?

Len Abrahamse, deputy chairman of Nedbank and Syfrets-UAL Holdings, told an Institute of Race Relations conference last year that had there been natural integration on the economic front over the past 30 years, gross national product per capita could have been 50 per cent higher than it is — R1 545 per head instead of R1 030

GNP in 1976 would then have been R40-billion instead of R27-billion, a difference of R13-billion

One of apartheid's more worrying consequences, according to Mr Abrahamse, is the effect it has had on capital creation The imbalance in income and numbers between skilled and unskilled workers has reduced the possible level of domestic savings and hence domestic capital creation.

In turn, this has inhibited the economic growth which would have encouraged a greater inflow of foreign investment

South Africa's capital requirements are growing while foreign investors are becoming less inclined to risk their money here.

Mr Abrahamse argues that if real GDP were to grow at an annual rate of 5 per cent between 1975 and 1980, and assuming that this would require a 6,4 per cent growth in real gross domestic investment, the amount required to finance the investment would be R32-billion at 1975 prices

"The cost to the economy of being chronically short of capital will be an ongoing one," he warns

"It will be borne in the main in the form of a lower overall growth rate, and a too-low rate of employment and capital creation."

Chris Griffith, deputy head of Anglo American Corporation's industrial interests, points out that the capital crisis has forced quasi-Government industries such as Escom, Iscor and the SAR to finance their development through increases in tariffs instead of in the capital markets, which has been highly inflationary.

"This has pushed up costs at a time when the consumer has had less money in his hands in real terms than for a long time," he said. "Inflation means people hit higher rates of tax more rapidly, so the real purchasing power of the private sector has dropped alarmingly.

"Meanwhile, the Government has also throttled back public sector demand. Hence, industrial capacity is under-utilised. When your market evaporates it is extraordinarily difficult to run a business effectively.

"One can take evasive action by moving out into exports, but demand in the whole western world has also dropped "

Things have been bad for so long, Mr Griffith says, that there is no fat left.

The worry is that if the problem isn't handled with sympathy and intelligence, there could be permanent damage to the manufacturing sector, and the underlying infrastructure would have to be rebuilt

SUNDAY TIMES, Business Times, February 12, 1978.

SUNDAY TIMES 12/02/1978

SA manufacturers are not shaping

WHAT has gone wrong with the manufacturing industry in the past few years? In the first of a series of articles, Industrial Editor TONY KOENDERMAN examines the long-term problems of this vital sector.

A CRITICAL transformation has occurred in manufacturing industry of the 1970s whose growth rate has slowed to less than a third of that of the previous decade.

The growth leader which carried other sectors on its back during the fabulous surge of the sixties has failed to answer to the summons of the seventies

The main motor of the economy has swung from leader to laggard

The turning point appears to have been in 1969 For the decade before that, the real growth of manufacturing output grew faster than that of the economy as a whole — an average compounded rate of 8,5 per cent compared with about 6 per cent growth in the real gross domestic product

Manufacturing's growth exceeded that of the economy every year except 1967

But since 1969, the trend has been reversed

In the nine years from 1969 to 1977 (with 1977 figures estimated), manufacturing output has grown at an average rate of 2,6 per cent, while GDP growth has averaged 3,5 per cent, and in only one year (1973) did manufacturing growth exceed that of the whole economy.

During the 1960s, the manufacturing sector accelerated towards a peak of growth performance which saw it outstrip the combined contribution to the GDP of the primary sectors, agriculture and mining

In a decade when GDP more than doubled, giving our economy the reputation of being among the fastest growing in the world, manufacturing increased its contribution from under 20 per cent of GDP to more than 24 per cent, while the primary sectors' share fell from 26 to 19 per cent

With due allowance for the overwhelming impact of gold and other mining production, the unusual nature of our dual economy and its stage of economic development, the 24 per cent contribution to GDP compares very favourably with other countries

According to United Nations statistics, manufacturing contributes a higher percentage to GDP in South Africa than it does in either Australia or Canada Even in Britain its share is only 26 per cent, and in the US 25 per cent, though West Germany's 39 per cent must be close to the ultimate

Our economy is still considerably smaller than the others — GDP is roughly half that of Australia and a quarter that of Canada — and the achievement of the manufacturing sector is highly commendable

And while our mineral resources are certainly no smaller than those of Australia, our rate of mineral exploitation (worth R3 193-million in 1974) is significantly slower than Australia's (R4 350-million in 1974) Thus we probably can expect mining to maintain a high contribution to GDP for some years yet,

The sixties demonstrated the classic interaction in which industrial expansion generated further expansion via increased job opportunities, higher incomes and greater, more diversified spending

But since 1969, the broad trends have changed markedly In the seventies, manufacturing's contribution to GDP has not increased at all, and, indeed, in 1976 was 4 percentage points lower than in 1970

Whereas previously the process of import substitution was the major growth force, opportunities in this area have become fewer and more difficult to exploit

Mercabank's Focus on Key Economic Issues, dealing with economic growth, notes that during the current decade the domestic market became the leading growth stimulant Consumption expenditure was a lagging element during the boom of the 1960s but has played a leading role since 1970

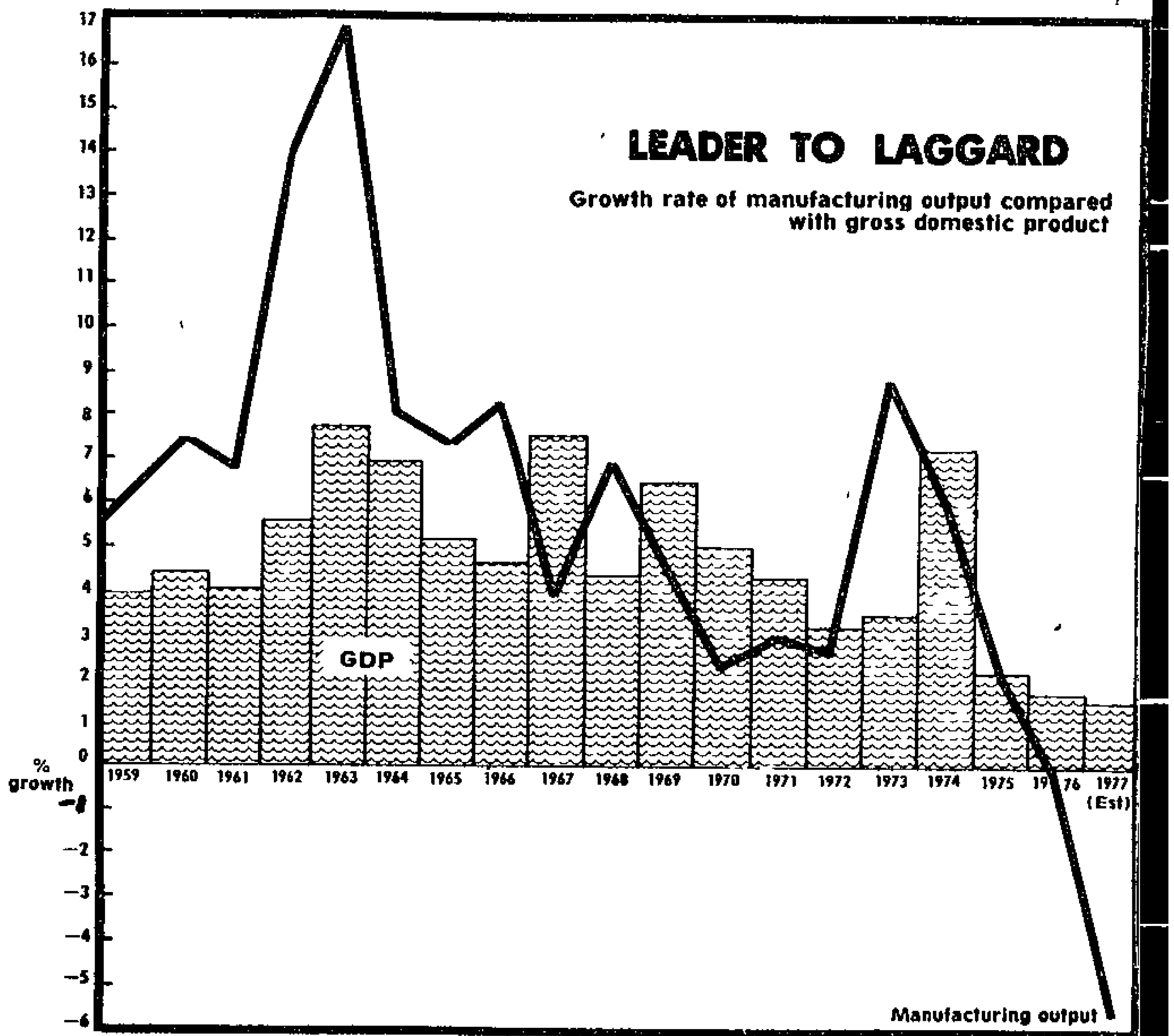
There has also been increasing substitution of capital for labour in recent years

The Mercabank report says "While the incremental capital / labour ratio for the whole economy (excluding agriculture) showed a gradually declining tendency during the sixties, this trend was dramatically reversed during the seventies

"In view of the scarcity of capital and the rapidly growing economically active population, highly capital intensive production functions may prevent the economy from employing its available labour force"

The consequences of the shifting pattern are far-reaching It has, for one thing, been probably the most important reason for the balance of payments problems of recent years

Says Arthur Hammond-Tooke, chief economist at the Federated Chamber of Industries "In the 1960s you saw manufacturing output as a major leading sector in the economy, feeding through into domestic demand and maintaining the balance between production and consumption in the economy as a whole



"Since then there has been a gradual but progressive slowing down in manufacturing output Aggregate demand is now running ahead of the domestic contribution, and the difference has been made up by imports"

Furthermore, the sector provides 18 per cent of non-agricultural jobs in the economy, which makes it the second most important employer outside agriculture It's social significance is heightened by the fact that nearly 60 per cent of its labour force is made up of blacks

Labour policy, too, has undergone momentous changes during the current decade Whereas previously a low wage/high employment policy was pursued, since 1971 the reverse — a high wage / low employment policy — has been favoured

Labour intensive production methods have given way to capital intensive methods which could be expected to increase the output per worker and make possible the payment of the higher wages demanded both by the black workers and by South Africa's critics abroad

But it is questionable whether this is the right policy in a country where so many millions are unemployed or under-employed

Nobody can ignore the socio-economic demands being made of economic policies during the 1970s If these demands are to be met, manufacturing must be the main generator of new employment, the prime battleground for the economic advancement of blacks, and the implement for broadening the base of the economy on its path toward maturity

With the decade of the 1970s almost over, it is clear that manufacturing is no longer delivering the goods

Was this the state of the nation?

10/2/78 180

Mercury Correspondent

JOHANNESBURG — It could be the story of a nation's hangover — in 1976 South Africans smoked 23 405-million cigarettes, drank 539-million litres of beer, then swallowed 1 272-million aspirins with 26 000 million tons of coffee.

We read fewer newspapers — only 619-million copies hit the streets as opposed to 686-million in 1975. But then the news wasn't that good either

And for all that beer we drank, production dropped 10-million litres from the year before as "hard tack" spirit production went up by three million litres to 38 162-million.

We smoked 183 tonnes of cigars, bought more suitcases, swallowed 6 053-million pills, and decreased our peanut output by a third in 1976 — the year Jimmy Carter won the U.S Presidential election. More jellies wobbled, and surprisingly, we wore more underwear

That's all according to the latest manufacturing statistics bulletin issued last month by the Department of Statistics, and it covers everything from nuts and bolts to bacon sliced or unsliced.

Another statistic buried deep in this 72-page booklet is food for thought on the lives of the thousands of men who work underground. How about this for understatement? Fourteen million pairs of shoes were made in 1976: One million of them went to the miners.

On the way up

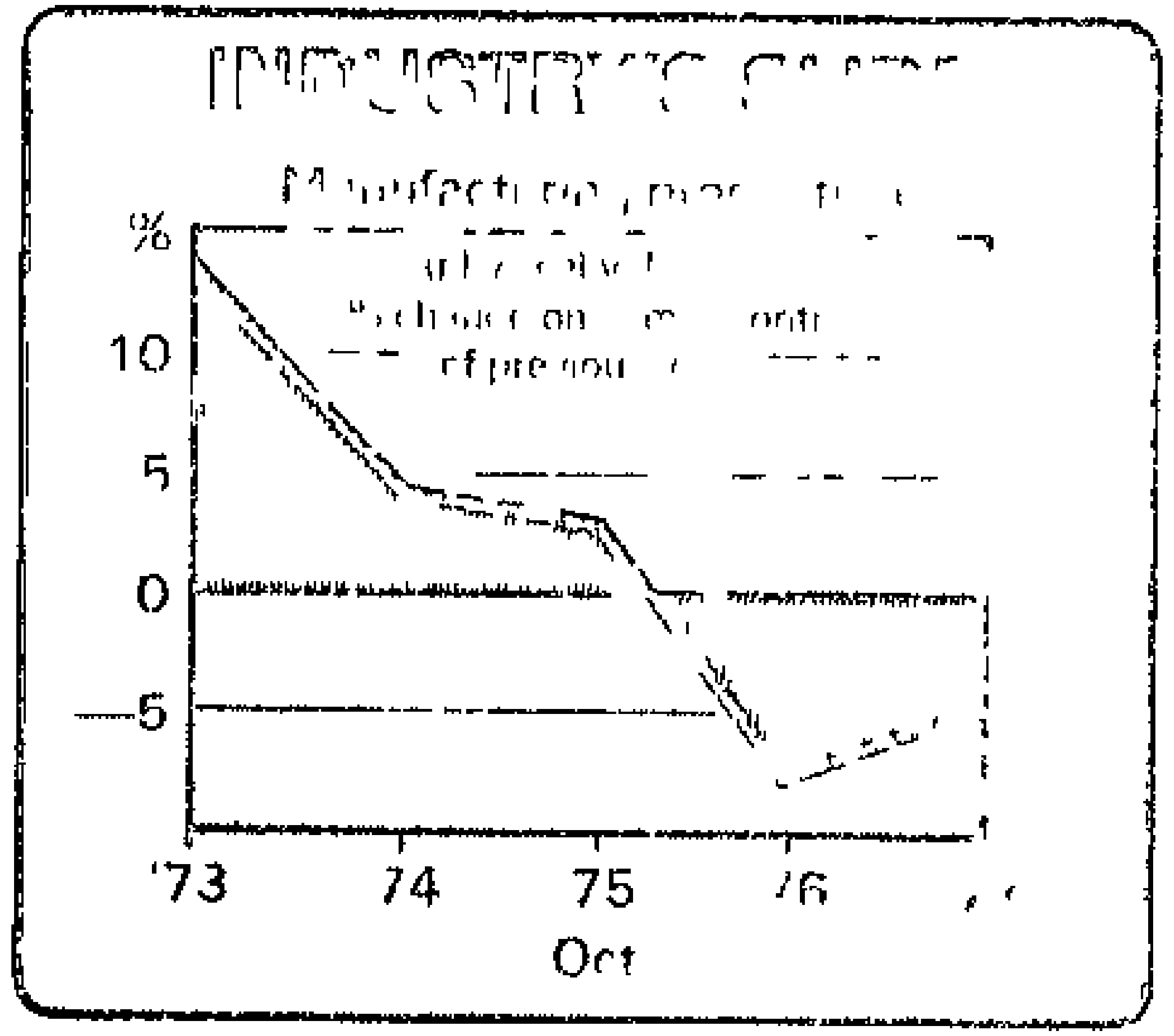
FM 13/1/78

Industry is poised for growth this year. But confidence is still the key

The outlook for industry, and to a degree for business in general this year, sounds rather like a winemaster pronouncing judgment on the season's vintage, it won't be a great year, not even a good year, but there is a certain promise

In fact, there are encouraging signs which indicate a modest though significant revival in the manufacturing sector which should help take up at least some of the slack in drastically under-utilised plants and factories

The banking sector predicts 3% growth in real GDP (1977 1,6%), though this could improve further if the rand remains cheap and the gold price



stays around $165 [illegible] Manufacturing [illegible] grow at about [illegible] slightly [illegible]

Indeed, some [illegible] envisage even greater growth [illegible] Wessels [illegible] Albert Wessels [illegible] last year industry declined more than the general economy. This year, taking into account the atmosphere in the market, it could attain growth of 5½-6%."

Wessels is quite confident that we've come out of recession and is cheerful enough to quip "There's an old story about two old textiles men moaning about reduced material sales during the mini-skirt boom Said one· 'Not to worry, I think the bottom's been reached'."

AECI's Ted Smale is another optimist He sees business growing in all sectors of the group's activities (plastics, chemicals, fertilisers, paint, explosives, etc) by 9% "Business done in the second half of last year has given us all the indications," he says. "Wherever you look, we're on the way up. All the graphs we have show it "

Crucial, however, to any meaningful improvement will be the long-awaited upswing in consumer demand This in turn would spark off a new re-stocking cycle and could thus lead to a general upswing. Barclays' economists, for example, expect an inventory build-up of the order of R300m this year, compared with last year's inventory fall

Linked with this will be wage and salary increases in the public and private sectors (hopefully moderate if the inflation rate is to be kept down) and modest expansion by government — all having a favourable effect on consumer confidence.

Some industrialists, however, believe that, inflation notwithstanding, more effort should be made to put more rands into the pockets of consumers

Says Anglo's Chris Griffiths "We must have some kind of increase in real earnings of South Africans, whether white or black Buying power has deteriorated drastically " One possible way of achieving this, Griffiths suggests, is to reduce direct taxation — "at least flatten the curve and broaden the base "

Two key factors in any expansion this year of course are confidence and stimulus And confidence is as important overseas as it is at home Comments Nedbank's Dr Frans Cronje "As long as you don't have political disasters confidence returns again " Agrees TCI president John Holloway "Our problems are almost entirely political, not economic, at this stage "

Holloway, however, is deeply worried about the effects of administered price increases, ie steel, sugar, bread, electricity "Even with modest stimulation there is considerable danger of inflation getting out of hand," he says Smale, on the other hand, believes that the lesser of two evils is a slight degree of inflation and Cronje argues that expansion which takes up some of the existing slack in production capacity is not necessarily firing the flames of inflation anyway

As for stimulation, considerably more will be required from government than the R250m earmarked for black housing this year. Decries Gus Perlman of Roodepoort Brick "That's just a drop in the ocean, the building industry is as depressed as ever "

Perlman, and other building sector men, point out that by the time tenders have gone out and contracts placed for the black housing work, most of this year "will be behind us"

Adds Frans Cronje "More could be done for non-whites Government should go ahead with electrification of townships and not worry too much whether it's economic or not "

Although some economists feel that expansionary measures expected of government early this year should provide more employment and at least hold down the alarming rise in unemployment, the business and industrial sectors are deeply worried about the growing number of jobless And it's quite obvious that even 5%-6% growth in the manufacturing sector this year will not provide a fraction of the jobs required

Albert Wessels suggests measures to keep school-leavers off the market In the case of whites, military service effectively does this, but for blacks, "we should extend their period at school (for those who don't refuse to attend) with emphasis on higher technical education "

Other suggestions for a short-term solution to unemployment include government-initiated infrastructural programmes, roads, dams etc, with a highly labour-intensive bias, which could, of course, be part of the expansionary measures expected from Pretoria

The domestic situation apart, however, another key factor in recovery this year is how the US, European and Japanese economies perform

Further import substitution can be expected, but unless the economies of our overseas trading partners improve there's little confidence that exports will increase this year — at least not in line with last year's estimated rise of over 20%

Nevertheless, there's lots of room for manoeuvre Unutilised production capacity in industry is currently running at some 24% Last year's performance and output decline by industry was the worst in 30 years It's hard to imagine anything worse, so this year let's hope Smale and the optimists are right and that the only way to go now is up

Smale (right) . . . "We're on our way", and Cronje (below) "Confidence returns"

Wessels (right) "We've hit bottom", and Griffiths (below) "Ease up on taxes"

180

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REGULATION GAZETTE No. 2558

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As 'n Nuusblad by die Poskantoor Geregistreer

Vol 149] PRETORIA, 4 NOVEMBER 1977 [No. 5798

GOVERNMENT NOTICES

DEPARTMENT OF LABOUR

No R 2261 4 November 1977

FACTORIES, MACHINERY AND BUILDING WORK ACT, 1941

AMENDMENT OF REGULATIONS

It is hereby notified in terms of section 51 (5) of the Factories, Machinery and Building Work Act 1941 (Act 22 of 1941) that the Minister of Labour has determined that the amended regulations published under Government Notice R 2262 of 4 November 1977 shall apply in the Republic of South Africa and shall come into effect on 1 January 1978

No R 2262 4 November 1977

FACTORIES MACHINERY AND BUILDING WORK ACT, 1941

AMENDMENT OF REGULATIONS

The State President has, under the powers vested in him by section 51 of the Factories, Machinery and Building Work Act, 1941 (Act 22 of 1941), made the regulations set out in the Schedule hereto

Schedule

1 In this Schedule "the regulations" means the regulations published under Government Notices R 929 of 28 June 1963 R 1934 of 13 December 1963, R 1497 of 25 September 1964 and R. 1237 of 16 July 1971 and amended by Government Notices R 1492 of 25 September 1964 R 3475 of 9 October 1969 R 1336 of 21 August 1970, R 109 of 26 January 1973, R 780 of 11 May 1973, R 2237 of 30 November 1973 and R 166 of 8 February 1974

2 The following regulation is hereby substituted for Regulation C113 of the regulations

"C113 *Permission to erect and use elevators*

(1) No person shall erect an elevator without the prior written permission of an inspector

GOEWERMENTSKENNISGEWINGS

DEPARTEMENT VAN ARBEID

No R 2261 4 November 1977

WET OP FABRIEKE MASJINERIE EN BOUWERK 1941

WYSIGING VAN REGULASIES

Hierby word ingevolge artikel 51 (5) van die Wet op Fabrieke Masjinerie en Bouwerk, 1941 (Wet 22 van 1941), bekendgemaak dat die Minister van Arbeid bepaal het dat die gewysigde regulasies, gepubliseer by Goewermentskennisgewing R 2262 van 4 November 1977 in die Republiek van Suid-Afrika van toepassing is en op 1 Januarie 1978 in werking tree

No R 2262 4 November 1977

WET OP FABRIEKE, MASJINERIE EN BOUWERK, 1941

WYSIGING VAN REGULASIES

Die Staatspresident het kragtens die bevoegdheid hom verleen by artikel 51 van die Wet op Fabrieke, Masjinerie en Bouwerk, 1941 (Wet 22 van 1941) die regulasies uitgevaardig wat in die Bylae hiervan uiteengesit is

Bylae

1 In hierdie Bylae beteken "die regulasies" die regulasies afgekondig by Goewermentskennisgewings R. 929 van 28 Junie 1963, R 1934 van 13 Desember 1963, R 1497 van 25 September 1964 en R 1237 van 16 Julie 1971 en gewysig by Goewermentskennisgewings R 1492 van 25 September 1964, R 3475 van 9 Oktober 1969 R 1336 van 21 Augustus 1970 R 109 van 26 Januarie 1973, R 780 van 11 Mei 1973, R 2237 van 30 November 1973 en R 166 van 8 Februarie 1974

2 Regulasie C113 van die regulasies word hierby deur die volgende regulasie vervang

"C113 *Vergunning om hysers op te rig en te gebruik*

(1) Niemand mag 'n hyser oprig nie tensy die skriftelike vergunning daarvoor vooraf van 'n inspekteur verkry is

FM 28/10/77

PIETERMARITZBURG

Economic hollows

(186)

Pietermaritzburg is fondly known by locals as "Sleepy Hollow" For some firms at least, the name is particularly apt right now

Spokesmen in the local chambers of commerce and industry tell the *FM* that many of the major industrial companies in the city are working on short-time while others have significantly reduced their staffs Scottish Cables and Sarmcol, for instance are working 3-4 day weeks, while Haggie Rand's new plant was mothballed before production even began.

Some firms are doing well, however. Tractor manufacturers like Deutz Magirus and International Harvester have experienced an upturn in demand. Indeed, the latter has gone back to full production and re-engaged some of the staff it laid off earlier.

Graham Crouch of Dick Whittington shoes says. "We had a poor February and March but right now we cannot cope and we are working all three production lines from 6 am to 6 pm. We have never had it better"

In general, however, the shoe industry — which is well represented in the Natal capital has been particularly hard hit.

Other indicators are also looking rather bleak. Unemployment has shot up: recent figures issued by the Department of Labour show that the numbers of registered unemployed have almost doubled in the past year. There has been a particularly rapid jump in Indian unemployment.

As far as African unemployment — for which no realistic official statistics are available — is concerned, the situation is almost certainly even worse

Maritzburg's problems are not only the result of the general economic recession Many people there feel that part of the trouble arises from the withdrawal a few years ago of decentralisation concessions

Indeed, the City Council felt so strongly about the need for the concessions that they sent a deputation to government in August last year to request that they be reinstated The plea was backed by the chambers of commerce and industry, who pointed out the city's importance as a provider of jobs to neighbouring KwaZulu

Despite these efforts, however, the concessions were not reinstated

Industry still bogged down

Daily Mail (180) 27/10/77.

By HORWARD PREECE
Financial Editor

THE critical recession in the manufacturing industry shows no signs yet of giving way to a recovery

Dr H J Reynders, director of the Federated Chamber of Industries, says capacity use in some sectors is running as low as 40%

He says the figure is below 80% for total manufacturing

This is a basic cause of the private sector's latest drive for import substitution

The Department of Statistics reports that in the quarter to June this year, capital expenditure on new assets in manufacturing slumped to R198 667 000 compared with R351 806 000 in the equivalent three months in 1976

This was a drop of 43,5%.

The Department of Statistics says net profit by manufacturers over the same two quarters was down from R298 518 000 to R251 380 000, a fall of 15,8%

Latest figures on the retail trade also show a continuing recession Total sales in June this year were R574 500 000, only fractionally higher than the level of R570 700 000 in June 1976

When allowance is made for the fact that inflation is running at over 11% this means that there was a drop in real terms in activity in the retail trade of more than 10%

Dr Reynders, speaking at the private sector joint Press conference on the launching of the "Buy South Africa campaign", says it is the domestic recession and not the threat of sanctions that makes it necessary

Voluntary import controls should not be seen as an interference with private enterprise but rather as a means of trying to "overcome imperfections in the system".

Dr E P Drummond, of the Steel and Engineering Industries Federation, says the scheme is not simply a "way to keep imports out"

"We could not do that There are vast numbers of items that for reasons of quality, delivery, price or financing we must get from overseas "

What the private sector leaders are certain of is that the spare capacity in industry and the growing numbers of unemployed must together provide scope for producing some of the goods that are coming into South Africa as part of the R7 000-million import bill.

The "Buy South Africa" campaign is being sponsored by the Handelsinstituut, the Association of Chambers of Commerce, the Agricultural Union, the Federated Chamber of Industries, the Steel and Engineering Industries Federation, the Chamber of Mines and the Motor Industries Federation.

They say "In the light of past experience it was realised that a mere call on all sectors of the economy may not be sufficient to obtain the required results It has therefore been decided to take this matter a step further and the following supporting administrative machinery in the private sector has been set up

"The various organisations will seek from their members the relevant information to make it possible to implement the scheme while lists of products will be distributed on a regular basis amongst members as widely as possible, as well as to the Press, whom we rely on to assist the private sector in their effort in the national interest

"Any importer who is not aware of the source(s) of local supply for a specific product as distributed can contact any of the organisations who, wherever possible, will in turn furnish the name(s) of the local producer(s)

"Member firms will be requested to forward information without delay Importers who for some reason or other find it impossible to locate and buy requirements locally, should immediately inform the various organisations accordingly, indicating possible causes in an effort to eliminate obstacles "

180

MANUF. -General

1-1-80 - 31-12-80

Sunday Express **Business**

14/1/79 180

How manufacturers can deliver the goods

IT's about time South Africa's manufacturers got together and formed a central distribution system.

Instead of their trucks all trundling up individually to the supermarkets, with the drivers waiting sometimes for hours to offload only to learn that the shelves are still full, they could make one centralised delivery

By rationalising distribution, the manufacturers will save the consumer money

About 15-20% of the price the manufacturer charges the retailer for a product goes into the distribution channel.

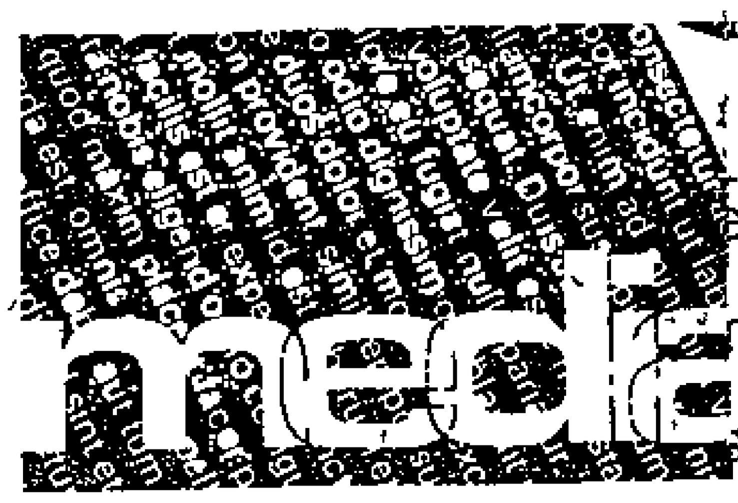
Large supermarket chains no longer retain large (expensive) warehouses for stocks They rely on the manufacturer to deliver goods to them timeously and in sufficient volume

A concept which works satisfactorily in the US could be introduced here, and if it at least held prices in check, would be welcomed by consumers

There could be a central warehouse serving all the chain stores in the area, where manufacturers could deliver economic loads in either containers or on pallets

The manufacturers' sales personnel could then service the stores taking orders and drawing supplies from the central point The store would then, instead of receiving a load from Manufacturer X once or twice a week, receive truckloads of a variety of needed products, two or three times a day.

This could solve a lot of headaches and if it did not bring prices down, would at



least keep prices in check

At present retailers are hostile to this idea, as they are so opposed to any joint action by manufacturers

The manufacturers, for their part, have discussed the matter But they are apprehensive about starting such a project They fear accusations of collusion

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and influence of local
immediate governance
happy mix of social

with regard to the proposals is the stress
me required to ensure their successful
a role for an educational programme. There
a programme separate from the working of
nbuilt education component. Reliance on
xtra to the scheme that introduces added
f Botswana at present is conducting wide-
and district level of the proposals
the TGLP. Last year a radio discussion
g 60 000 people was organised for the same purpose. The
ult is a measure of the openness with which public affairs are
otswana. The results of the discussions will be worth
they are likely to illustrate the difficulty of conducting
ion. Government, in this case, have adopted proposals
nsultants. This is not unlike accepting a Five Year Plan
Planning Department. Alternate proposals are thus eliminated
ation begins. At best the present exercise of consultation
veral ideas of how details in the proposals can be altered.
to lead to any major structural change because the public
d to suggest alternatives. At present those who have no
direct stake in the proposals. It would take strong action
roups to make them aware of what they stand to lose and to
concern effectively.

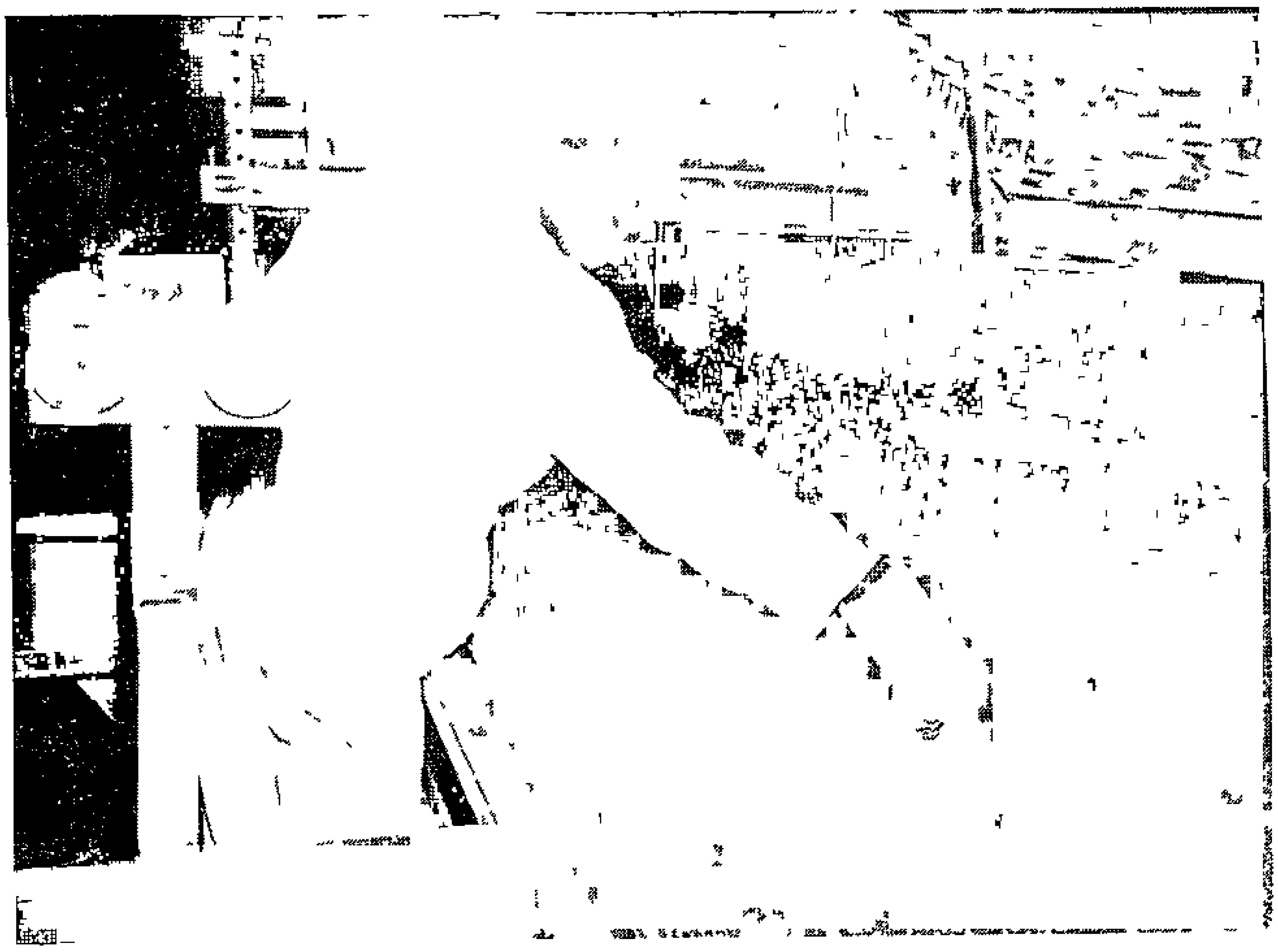
tor that underwrites the need to achieve a distribution of
n the wealth represented by the cattle population of Botswana,
orts the adoption of the company concept, is that the mean
household from cattle, P480, is over four times that from crop production, P110. The two lower categories of the four used in the Rural Income Distribution Survey to distinguish household income classes, apart from having no income from livestock, receive only 13% and 10% respectively from farming. The remainder comes from employment, gathering, transfers, beer brewing, etc. Effective income distribution in the short term is more

ATI GROUP

16/2/79

Down the line take off

Sparkling interim figures from the five Anglovaal industrial companies which released results recently had already been anticipated by the market and the prices of holding companies ATI and South Atlantic hardly reacted.



Consol Glass worker . . . adding to the sparkle

Last week I&J reported an 84% improvement in pre-tax profits in the six months to end-December and this week TW Beckett, Cons Glass, National Bolt and Steelmetals all reported improvements of over 40%.

Cons Glass hoisted pre-tax profits 49% to R6,6m (R4,4m) and taxed profits in line to R4m (R2,7m) while TW Beckett's pre-tax improvement was 64% to R2,4m (R1,5m) Taxed profits were 47% ahead to R1,45m (R982 000). National Bolts was 50% ahead pre-tax at R897 000 (R598 000), while Steelmetals posted a 55% pre-tax improvement to R673 000 (R433 000)

Early in the upturn the market identified ATI and South Atlantic as capital intensive, cyclical operations whose profitability would outstrip rising sales Spurred in particular by the turnaround in I&J, their share prices have raced ahead of fast-rising industrial indices to new highs. Both tended to higher than average yields through the recession but are now more or less in line with the market, with ATI yielding a historical 6,1% and South Atlantic 7,1%, compared to the average industrial yield of 6,3%.

James Brown & Hamer, Shipwrights & Engineers, their parent Globe, and Claude Neon, have yet to report and the picture in unlisted Food Corp, Denver Metal, and Fine Worsteds, has not yet been described Nevertheless, it is safe, on the basis of these figures, to forecast a healthy rise in the interim profits of South Atlantic and ATI, which report in mid-March.

Chairman Basil Hersov says trading throughout the group remains "flat" but cost cutting, especially interest saving and enhanced efficiency, have been the major reason margins virtually throughout the group have improved. "The group is operating at 70% of capacity and we are therefore using the more efficient units of production. As the slack is taken up, I would expect efficiency to drop and the rate of profit growth to slow"

Cons Glass expects a seasonally less buoyant second half, so year-end earnings are unlikely to be double the interim's 65c (44c) Nevertheless "substantially higher" earnings are expected and it would be surprising if 107c is not attained Cons Glass has upgraded and automated its plant and experiences good demand for wine, beer and cold drink bottles It is unlikely plastic cold drink bottles will be a long-term threat as the economics are in favour of glass.

TW Beckett reports a more stable tea and coffee market Its improvement was off last year's abnormally low base. Beckett expects the same level of profits during the second half, which suggests earnings of 48c Steelmetals' tax rate rose from 25% to 42% so taxed profits were only 18% ahead As tax losses are used up the tax burden is expected to increase, so last year's earnings of 48c are likely to be only equalled

National Bolts' profits benefited by centralisation of operations rather than better margins Sales rose 19% but margins were squeezed It earned 17c (13c) at the half year and expects to beat last year's 34c for the full year.

Of course dividend receipts are more important than earnings to the holding companies, although dividends paid today take up to two years to filter through Here again things look bright with I&J likely to pay 8c (7c), TW Beckett 19c (15c) and Cons Glass within reach of 34c (27c) Steelmetals should hold its 17,5c dividend, while National Bolts will probably raise its 14c to 15c These projections put Cons Glass on a prospective yield of 8%, TW Beckett on 10,3%, Nat Bolt on 8,6%, and Steelmetals on 8,1% Cons Glass and TW Beckett look most attractive at current yields, though there is mileage in the others — and in addition to that there are the parents

David Carte

INDUSTRY

In higher gear

(140) Fm 16/3/79

Industry's spare capacity is shrinking, according to the Department of Statistics Indeed, some sectors appear to be working close to full tilt, reflecting the steady rise in many factories' output over the past year

Latest figures point to an 85,7% utilisation of capacity at end November Six months earlier the figure was 84,5%, and a year ago about 1% lower than that According to economists, use of about 90% of plant and machinery can be regarded as operation at full capacity They point out, however, that SA figures are mostly based on single shifts, so that the scope for higher production without new capital investment is substantial

Clothing furniture and rubber manufacturers, and the timber and motor industries, have shown particularly sharp increases in plant usage Furniture makers, for instance, have seen unused capacity shrink from 13,9% in November 1977 to less than 7% a year later.

But in some sectors idle capacity has risen. Hardest hit are non-ferrous metal industries, whose capacity utilisation has plummeted from 74,3% to 67,6% in the year to November. No wonder Seifsa notes in its latest monthly review that "the general picture of the steel, iron and non-ferrous foundry sectors remains one of widespread production capacity with no clear signs of any overall recovery in the medium term."

Other industries which report an increasing number of idle machines over the past year include glass, machinery and transport equipment suppliers.

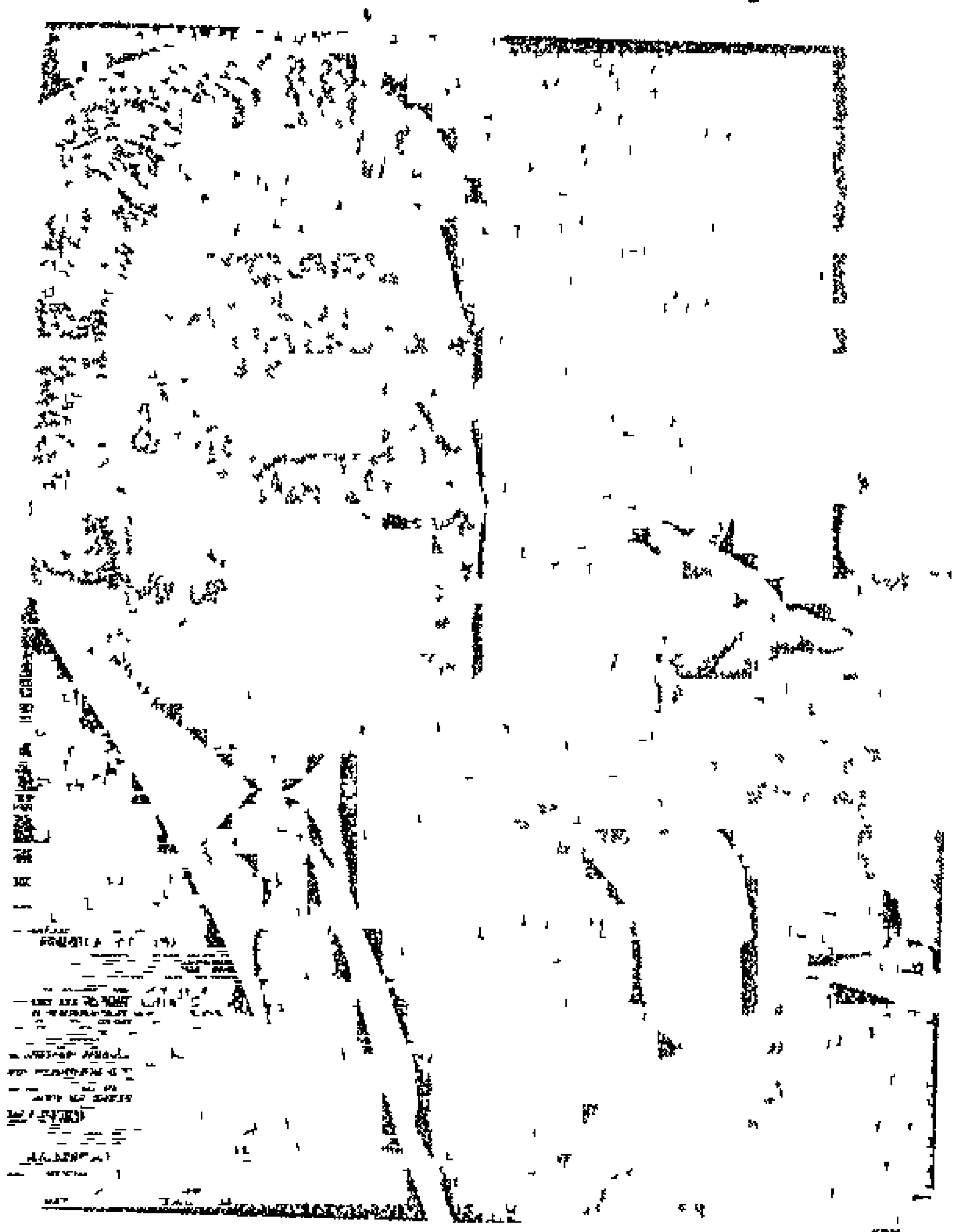
The Seifsa report warns that steel and engineering men are cautious about the chances of "even a moderate improvement" in orders and output before July

FM 2/4/79 (180)

INVENTORIES
All quiet

"Prospects of a new restocking cycle must be considerably better than a year ago, while there should also be a fair measure of momentum left in the replacement cycle for durable and semi-durable consumer goods." (Barclays Business Brief, April 1979.)

Few manufacturers are quite so optimistic. PE Consultants' Tony Bell reckons a large proportion of his clients are overstocked, with little prospect of a run-down in the short term. "If sanctions are imposed now," he adds, "we'll be very busy using up existing stock for some time to come."



Colin Adcock ... contemplating his inventories

Bank economists point out that most companies are more concerned with sales/stock ratios than absolute inventory levels. Although there may have been some drop in the proportion of stocks to turnover over the past year, there doesn't seem to be much of an inventory build-up. Also inventories tend to follow sales upward, and until the eagerly awaited expansion in consumer demand is firmly established, warehouse shelves are unlikely to be replenished.

Most larger companies, flush with cash and with stricter management controls, are quite satisfied with inventory levels. Many point out that they are determined to hold inventories below the bloated levels they reached in 1974-75. One major consumer durables supplier reckons stocks are "reasonable," although market conditions have led to some overstocking of TV sets, which are currently being run down.

GEC finance director John Stoddard adds that although lead times are beginning to lengthen, there are few prospects of a "dramatic" restocking cycle in the short term.

On the other hand, Toyota MD Colin Adcock says that some cars and small buses are in short supply and spares are a little scarce. With delivery times of around six months from overseas suppliers, the position should be rectified by the last quarter of the year. This will involve some build-up in stocks. Last month's budget should bring life to the motor vehicle market, adds Adcock, and total passenger vehicle sales could reach 225 000 units in 1979.

Among companies which claim to have instituted tighter inventory control over the past few years is SA Breweries Group financial manager Selwyn McFarlane reckons subsidiaries have "normal" stocks at present. Instructions to subsidiaries on stocks to net asset ratios are paying dividends, he adds.

Some smaller companies, on the other hand, may be in the soup later this year. Textile manufacturers, for instance, see supplies as "tight" at present, and any sharp rise in consumer spending could produce a "grossly understocked" position, says one small producer.

Richard Payn, MD of David Whitehead textile manufacturers, adds that his raw material stocks are "a couple of percent down on last year," but higher in value terms. The textile industry, he notes, is normally cautious of restocking ahead of rising demand. Payn sees stock-building as "slow and steady" before the expected upturn in consumer expenditure in the second half of the year. Then, he reckons, there could be "furore in the market place" as local supplies run short.

Plastic products manufacturers may also face problems later in the year, if demand continues at present high levels, because of supply restrictions caused by the fuel shortage. One manufacturer claims his company is living virtually from hand-to-mouth with supplies, and adds that various sectors of the building industry are exhibiting strong and growing demand.

Stocks of steel products, on the other hand, rose from 4,55 Mt last November to 4,88 Mt in January. Steel and Engineering Industries Federation director Errol Drummond, reckons the restocking is a result of the long rundown during the recession, and in anticipation of administered price hikes in the near future. He adds that steel stockists take long lead times into account when planning inventory levels.

c) Ander lede:

MANUFACTURING

Out of low gear

Factory output is beginning to rise rap[illegible] in line with industrial and consumer demand

According to Seifsa's latest report on the steel and engineering industries "the first quarter provided some strengthening in recovery trends in the basic iron and steel industries and in certain consumer orientated sectors. The [illegible] Reynders agrees that industry is showing signs of higher production. He says there has been a definite improvement in confidence mostly [illegible] to the Pickert and Wiehahn reports

Official statistics are less bullish showing a bare 1 [illegible] rise in output in the first quarter Nonetheless, seasonally adjusted output was static in October-December of last year and fell [illegible] January-March 1978

[illegible] director Sel[illegible] Kantor says textile industry volumes are at reasonably high levels and lead times are starting to lengthen. Consol Glass MD Jan Robbertze adds that glass and plastics output is running about 7,5%-10% ahead of last year He reckons that a 5%-7% improvement will be maintained for the year as a whole.

Building material suppliers are also feeling firmer demand, and Corobrik (Tvl) MD Errol Rutherford says the trend is "definitely up, although there's nothing drastic as yet " His group will be working at about 74% capacity this year, an improvement on 1978.

Ken Maud, executive director of Allied Technologies, is a little more cheerful Altech's output is running 10%-20% ahead of last year Sales are up and stocks down, with demand from government and public corporations hardening Lead times for electronic components are very long at present, because of a world-wide imbalance in supplies.

Also very busy at present is Globe Engineering, and MD Robert Hughes says ship repair work has been booming since January His firm's order book is full for at least another month, and employment should remain steady for some time.

Less optimistic are Stewarts & Lloyds' chief executive Tom King and Dunlop MD Clive Hooper. King reckons "there's a little bit of optimism," but foundries and other heavy engineering sectors haven't taken off yet Orders are picking up, however, and the political situation, and new government policy indicators, are "undoubtedly bullish "

Hooper admits that there is "some light on the horizon," although passenger car tyre sales have not moved up in six years Truck tyre sales are slightly firmer, but fuel savings measures may hurt

Financial Mail May 25 197[illegible]

Lede word na die Algemene Jaarvergadering van die Maat-

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambie besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriele firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

180

~~30~~ ~~327~~

 R.D.M 8/6/79

Protect your property, industry told

CAPE TOWN — Industry and commerce will have to protect their own property as far as possible, the Minister of Justice and Police, Mr J T Kruger, said yesterday

Officially opening a seminar of the Security Association of South Africa, Mr Kruger said the Government and police would do their duty towards protecting premises and property, but industry and commerce were primarily responsible for the protection of their own assets

Businessmen and industrialists would understand that what was required of them in this respect was in the interest of South Africa and its peoples as a whole

Mr Kruger said it could be argued that it was the State's responsibility to protect industry and commerce and that the Government was therefore shirking its duty

But as much as the man in the street was primarily responsible for safeguarding his home and property, so were industry and commerce as far as their property and premises were concerned.

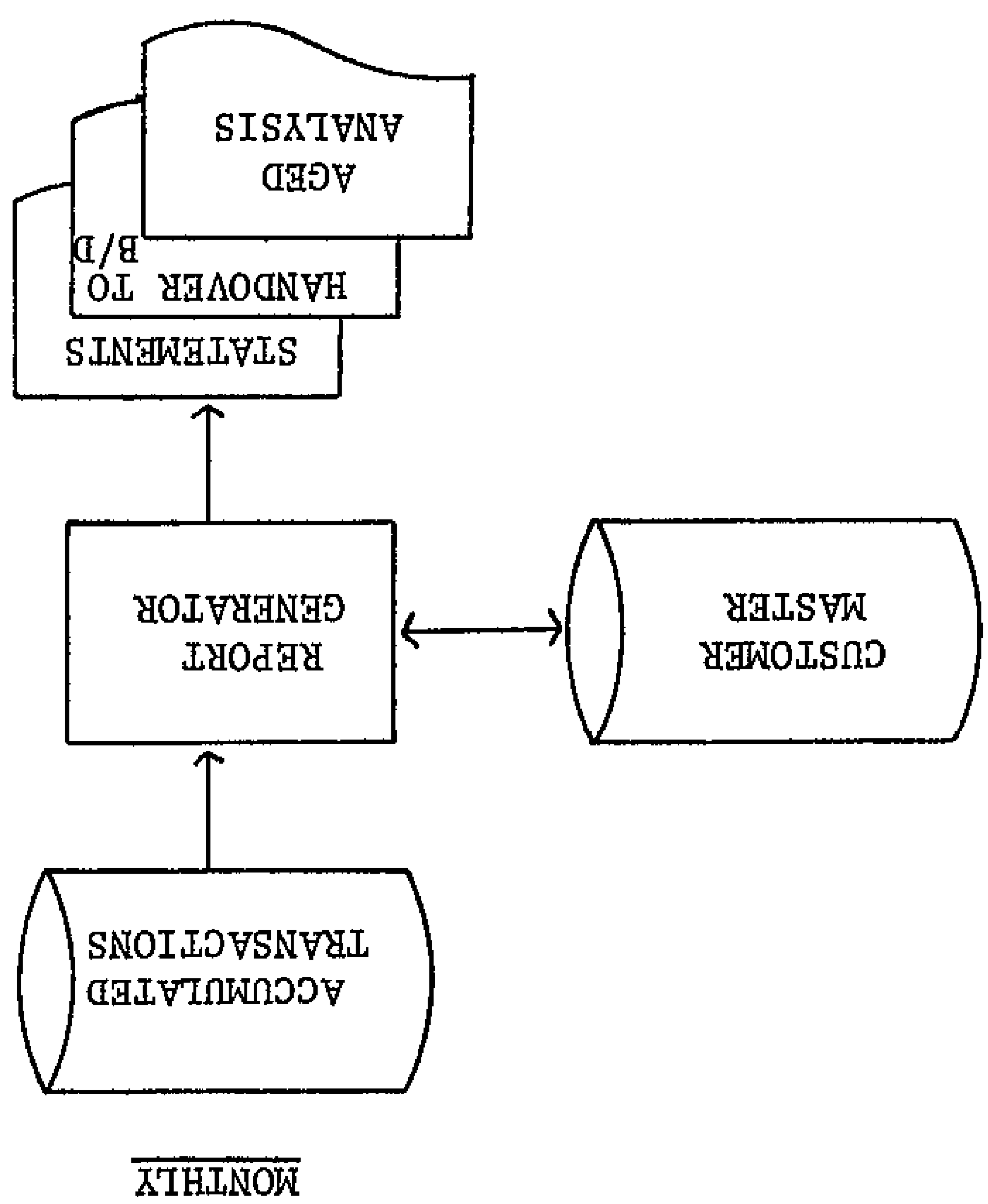
Mr Kruger said South Africa was seeing the first manifestations of urban terrorism with bomb attacks, which had fortunately so far misfired But terrorist attacks could be expected to continue to threaten private industry as well as the community

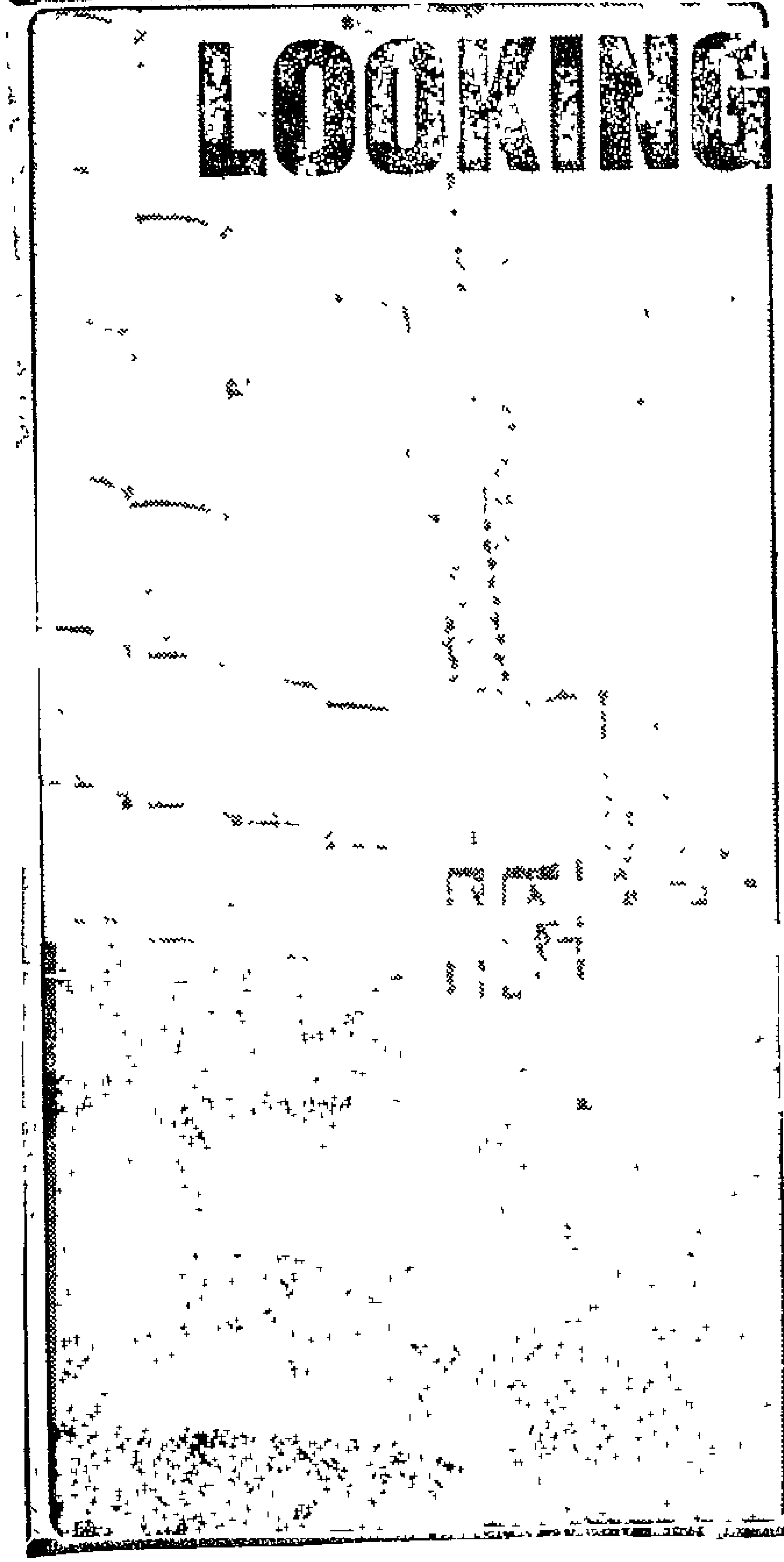
By the very nature of the situation law enforcement bodies would have to rely heavily upon commerce and industry to help them to counter the onslaught

It was common knowledge that South Africans were living in trying times Threats against the country and its social order were real, but Mr Kruger said he wished to state clearly that there was no reason for alarm or panic

Industrial subversion could be avoided only if a strategy of survival was adopted and implemented by all responsible institutions

Mr Kruger added that despite the sometimes malicious attacks on the police, he was satisfied they were doing a wonderful job — Sapa





LOOKING UP - ROOS

By JACK ROOS,

Director, Cape Chamber of Industries

A RECENT survey carried out by the chamber indicates that industry in the Western Cape is showing signs of accelerated recovery from the long recession.

Some 72 percent of the manufacturers who responded to a CCI questionnaire, report that so far conditions during the third quarter of 1979 show an improvement on those at the same time last year There is similar optimism regarding the prospects for the rest of the year While the short-term economic indicators are more promising than they have been for a considerable time, it is long-term development based on industrial investment in this area which is of primary importance.

For this reason it is particularly good news for the Western Cape that Atlantis has been chosen as the site for a R260-million diesel engine manufacturing plant which is expected to provide employment for about 1 600 people. While this development in itself holds important implications for the flagging Cape economy, it is the anticipated growth of satellite industries and commercial enterprises that has raised even greater expectations for the area It is, therefore, disappointing to learn that the production of gear boxes involving an investment of some R40-million has been lost to us and will be undertaken on the Reef The chamber has made an appeal that further expected developments of a similar nature, linked with the production of diesel engines, should be encouraged to come to the Cape. The resources of suitable labour — particularly under-employed Coloured labour with their special aptitude for training in the skills required — should provide a strong attraction for such projects.

The decision to shelve for the present the proposed steel plant for the production of semis at Saldanha Bay has also been a great disappointment, but there are indications that this matter should be re-opened and it is the chamber's intention to press for this.

There is clear evidence in even the most highly industrialised countries in the world that the answer to the serious unemployment problems confronting most nations should not be sought primarily in the development of more and more large industries Experience shows that in the aggregate smaller enterprises tend to be more effective in the creation of job opportunities Entrepreneurship in this field, however, tends to be stifled by the large number of onerous and inflexible laws which govern modern business and particularly manufacturing concerns It is a matter which is being investigated by the Chamber in the belief that some relief in this respect will encourage potential entrepreneurs to show greater initiative in embarking on small enterprises Some interesting developments are taking place in this direction overseas and they should provide a useful guide for similar approaches in the Western Cape as an additional means of economic stimulation and much-needed job creation.

The clothing and textile industries are making a major contribution to the economy of the Western Cape and it is significant that for two years running the Textile Federation has held its national fair in Cape Town The clothing industry is experiencing a strong demand for its products on highly sophisticated markets abroad, and in the Cape its growth is reflected in the fact that it now employs some 47 000 people

A Cape industry which is continuing to make a very substantial contribution to our balance of payments is fruit and vegetable canning Its export sales earn foreign exchange amounting to no less than R100-million a year

During the cyclical downswing in the economy, the surplus capacity which developed in most of our industries had the effect of discouraging investment in new capital development and this general tendency will no doubt persist while demand continues to fall short of what our factories are capable of producing. It has, however, been gratifying to learn that a R40-million new development in the textile industry has been launched.

While a significant number of industrial concerns have been established in Atlantis, it is

Cont.

tralisation concessions offered there should attract more new capital investment from outside the Western Cape to provide a greater boost for our local economy. Much of the present growth has been derived from the relocation of firms already situated in the Cape.

In the light of recent official policy announcements on future planning of Western Cape development, the chamber has expressed its strong opposition to any measures which might be designed to curtail industrial growth in greater Cape Town and in the vicinity of some of our country towns Future plans will have to take into account escalating transport costs and the need to conserve fuel

It is therefore important that industries should be located as close as possible to the residential areas of employees While the 'carrot' in the form of concessions to attract industry to deconcentration areas along the West Coast is welcomed, it is important that the 'stick' should not be used to force prospective investors away from suitable sites closer to the urban areas If this were to happen such investors might well decide to go to another part of the country, thereby depriving the Cape of investment it can ill afford to lose

The chamber is celebrating its 75th anniversary this year and, notwithstanding the problems encountered by the economy of the Cape because of a number of factors and courageous men here in the Cape decided collectively to take up the cudgels on behalf of South African industry Today we are reaping the fruits of their endeavours and it is important that such as a lack of mineral wealth and high transport costs, it has been encouraging to reflect on the level of industrial growth which has taken place since those early years when a few enterprising private enterprise, the State and our local authorities should work together to promote the higher level of industrial growth so essential to our future prosperity.

The report recently prepared by the Bureau for Economic Research at Stellenbosch, at the request of the Government, provides a useful fund of information on which our future strategy can be based.

KWV CHEMIST controlling the filling of a BLB with 17 300 litres of export wine bound for Europe

Bulk wine

DON'T be misled by the description of the new R70-million ships which have now become so familiar in South African ports and which have brought a total change to the shipping scene They are called fully cellular container ships, and their capacity is reckoned in the number of 6-metre containers they carry

But in fact they can carry any kind and form of cargo in any shape which was previously transported in the general cargo vessels which have served South Africa's trade since before the turn of the century — and with greater speed and comfort, in greater size and length, in liquid, solid or bulk form

The photograph (above), taken inside a 6-metre container shows a KWV chemist controlling the filling of a BLB with 17 300 litres of export wine with a mass of approximately 18 tons When filled, the hose is disconnecetd, the bag is sealed ready for shipment to the markets of Europe. The container seal is broken only on arrival of the container with cargo at its final destination where the wine is bottled, labled and distributed.

BLB's short for Bulk Liquid Bags, are solving the transportation problems of many exporters and importers of liquid commodities

The BLB is the basis for converting a standard 6-metre ISO container into a transport system for non-hazardous bulk liquids It is manufactured from a nylon fabric, coated internally and externally with a synthetic plastic or synthetic rubber polymer.

When full, the BLB extends the length of and assumes the shape of the container to approximately half of the full height It is restrained by a harness which is secured to the floor of the container by means of ten lashing rings.

The size and type of the BLB is tailored to the liquid to be carried The specific gravity of the commodity determines the size of the BLB and to ensure maximum weight capacity of a 6-metre container is utilised.

The type of material used for the BLB is determined by the compatibility of material with the commodity to be carried

BLB's are gaining popularity. Since May 1977, the KWV has shipped thousands of tons, or many millions of litres of wine in this way, the largest shipment being 25 bags.

All bags are dedicated to specific commodities which they carry. In this way contamination is eliminated completely. Detergents like dodecyl, benzine and empicol, chemicals like sorbitol and desmophen, detergent ingredients propylene glycol, vegetable oils and synthetic fatty alcohol are now transported successfully in BLB's many thousands of kilometres across the oceans

cont

Wide range of problems

THE Cape Chamber of Industries handles a bewildering array of problems daily. Mr B West, Liaison Officer of the Cape Chamber of Industries believes that society is not merely complex but over regulated.

'One of the main functions of the Chamber is to provide information and advice. Each week the Chamber's bulletin records the latest official announcements and main events of interest to industry.'

The CCI tries to influence what happens and often to change what has already happened. The complaints and recommendations of industry in the Western Cape are transmitted through the CCI to Government departments and agencies, commissions of inquiry and other bodies.

The cost of joining the CCI is an annual tax deductible subscription.

For this the industry will receive the weekly bulletin, the right to consult the Chamber whenever he needs to, and access to a number of varied services.

There is a group pension and life assurance scheme, medical aid plans, conference facilities and a telex service. The Chamber will certify documents, arrange introductions, advise on sources of supply, and provide advertising facilities. The Chamber provides specialised secretarial services and advice to its constituent associations.

Where the need exists for the establishment of a specialised association, the Chamber helps to set it up and run it.

Entrance to these associations, now numbering 30, is by way of membership of the CCI

There is also the Cape Institute of Industrialists.

The CCI is a regional organisation serving the whole of the Western Cape, which now includes two cities. The CCI Country Branch was established in 1944 and has proved a useful vehicle for dealing with problems encountered by industrialists outside the metropolitan area.

More recently the Atlantis Industrial Group was set up under the aegis of the Chamber to serve as a forum for that rapidly developing town.

The welfare of Cape industry depends on many factors beyond the control of the individual manufacturer. The CCI has a number of standing committees to deal with broad matters of policy, many of ters of policy.

Early bid to free industry from colour handicaps

(80)

By Hugh Leggatt, Political Correspondent

In a swift sequel to the Prime Minister's "Save SA" meeting with business, a special committee today urgently considered key aspects of economic strategy

Two far-reaching reforms are expected to flow from the work of the panel of businessmen and economists appointed by the Government

- The scrapping of Section 3 of the Environmental Planning Act which restricts employment of black industrial workers in urban areas — long a major bone of contention in the private sector.
- The rationalisation of the several industrial development corporations for different groups into one "colour-blind" national development corporation.

The aim of the panel of 10 is to map out a more effective development strategy by identifying and removing artificial economic restraints

"NEGATIVE"

The panel is basing its discussions on investigations undertaken by the Department of Planning and the Decentralisation Board

The Government still backs decentralisation — which Section 3 was meant to encourage — but economists are working on greater financial and profit incentives and different forms of control

Future forms of control will avoid the "negative" discriminatory effects of Section 3 Parliament is expected to be asked to repeal the section next year, mainly on the ground that it discriminates between white and black workers

By then the alternatives will have been formulated

DUPLICATION

The Prime Minister, Mr P W Botha, said on Thursday that urgent rationalisation of the development corporations was necessary. This is now taking place five days later.

The aim is to avoid duplication of functions and if possible to integrate the corporations in one development body that covers both black and white growth points.

The panel of 10, appointed under the Prime Minister's economic adviser, Dr Simon Brand, has been asked to devise an all-embracing strategy, but urgent factors are getting priority.

It is understood that many new ideas for improving South Africa's economic performance by removing ideological barriers have been doing the rounds in the bureaucracy for years.

RM 4/12/79 (180)

MANUFACTURING

Production up

Manufacturing production in the year to September 1979 rose by 6,6% as against 2,1% for 1978, but the effect of the rise is not borne out in official retail figures

According to Seifsa's latest report, iron and steel industries recorded the highest growth For the period January to September, steel production increased by 12,7% compared to the same period last year Iron production jumped by 20,1% and ferrous alloy by 43,5%

The volume of food production rose by 7,3% over the year to September But Irving & Johnson's Dennis Zipp reckons that actual production of food is higher than the official statistics indicate 'Our sales keep moving ahead," he claims, adding that "growth has taken place in both the local and export markets "

Zipp claims his company's exports in manufactured foods increased by 83,9% in volume for the period January to September 1979 However, the volume of local sales increased by only 4,4%

The true position

The Department of Statistics retail sales figures for September, however, do not reflect this upswing

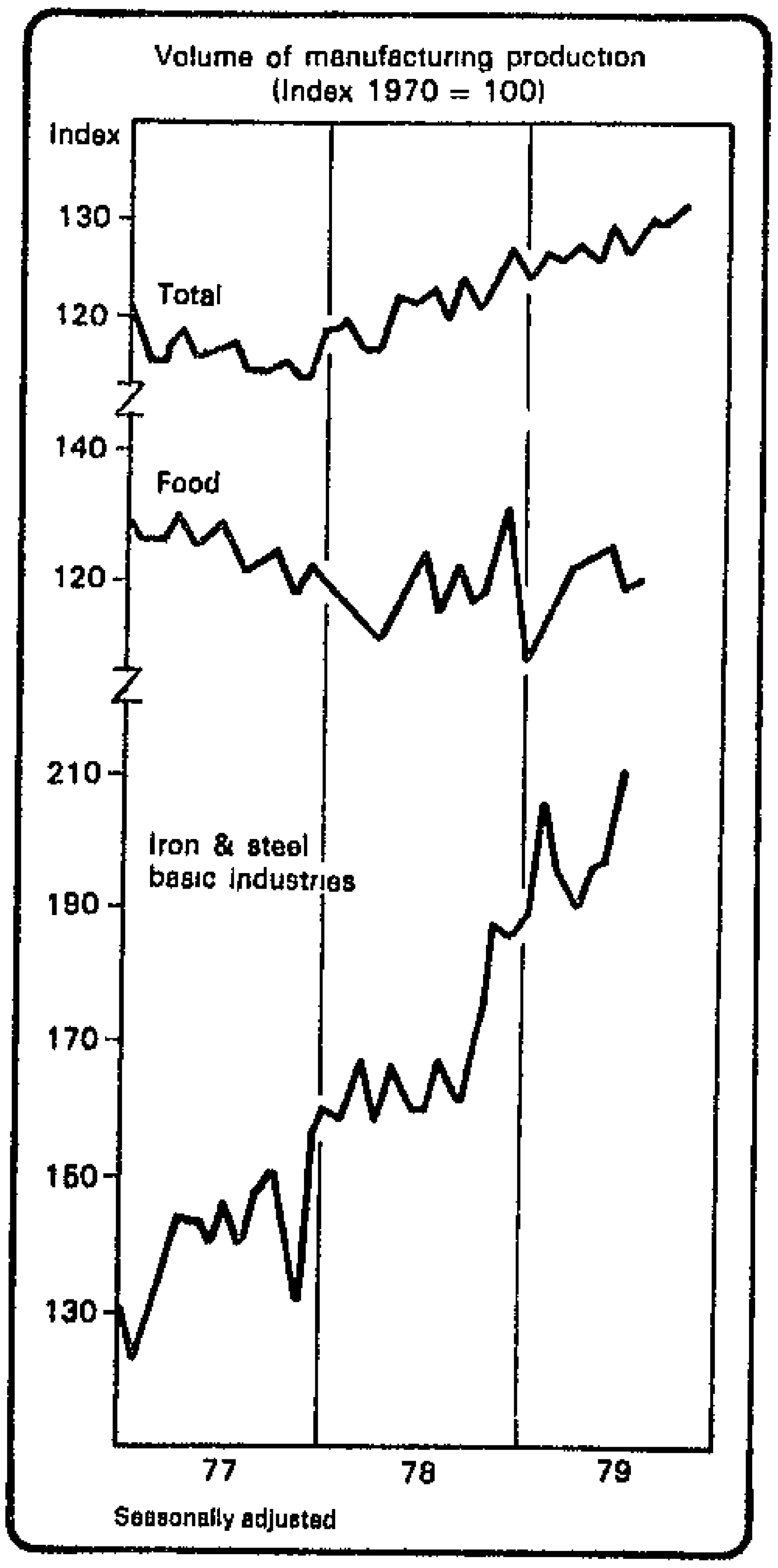
According to the department's figures, sales declined by 1,4% in volume from August 1978 to September 1979

Official retail sales statistics definitely understate the true position, say experts The problem, they claim, is that the sample used by the department is not fully comprehensive

The Reserve Bank's latest *Quarterly Bulletin* puts real private consumption expenditure (PCE) 2,5% up on last year

Statistics made available by the Retailers Liaison Committee show a sharp increase in retail sales November this year is 24% up on the previous month These figures reflect only sales by the major retail organisations and are therefore higher than for the retail trade as a whole

A department official admits that the statistics for retail sales "may be a little out, but can be considered as reasonably accurate " PCE and retail figures, he warns, should not be compared directly PCE includes services and certain commodities that are not incorporated in the retail sales figures



The department says it is busy with a new retail census and will introduce their revised sample early next year

Norman Leibov, senior buyer for Pick n Pay, says that the retail figures "may have been pulled down by sales in certain regions " profit maximisation in the form of incentives to widen the spread between costs and revenues will be restored; and that providers within the organisation (doctors, hospitals, technicians) will be motivated to engage in preventative practices, avoid duplication of equipment, and raise the throughput. Yet whether they will prove a successful general alternative in rich countries and rich communities within others remains to be seen.

Some observers are sceptical. The enhanced attention to preventative services predicted a priori is not generally evidenced nor is its efficacy proven where such treatments have been identified in practice. Diminished hospital use can mislead because HMOs ... supply and work ...

No State industry for W Cape

ARGUS 6/2/80

180

39

Political Correspondent

THE Government shared the concern of industrialists about the lack of economic vitality in the Western Cape, but could not help by starting industries in the area, the Minister of Industries and of Commerce and Consumer Affairs, Dr S W van der Merwe, said today.

Speaking at a Cape Chamber of Industries lunch, Dr van der Merwe said the government was aware of the low tempo of economic growth in the Western Cape, especially as it had become clear that the high and ever increasing transport costs of goods to markets in the interior tended to dampen industrial growth.

The problem of slow industrial growth was not peculiar to the Western Cape and was even worse in some other areas.

A Cabinet committee on economic policy had considered the problem.

RETARDING

The Bureau for Economic Research of the University of Stellenbosch had investigated the retarding influence of railway costs and tariffs on the development of the Western Cape.

An interim report had been submitted and the bureau was at present preparing the final report.

The whole question would then be considered with a view to relief measures where this was possible and justified.

EXPECTATION

While the bureau thought certain corrective measures would have to be introduced by the State, it was of the opinion that expectation of a greater degree of government participation in the economic processes of the private sector should not be too high.

"It should not be the Government's role to play entrepreneur.

South Africa was committed to a free economic system based on private initiative, he said.

...ta of national ... 1977: 113), and ... for curbing ... in the fore-

...r through or ...nated target ...of late capital-

... form. This category merges at the edges with (v) below, but if the "insurance principle" is to have any meaning at all, it is necessary to keep it distinct. The purpose of health insurance is to prevent or compensate large financial losses that take place with relatively low probability through serious or lengthy illness. But originally, to be eligible for this coverage, the subscriber had to pay a regular premium and possibly a fixed share of costs beyond a certain minimum. No contribution implied no risk sharing and no valid claim.

In recent times, with the coming of state intervention, this tidy picture has disintegrated National systems now rely either upon social insurance as the principal instrument of financing via compulsory pay-roll taxes on employers as in France and West Germany, or health is one element in a package deal of benefits for targeted groups, paid entirely or in part from general tax revenues. Programmes initiated in the United States under the Johnson administration in 1966 are examples of the latter. Medicare covers assisted medical aid for those over 65 (about 24 million in 1975) and is national in character, i.e uniform across states. Medicaid provides assistance to some 25 million people medically indigent because of low income, and is also public sector ...

... to ...

(v) Comprehensive and universal health care through public funding is the polar category of indirect financing exemplified in its essentials by the British National Health Service. This has become both a benchmark for comparisons and a historical laboratory. The original objective was to set up a health system, in the words of the 1946 Bill, "available to everyone regardless of financial means, age, sex, employment or vocation, area of residence or insurance qualification" (quoted in Drummond 1978:69). No insurance principle is applicable since access for an individual does not depend upon a prior financial contribution. Funding sources in 1970-71 were 80 per cent central government, 15 per cent local government and contributions, and 4-5 per cent by patients for private beds, drugs, spectacles and dental treatment (Forsyth 1973: 10). For 1974, an official source gives the breakdown as 97 per cent "public funds" and the remainder "payments by patients" (OHE 1976: 1).

At the present time in the United States, proposals to enact more comprehensive arrangements are being hotly debated. Virtually all suggestions have in common the enlarged use of federal financing to increase public

MANUFACTURING

(180)

Leading the field

8/2/80

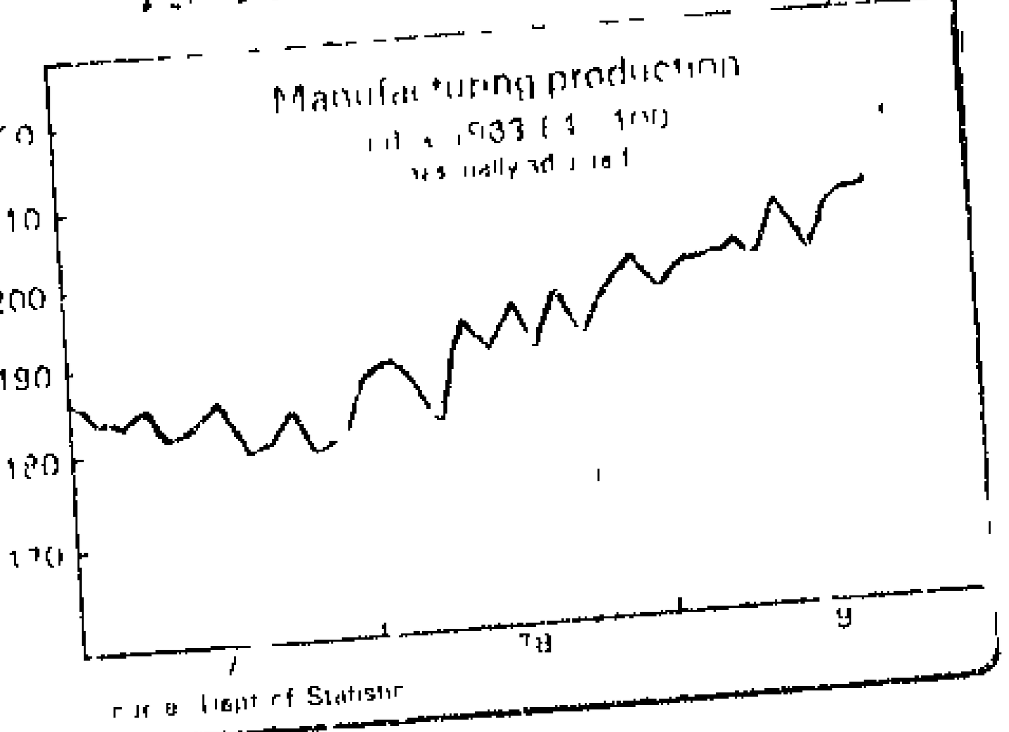
Manufacturing output is growing strongly and appears likely to continue to do so. However, there are also signs that some supply bottlenecks could appear later in the year (see graph) which are likely in turn, to have inflationary cost implications.

Preliminary Department of Statistics' figures for last November show the volume index of manufacturing production an estimated 8,4% up on the same month in 1978, while the average index for the 12 months ended November was 6,6% above the index for the same period in the previous year.

Certain sectors have shown growth rates considerably above the average. Beverages, for instance, grew [illegible] 6[illegible] if the October 1979 index (the latest available detailed figures) is compared with the index for October 1978.

The manufacture of wood products (excluding furniture) [illegible] up by [illegible] over the same period. Iron and steel and basic [illegible]

AHEAD OF THE BOOM



industries increased production by almost 18% to October, while plastic products output jumped by 19,2%.

Forecasts for 1980 are equally encouraging. The Steel and Engineering Industries Federation of SA (Seifsa) has already said (FM January 11) that steel industry output should grow more quickly in 1980 than in 1979, when pig iron production, for instance, rose by 20% in the 10 months to October compared with the same period in the previous year. It says last year's slow reduction in surplus capacity is expected to quicken from now on.

Some sectors' output actually declined in 1979. These included transport equipment (excluding motor vehicles) which shrunk by 30% over the 12 months to October. However, Henred Fruehauf's Rod Clinton reckons that demand for transport equipment started picking up quite strongly in the fourth quarter of last year and prospects for this year are considerably better.

Standard Bank economist Andre Hamersma explains that rising manufacturing output of the last couple of years have been largely directed at export growth and import substitution — especially in fields such as plastics and steel.

He says that from now on growth is likely to be more widespread but that even if non-gold exports are lower this year the local market will absorb the additional output.

However, he warns that much of industry's surplus capacity has already been taken up and that a large portion of what is left is dependent on outdated machinery.

There is also a shortage of skilled workers. As a result, further increases in manufacturing output could require a significant rise in private fixed investment and additional training facilities. As this happens, unit costs may begin to edge upwards.

Much, however, will depend on the pace of consumer demand and the extent of fiscal stimulation. ■

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Age and Cause Specific Death Rates. Calculated mainly in five year age groups for the seventeen major divisions of the eighth revision of the International Classification of Diseases (ICD).
4. Proportions of Causes of Death.
5. Infant Mortality Rates.
6. Expectation of Life. Calculated for 1970, the last census year.

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eliminated. It gives an indication
cause on the expectation of life.

a knowledge of the base population age
estimates of this are available for
Asians and 'coloureds, the 1970 population
; the age specific survival rates from
actual births and deaths in the 0-4 age

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74

Manufacturing output up 7%

Rdm 18/2/80

By HAROLD FRIDJHON

THE VOLUME OF total manufacturing production during 1979 rose by 7% to 204,6 compared with the average index for the previous year. This compares with a 5% increase in 1978, and a drop of 6,3% in 1977

During last December the growth rate on the previous December was no less than 12,8% which was the biggest month-on-month increase during the year

It suggests that manufacturers made a tremendous effort during the month to get out deliveries in order to meet an exceptional demand The index for December was 177,6 which is the highest volume output for more than six years

What is particularly encouraging about this latest release by the Department of Statistics is that the 23-term Henderson curve has taken a sharp upward tilt from July indicating that demand on industry is certainly quickening

Last year started slowly, the January-on-January gain was only 5,2% while in February the increase was 6,9% on the comparable month of 1978 but as the Henderson curve reflects, the pace gained momentum in the second six months

If demand continues to put pressure on manufacturing industry, it is probable that this year will hopefully see surplus capacity being overtaken by demand, leading to increased capital investment

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

The standardised mortality rate provides a single figure for the mortality experience of a population which can only be fully expressed in terms of a series of age specific death rates. The SMR is calculated by multiplying all the age specific mortality rates in the observed population by the corresponding numbers in the standard population, adding the number of deaths so obtained and dividing the total standard population. While this figure is independent of the age structure of the observed population, the choice of the standard population will affect the weighting given to the deaths in the various age groups. The choice of an underdeveloped population as a standard will give great weight to infant deaths and little weight to deaths among the elderly, while a developed standard population will reverse the position. The choice of standard population affects the ranking of the mortality between the observed groups. There is no 'true' answer. As the Duke of Wellington said: 'There are lies, damned lies, and statistics'!

Infant mortality rates are summarised in Fig. 3. Once again, difficulty is experienced in obtaining data for Africans. Birth statistics for Africans are not published by the central government. The various medical officers of health[9] have estimated the infant mortality rates for their urban areas. These show considerable variation. (See also ref.15). A mean figure and the range are given in Fig. 2. These de facto figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and Transkei among Xhosa-speaking Africans.[12] An increase in infant mortality was observed with decreasing urbanisation, the figure for the completely rural areas being of the same magnitude as those parts of the world devoid of medical services. Fig. 4 summarises the age specific mortality rates of

20/2/80
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Babelegi factories

264 Mr T ARONSON asked the Minister of Co-operation and Development

(a) How many factories have been established at Babelegi, near Pretoria, to date, (b) how many persons in each race group are employed in these factories, (c) what is the total (i) Government and (ii) private invest-

ment in Babelegi and (d) what is the estimated income of the Tswanas from the industrial development at Babelegi?

The MINISTER OF CO-OPERATION AND DEVELOPMENT

(a) - (d)

As mentioned in my reply to Written Question No 372 of 1979, Babelegi is situated in Bophuthatswana for which reason the required particulars cannot be furnished by me

BUSINESS

180

21/2/80

Industrial land development gets a boost

By Frank Jeans

A big step forward has been taken in the development of industrial land with the formation of the Industrial Property Committee under the umbrella of the South African Property Owners' Association (Sapoa).

The aims of the committee, the first of its kind in the South African property scene, are to encourage more efficient use and allocation of industrial land for development and so create new job opportunities — particularly through the establishment of the smaller manufacturing outlets

NEED

Mr Don Kennedy, Sapoa's executive director, told industrialists, developers, investors, brokers and building chiefs there was a need to stimulate industrial and manufacturing infrastructure to supply the needs of a growing population which now had "higher aspirations and greater spending power"

Mr Dave Nel of Pretoria said· "The need for closer co-operation between the developers of industrial land on the one side and the authorities on the other has become increasingly urgent.

"The objectives are to unite industrial property developers, investors and manufacturers who own their factories and warehouses so that they may act as a representative body on matters of mutual interest"

Mr Nel said there was a link needed between these men and relevant Government departments, local authorities, the Decentralisation Board and other bodies such as the Industrial Development Corporation and Federation of Industries.

Mr W S du Plessis, director of the Decentralisation Board of the Department of Industries, told the meeting the private sector should be allowed to assist the Government to a much greater extent in its effort to achieve a more balanced development of the country and to create a sufficient number of new jobs

The Government has to rely to a great extent on the co-operation of the industrial sector and to assist it in providing the desired number of work opportunities in the decentralised areas

PARLIAMENT

Star 28/2/80

180

The big shift to Transvaal

THE ASSEMBLY — South Africa's economic development was increasingly shifting to the Transvaal to the detriment of the Cape Province Mr D J N Malcomess (NRP East London North) told the assembly yesterday.

Speaking in the second-reading debate on the part appropriation Bill he urged the Minister of Finance, Senator Owen Horwood to consider seriously what could be done to reverse this trend.

Mr Malcomess said the recent general registration of voters had shown that the white population was moving from the Cape to the Transvaal.

It was clear that the country's economic muscle was being concentrated in the Pretoria-Witwatersrand-Vereeniging region. Coloured, Indian and black people however, could not get work permits to move and therefore suffered grave problems in the Cape.

Mr Malcomess said he was sure that in a delimitation based on the recent general registration of voters, the Transvaal leader of the National Party (Dr A P Treurnicht) would be in a position to claim a number of extra seats for the Transvaal.

Urging the minister to consider steps to reverse the shift, Mr Malcomess suggested that special benefits be offered to industries to move to the Cape Province.

The plight of East London was particularly severe with great unemployment among black people.

The recent Quail Commission's report on the Ciskei had revealed an

MR D J N MALCOMESS

unemployment figure of between 25 and 33 percent in that region.

"This is nothing short of a tragedy for the people of South Africa," Mr Malcomess said.

Earlier Mr V A Volker (NP Klip River), said white investors needed reassurances from independent black states that their investments in those territories would be safe.

Black leaders should help to build up confidence among white industrialists. Such confidence could not be created while there was talk of bloodshed, tension and confrontation.

Mr Volker said that at the present stage, the economic development of the black homelands was needed more than anything else.

Mr Volker said it was highly irresponsible for opposition members to say that the Prime Minister, Mr P W Botha, was back-pedalling on the course he had set. He had, in fact, done more than anyone else to create a better understanding and mutual trust among the peoples of South Africa.

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Council factory plan under fire

(180)

RDM 28/2/80

Staff Reporter

TO BOOST industrial development in Nigel, the town council launched a project to build 13 "mini" factory units for private enterprise — and promptly incurred the wrath of the Free Market Foundation of South Africa (FMFSA) an organisation promoting "economic freedom"

The project, the first of its kind by a Reef council, received wide publicity and the attention of the foundation It wrote to the council saying "It is alarming to us that your town council has decided to trespass on the territory of the private entrepreneur "

FMFSA said it was convinced private enterprise would have such factories erected if the need existed in Nigel

It told the council "The Government has promised its full support to the expansion of the free market system It would be an unfortunate deviation of this policy for you to go ahead with the project.

"It is not the function of a town council to compete with its own ratepayers and we appeal to your council to reconsider this project in support of the policy of free enterprise "

FMFSA appealed to the council to hand the project to private enterprise

The town council has decided to inform the foundation it would be quite prepared to hand the project to private enterprise if the foundation could recommed a factory developer who will be able to complete the project to the council's satisfaction

Should the foundation not be able to do this, the council will go ahead with the project

The town clerk, Mr Piet Wagner, said yesterday "We are going ahead with the project to help the little man. If private enterprise is so concerned about what we are doing why haven't they done something about it yet?"

FINANCE

Argus 14/3/80

Seifsa cautious about strength of uptrend

(180)

(343)

BUSINESS is continuing to improve in the metal and engineering industries but the Steel and Engineering Industries Federation says it is cautious about the real strength of the upward trends.

Factors still causing concern are increasing inflationary pressures, shortages of skilled and semi-skilled labour and mounting wage costs

"They constitute constraints which can impact on the competitive strength of the South African manufacturing sector and tend to negate any continuing gains in momentum,' says the federation's director, Dr E P Drummond, in its monthly review of business conditions

EXPORT LEVELS

Pointers towards improved business this year are seen in a sustaining of the satisfactory 1979 export levels of the basic iron and steel industries and a continuing upswing in domestic steel consumption

A quickening tempo of import substitution could benefit the telecommunication and electronics sector and machinery production

Expansion and modernisation programmes in the industry are also expected to result in a better export performance this year

STRENGTHENING

The building industry supplies sector reports further strengthening in order intake and output levels in January

Electric cable manufacture expects some stimulus from the Railways electrification extension programme and the Soweto electrification programme

METHOD 'GROWS' DIAMONDS

Argus Bureau

NEW YORK — A British government agency has obtained an American patent on a method of 'growing' synthetic diamonds

The patent has been awarded to the National Research Development Corporation, London.

In the process, a small diamond, either natural or synthetic, is bombarded with carbon ions to cause growth of a crystal.

The patent explains that the flux of carbon ions is of sufficient energy to penetrate the crystal and cause growth that is predominantly internal, rather than making deposits on the surface

The method may be used for growing large diamonds for direct insertion into cutting edges of drills and lathe tools, it says

Office lagging behind factory

(140)

S. Times 23/3/80

INDUSTRIAL productivity is racing well ahead of office productivity which has improved but minimally in the past 10 years.

"According to international surveys industrial productivity increased by an outstanding 84 per cent during the 10-year period from 1968-1978, while office productivity increased by a mere 4 per cent," said Winky Ringo, managing director of Dashing Office Furniture.

Less incentive and fewer new methods put in

"The reason for this vast discrepancy is twofold In industry there have been many new innovations during that period, whereas only the computer made a marked impact on the office scene

"The second, equally important reason, has been the lack of staff motivation in the office environment

"Here top management is largely to blame Clerical staff are looked upon as work horses — not as individuals, each capable of performing a task at optimum efficiency if placed in the right niche

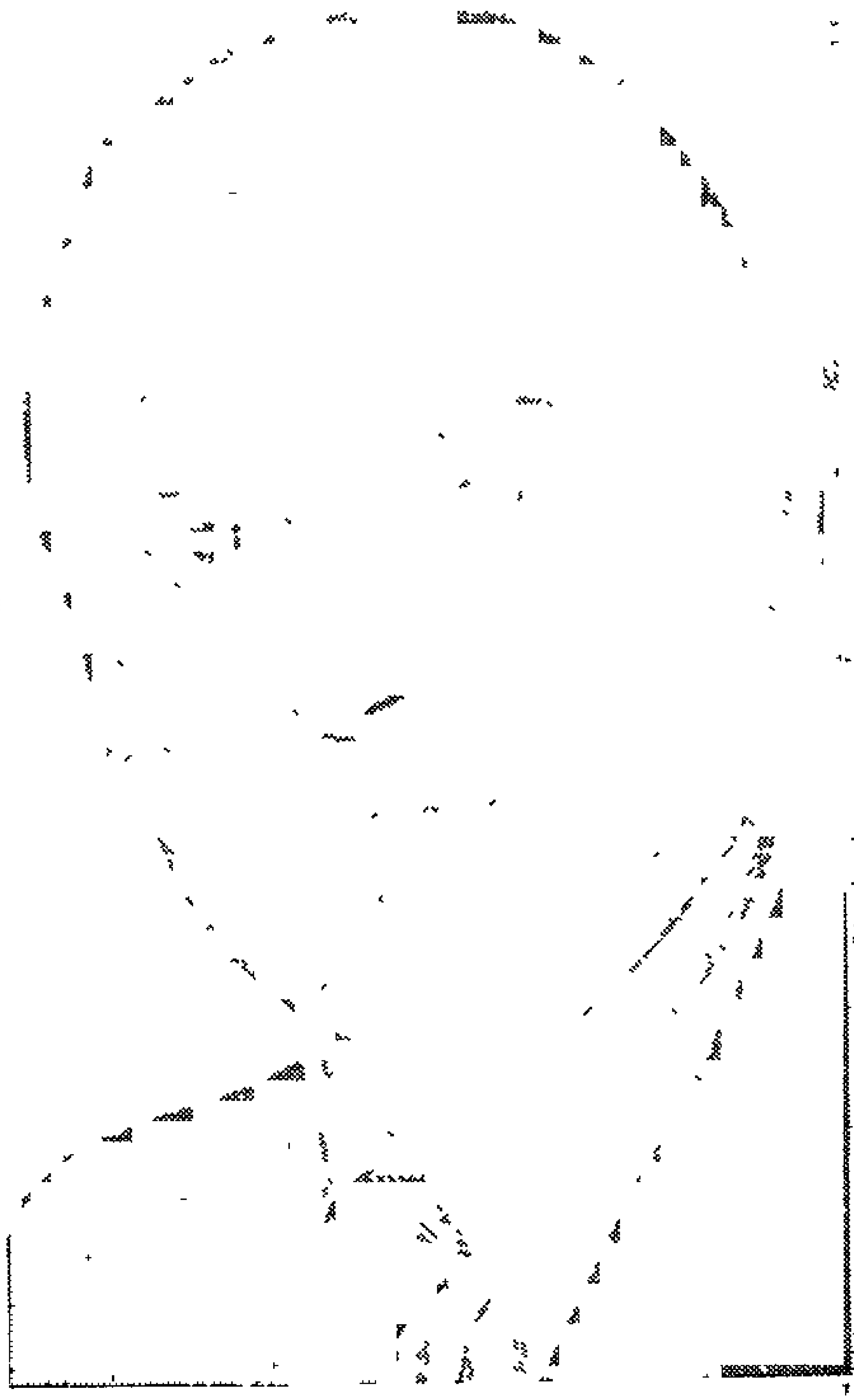
"They're allowed to plod along year in and out If the workload increases, another clerk is employed without evaluating the performance of existing staff "

In productivity management, standards are important A standard represents the time a particular work activity is expected to take Standards can vary quite a bit, depending on the measurement techniques used There are three types

- Informal techniques, such as estimates and reviewing historical data
- Semi-formal techniques, such as self-logging methods, work sampling, short interval scheduling (SIS), and wrist-watch times
- Formal techniques, such as timestudy and pre-determined time date systems

As one progresses from informal techniques to semi-formal techniques to formal techniques

- Accuracy of standards is greater
- Consistency of standards is reater.



Winky Ringo . . . a vast discrepancy

Cont.

● Degree of control is much great

● Potential savings are much greater

Many feel the most effective formal technique is to use a pre-determined time data system resulting in engineered time standards An engineered standard represents a fair day's work, or "100 per cent performance"

□ □ □

But in this case, 100 per cent is not maximum — it is the work pace that an average, well-trained employee can be expected to maintain all day without undue pressure or fatigue, and while producing work of an acceptable quality

Once a programme is in place and fully operational, important benefits begin to appear

For example, while any new employee is being guided through a typical three-month probationary period, objective performance data is readily available to the supervisor, and the ultimate decision on whether or not to retain the individual can in part be based on that data

Additionally, decisions about the treatment of any employee — if based on solid performance measurement data — will be acceptable

The data is also available to support supervisors' requests for employee salary increases, requisitions for replacements or the additions to staff are supportable, promotions and transfers are easily justified

Productivity management can also tell you whether a new company policy such as a four-day work schedule or flex-time is working

Productivity management reports will tell you how any significant change affects performance — up or down

"Full support of top management is absolutely essential," says Mr Ringo "This does not mean merely approval from the front office What's required is active, enthusiastic support — a commitment on the part of top management to getting results, and a willingness to communicate that commitment

"Consider getting experienced or professional help That means hiring someone with extensive office measurement experience, or retaining a professional management consultant

"Set up a staff person or department Call it the cost control department, management services department, or expense control, or systems and procedures — and charge the new function with the responsibility of installing and maintaining the programme This gives substance and a sense of permanency to the programme "

Selecting staffers who will become analysts is a very important matter

□ □ □

This profile may be useful Either male or female can serve, should be college trained or have equivalent business experience, good personality, ability to get along well with employees and supervisors, imagination (to help improve methods), the ability to sell ideas, a liking for details and a feel for figures and paperwork

"All levels of management and supervision must understand and support the programme if full benefits are to be realised," says Mr Ringo

Generally five one-hour meetings with management and about 16 hours of training for supervisors in how to use the control information are sufficient

Developing a feedback or reporting system involved

● Effective procedures for reporting time distribution and work counts by employees

● Performance reports for supervisors to use

● Staffing reports to enable management to keep on top of the programme

□ □ □

"Office procedures will continue to change and improve Manufacturers of word-processing units, micro-reader-printers, facsimile transmitters and a vast selection of sophisticated electronic equipment will see to this," said Mr Ringo

"They will offer you the tools which will increase your company's efficiency — tools which will make it easier to store, retrieve, and send information

"Designers who successfully plan tomorrow's offices will need to possess a knowledge of a multitude of office disciplines, including management practices, procedures, equipment, and personnel, as well as design-sense In other words, designers need to know your business as well as their own

"No doubt automation will play an increasingly important role in the future But individual productivity will be every bit as vital then as it is today

"And today is the best time to begin building the effective work-force that will bring increasing efficiencies to the office There is no better way to counteract the inroads of inflation "

SMALL BUSINESS

Spreading benefits

Small business forms the backbone of the economy So said Senator Owen Horwood in his Budget speech Accordingly, the R10m set aside for such enterprises can only be regarded, as he put it, as "provisional "

Horwood made reference to P W Botha's meeting with the private sector last November to underwrite his allocation of funds to aid small business And he expects the private sector to come forward with proposals to promote the "organisational and financial interests of the small business to best advantage "

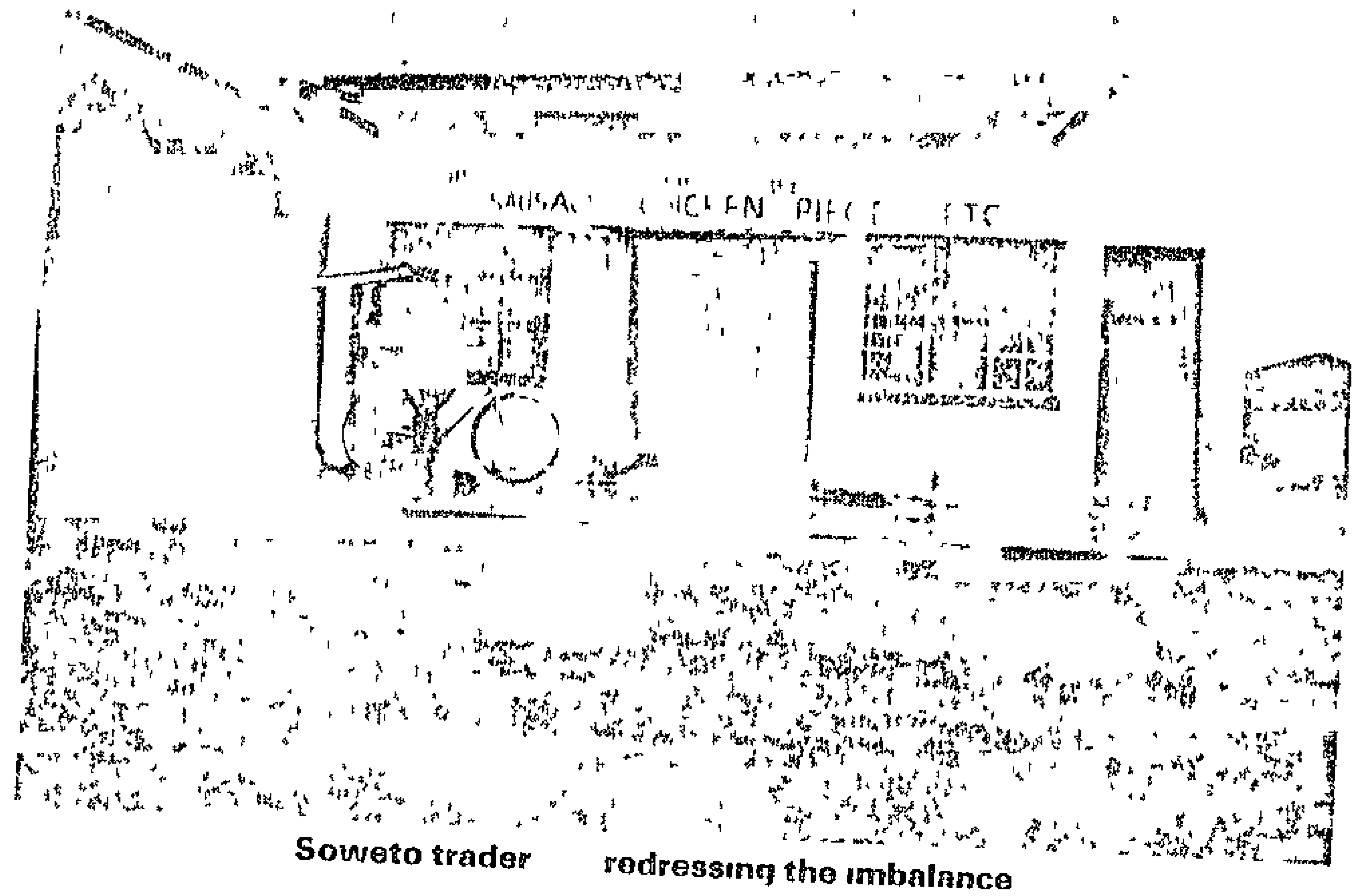
Government's concern for the small entrepreneur he pointed out, stems from awareness that "they serve as a stabilising factor and help in redressing the imbalance between geographical areas and economic groups "

But how big is the sector? It is 10 years since official statistics on the number and nature of small business enterprises were published The figure of 11 000 manufacturing concerns (constituting 80% of the sector, and employing 30% of the workforce) probably took a dip in the recession And this applies in the retail sector too, where the small operator accounted for 93% of the total number, though with only 60% of the turnover But even these figures suggest the sector's importance

There are also sound policy reasons for the fresh focus on small business The cost of job creation is low Since the problem of unemployment stalks the black population ever more bleakly building up black small businesses will prime employment

This is the significance of Horwood s announcement The free enterprise system requires a continual entry of newcomers into the entrepreneurial field and in SA it demands that all groups be drawn in Otherwise there can be no "stabilising factor "

According to a survey done by Stanley Black, director of the Centre of Developing Business at Wits School of Business, small-scale Soweto concerns employ about 36 000 This is despite the many restrictions which hamper the development of private enterprise in the black areas



Soweto trader redressing the imbalance

The bottlenecks are still the lack of facilities and expertise David Millstein, co-ordinator of industrial development at the Urban Foundation, tells the *FM* that a major programme for infrastructural development is needed This should be in the form of establishing service sites, industrial estates, and premises, for lease or purchase A development fund should also be established to enable small entrepreneurs to purchase both the premises and plant equipment

Mohale Mahanyele Nafcoc's executive director, "welcomes" Horwood's proposal, and urges that the bulk of the allocation should go towards assisting black entrepreneurs "Investment in the black entrepreneur will have far more returns in terms of its contribution to the socio-economic spin-offs "

A spokesmen in the Ministry of Finance tells the *FM* that though the government has not yet decided who to approach regarding the establishment of the newly-proposed fund Nafcoc is "definitely on the list

Millstein suggests that all matters relating to small business should fall under one government department and not, as is the case presently, compartmentalised according to racial criteria The government should also create an agency to co-ordinate and, if necessary circumscribe local authorities to get rid of the excessive and duplicating red tape "

Perhaps Wits's Black makes the major point He would like to see the 'building up of a body of businessmen to provide employment and growth points in the black townships which will also help in creating a black middle-class and bolster the free enterprise system '

Industry may face capacity shortages

JOHANNESBURG — South African manufacturers are fast approaching the stage when they will not only encounter shortages of skilled labour and of raw materials, but will also start to run up against production capacity ceilings, says Dr Johan Cloete, chief economist of Barclays National Bank, writing in the latest issue of Business Brief

"Indeed", he says, "the latest figures published by the Department of Statistics for capacity use in manufacturing industry, had already risen to 87,1 per cent, not far short of the figure of 88,8 per cent in November, 1974, at the peak of the previous business cycle upswing

"And, with capacity utilisation having almost certainly increased further since last November, it is clear that manufacturing industry cannot have too much spare capacity left

"It could, of course, be argued that, given sufficient demand, it should be possible for manufacturing industry to push capacity utilisation significantly above the 89,3 per cent attained in 1974, the highest level achieved during the 1970's as a whole, but in a decade characterised by depressed demand conditions in most years

"However," says Dr Cloete, it is doubtful that industry would be able to operate at a level of capacity utilisation much above 90 per cent without running into shortages of skilled labour and raw materials and even bottle necks in infra-structural services

"An increase in capacity utilisation much above the 90 per cent level would almost certainly be accompanied by excessive wage increases, over-time payments, rising raw material prices, and, hence, by accelerating inflation

"On the other hand, by investing in additional production capacity, in time, as demand for its products expands and by taking on additional batches of labour and working additional shifts, manufacturing industry could probably continue to operate along declining marginal and average cost curves, with beneficial effects for profits as well as for the inflation rate

"The problem is manufacturers normally wish to confirm that an increase in demand is permanent before embarking on new investment in additional capacity and by that time it is too late to avoid running into capacity shortages

Similarly, Dr Cloete argues, manufacturers and, for that matter, employers generally tend to reduce costs by cutting back on their labour force and its training during times of depressed demand

"Such action is understandable, but it does mean they run into labour bottle-necks and consequently excessive wage demands in the ensuing upswing," he says

Why a Rolls is vital

LONDON — A major advertising campaign was launched in London this week claimed that the Rolls-Royce motor car is not a self indulgence, but a vital commodity in Britain's export drive

Rolls Royce produced 3 344 cars last year, of which 60 per cent were exported A thousand went to the USA and 1 400 were sold in Britain

Despite the hard times in this country, the Corniche, which sells at R110 000, has eager buyers And there is an 18 month waiting list for the Carmargue, at over R120 000

One point Rolls-Royce makes in its new campaign is that it might cost a lot, but it is also "the one car that increases in value" — DDC

MANUFACTURING

Output accelerating

FM 1980 (20)

The total volume of manufacturing production last year edged up by 6,7%, according to the Department of Statistics and seems to be accelerating. January output was 7,1% higher than in the same month one year ago and plant utilisation is expected to reach 90% of capacity when the February figures are released.

Star performer last year was iron and steel production which shot up 20,8%. This is attributable to strong domestic demand for steel products in construction, car manufacturing and secondary industry sectors.

Wood output also rose by a healthy 16,2%, stimulated by improved sales of timber for building, industrial and furniture use and more exports abroad. The disappointing results were turned in by the leather industry, where output declined 5,2% on 1978 because of consumer resistance to higher prices, and in transport equipment in which production fell 9% due to diminished demand by the SAR for rolling stock.

But overall industrial output is rapidly attaining optimum levels. Ockie Stuart of Stellenbosch University's Bureau of Economic Research says the number of firms with expansion plans is significantly up on the 26% recorded in the Bureau's last opinion survey.

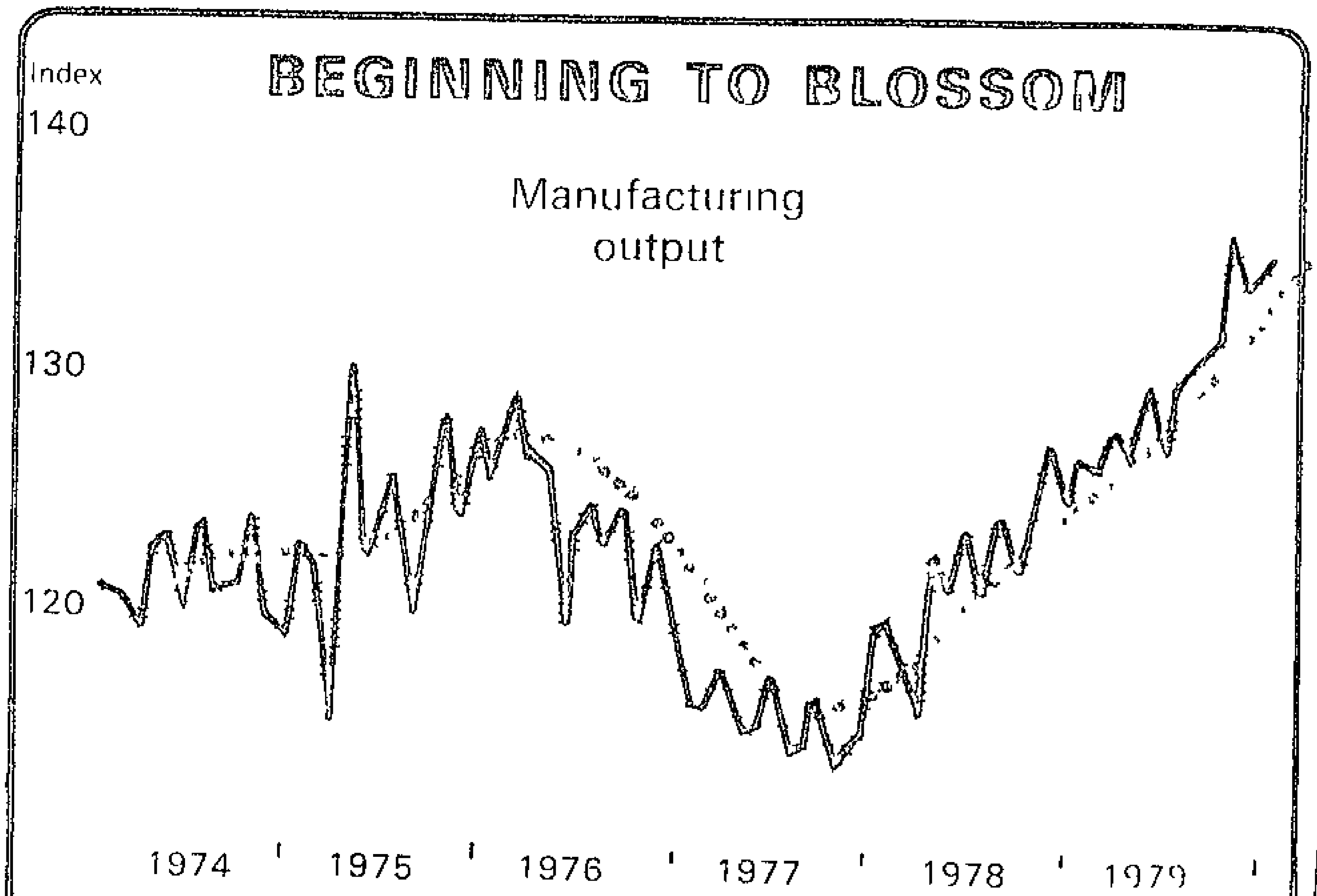
Sharp spurt

To what extent, therefore, will business meet the demand for goods and services? Stuart says a sharp spurt in consumer spending can be expected around mid-year when the full effects of tax cuts, wage rises, and last year's high gold price are felt in the economy. As inventory stocks are still running at low levels, having fallen for the fourth successive year, there is some concern that industry may be swamped by the volume of orders. This could lead to sharp price increases.

Stuart notes that a number of firms have already reported skilled and semi-skilled labour shortages, and it is unlikely production will be boosted significantly by more efficient use of manpower. Improved labour productivity contributed only 16% to total output growth last year, according to the National Productivity Institute. Thus severe production bottlenecks might develop.

One consequence could be a decline in export trade as SA manufacturers find it more profitable to sell locally rather than on overseas markets, where recession, a rising rand and the recent widening of the forward margin to 12% makes the task of selling much harder.

However, the immediate future is bright. This January, after seasonal variation was eliminated, the value of manufacturing sales was R2,8 billion, reflecting a whopping 23% jump over January 1979 sales.



Source: Standard Bank Business Indicators

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Industry enjoys boom conditions

Argus 12/5/80

(180)

SPURRED by strongly rising demand, the manufacturing sector is beginning to enjoy boom conditions with output rate accelerating sharply.

Preliminary figures issued by the Department of Statistics show that manufacturing production in the first quarter of this year was running 10,5 percent ahead of last year's levels and 19,1 percent ahead of that in the first quarter of 1978.

The department's index of the physical volume of manufacturing output (1963/4 = 100) rose 9,2 percent in March to a record 234,4 to standing 10,9 percent higher than in March last year.

The upsurge which these figures indicate are confirmed by the Steel and Engineering Industries Federation in its latest business conditions report.

STRENGTHENED

Conditions in the metal and engineering industry in March reflected a further strengthening of the improved levels of activity reported in the first two months of the year, Seifsa.

Order intake and production levels in March, particularly in sectors associated with the building industry, consumer durables and the mining industry underscored a continuing improvement in capacity utilisation in the majority of the Seifsa sectors.

However, some restraint on production performance and delivery periods is now being noted, caused by bottlenecks in the labour field as a result of shortages of certain categories of skilled and semi skilled people.

The general and heavy engineering sectors are also enjoying an increased workload.

ELECTRIC

The engineering industries are also expecting a further increase in economic activity as real private consumption expenditure increases in the second and third quarters, as the electrification of black townships gets under way, and as investment in mining and energy related sectors picks up.

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assumptions behind this model included labour as the only factor of production, factor immobility between countries and perfect competition.

principles determining Comp. Adv. not elucidated.

SA BIAS (180) FM 6/5/80

Strong advance

Activities: *Manufacturer of clothing accessories and trimmings, dyeing of textiles, property investments, shipping and finance, distribution of crockery, cutlery, glassware and giftware*
Chairman and managing director. *M N Newman*
Capital structure: *800 000 ordinaries of 50c Market capitalisation R5,3m*
Financial· *Year to December 31 1979 Borrowings long- and medium-term, R2,4m, net short-term, R2,7m Debt equity ratio 75,0% Current ratio 1,6 Net cash flow R1,4m*
Share market: *Price 665c (1979-80 high, 700c; low, 400c, trading volume last quarter, 2 000 shares) Yields 27,1% on earnings, 6,0% on dividend Cover 4,5 PE ratio 3,7*

	'76	'77	'78	'79
Return on cap %	15,4	12,3	16 2	21,0
Turnover (index)	100,0	84,2	184,2	287,2
Pre-tax profit (R 000)	981	855	1 362	2 769
Earnings (c)	69	63	104	180
Dividends (c)	15	15	22	40
Net asset value (c)	678	741	812	934

** 1976 = 100*

The vast improvement in results over the past two years owes nearly as much to the effect of gearing as it does to the better trading conditions which have developed during this period

Since 1977, the gross return, before tax and interest, on total capital employed has increased from 1,3 times the group's average interest charge to 1,9 times And, with borrowings remaining fairly constant, this has allowed the group to show a pre-tax profit improvement of 224% over the two years, whereas gross profits have gained less than half this amount — 111%

Performance has also been enhanced by judicious acquisitions, and in this connection last year's purchase of BMD Gift Wholesalers, which added the distribution of crockery, cutlery, glassware, and giftware to group activities, has turned out to be a winner

In the six months since the acquisition, BMD apparently turned in taxed profits of about R136 000, judging by the directors' statement that the new group member increased earnings by 17c a share This represents a return of 21% on the R643 000 purchase price, compared with the overall group net return of 19,3% for the full year

By the nature of its operations, BMD probably earns more in the second half of the year than in the first, but even so, the acquisition should continue to provide a useful boost to earnings during its first full year of consolidation

From a breakdown of profits it is apparent that manufacturing and trading (including the new subsidiary) showed a 52% increase in taxed income, property a 129% improvement, while shipping contributed 7% of the total after being in a break-even situation the previous year

If the results of BMD are excluded, it would appear that the recurrent operations of the manufacturing and trading division produced a one-third increase in profits, and that earnings per share would have been up 57% instead of the 73% actually recorded

The annual report notes that since the year-end, trading has remained brisk and all divisions have continued to achieve better results

Due to the timing of the BMD acquisition, it is improbable that earnings growth this year will be anywhere near last year's 73% But if the group continues to benefit from increased profit gearing from loan funds, a 40% gain may be possible — if dividends move in line, this would imply a payout of 56c (40c) to yield a prospective 8,4%, suggesting that the share could still have further to go despite the 255% improvement which has taken place over the past 18 months Marketability, however, is very limited and is unlikely to benefit from the issue of an additional 30 000 shares, being the balance of the purchase consideration for BMD

Brian Thompson

Verlig dié wet, vra KOK

DIE Fabriekswet is 'n groot struikelblok in die pad van ondernemings in die vervaardigingsbedryf wat 'n klein getal werkers het. Veral ondernemings met net twee of drie werknemers word ernstig deur dié wet benadeel.

(180) [illegible] 31/5/80

Dit is die mening van mnre M.J. Pentz en Dries Ochse, onderskeidelik hoofbestuurder en eiendomsbestuurder van die Kleurling-Ontwikkelingskorporasie.

„In die geval van 'n onderneming met slegs twee werknemers, is die wet onprakties. Hoewel ons nie die wet wil aanval nie, doen ons 'n beroep op Die Regering om dit te hersien en te verslap," sê mnre Pentz en Ochse.

'n Voorbeeld is die regulasie dat die minimum hoogte van 'n fabriek 3 m moet wees. 'n Baie klein ondernemer kan in baie gevalle sy werk doeltreffend doen as die hoogte van sy werkplek die van 'n gewone huis is

Ook die regulasie dat daar aparte kleedkamers vir geslagte en rasse moet wees, beperk ondernemings wat byvoorbeeld net drie werknemers het. Vir sommige klein ondernemings sou dit prakties wees om net een toilet of kleedkamer te hê, en terselfdertyd sal baie koste bespaar word

Mnr. Ochse stel voor dat die wet afgeskaf moet word vir ondernemings met byvoorbeeld tien of minder werknemers. Die huidige wet bepaal dat 'n vervaardigingsonderneming met twee of meer werknemers aan die Fabriekswet onderhewig is.

„Ons stel nie voor dat die wet geheel en al afgeskaf moet word nie. Dit is onprakties vir baie klein ondernemings, maar prakties vir groter ondernemings," sê mnr Ochse

Die wet strem ook die korporasie se bedrywighede, want baie klein ondernemings kan nie die huurgeld van die korporasie se fabriekstelle bekostig nie. Die gemiddelde huurgeld van die korporasie se fabriekstelle is 80c per vk m, terwyl die gemiddelde in die private sektor tussen R1,20 en R1,80 per vk m wissel.

As in ag geneem word dat die korporasie se huurgeld net die koste dek, is dit onrusbarend dat soveel klein ondernemings nie die huurgeld kan bekostig nie.

Die tragedie van die saak is dat die ondernemers wat nie die huurgeld kan bekostig nie, voortgaan met hul bedrywighede hoewel dit in baie gevalle nie aan die vereistes van die Fabriekswet voldoen nie

Mnr Ochse stel voor dat byvoorbeeld vervaardigingsentrums opgerig word, wat net uit 'n afdak met draadafskortings bestaan. As die korporasie of ander soortgelyke instansies toegelaat word om dit te doen, kan goeie beheer toegepas word Sulke sentrums sal net geld vir baie klein ondernemings en as die sentrums nie aan die Fabriekswet onderhewig is nie, kan die huurgeld aansienlik verminder word. Terselfdertyd sal baie klein ondernemers dit kan bekostig. Dit sal baie vir die Suid-Afrikaanse ekonomie en werkverskaffing beteken, sê mnr. Ochse

Mnr Hans Knoetze, skakelbestuurder van die Rembrandt-groep, wat 'n intensiewe ondersoek na die bedrywighede van klein ondernemings in die buiteland gedoen het, sê 'n vakansietydperk moet ingestel word Klein sakeondernemings wat in die begin sukkel om die bepalings van die wet na te kom, moet 'n tydperk van verslapping in die wet gegun word om eers op die been te kom Sodra hulle finansieel sterker daaraan toe is, kan hulle weer aan die volle bepalings van die wet onderworpe wees.

Volgens 'n studie wat mnr. Knoetze in Hongkong gedoen het, is 69 persent van dié land se nywerhede in nie-industriële gebiede Die arbeidswette word daar aansienlik verslap en die klein ondernemings lewer 'n groot bydrae tot die bruto nasionale produk, wat verlede jaar 'n groeikoers van sowat 12 persent getoon het.

—Flip Meyer

(180)

FM 30/5/80

Goldfields Industrial Corporation Limited

(Incorporated in the Republic of South Africa)
("G I C")

Final results and dividend announcement

The audited results of the GIC group for the year ended 31 March, 1980 were as follows

	1980 R	1979 R
Turnover	35 438 000	24 072 000
Profit before taxation	4 581 000	1 912 000
Taxation	1 760 000	743 000
Profit for the year	2 821 000	1 169 000
Number of ordinary shares in issue at end of year	3 951 360	2 822 400
Earnings per ordinary share	79c	41c
Dividends per ordinary share	17c	10c

Earnings per share are calculated by dividing the profit after tax by the weighted average number of shares in issue during the year

Demand for the group's products continued to improve, particularly during the latter months of the year, and record turnover and profit levels were achieved Turnover increased by 47% and the higher levels of activity combined with greater efficiency were reflected in improved margins and a profit before tax of R4 581 000 compared with R1 912 000 in the previous year

Earnings per share amount to 79 cents and the directors propose a final dividend of 11 cents per share, making a total distribution for the year of 17 cents per share on the capital as increased by the rights issue in July 1979 The final dividend will be paid on 29th August, 1980 to shareholders registered on 15th August, 1980

The Group is in a sound liquid position and the balance sheet, strengthened by the rights issue in July 1979, has been further improved by tight control of working capital and a reorganisation of the borrowing structure Capital expenditure on buildings and plant amounted to over R1 million and major further expansion of the Group s manufacturing activities is planned

The new financial year opened with order books substantially higher than a year ago Unless there is a major economic reversal, a further improvement in results is expected in the current year

M J BEER
N J GILBERT
Joint Deputy Chairmen

ISANDO
22nd May, 1980

15/6/80
SUN TRIB.
180

Site searching made easy

Property Reporter

FINDING a suitable site for a factory is a complex affair, aggravated by the current scramble for good industrial land.

Sauber Construction, part of the industrial decentralisation consultants group of companies, has launched a comprehensive feasibility package on the Reef that takes the donkeywork out of site searching

Managing director Louis Barclay says the package includes suggested alternative industrial sites, location maps, sketch plans of the proposed structure, an architectural appreciation, outline building specifications, preliminary outline construction programme, estimated cost and alternative methods of finance.

"It covers basically everything you need for good decision-making information," says Barclay.

The investigation proceeds from the client's brief, Suggested alternative sites are then investigated to arrive at a site cover-cost per square metre ratio for direct comparison with about a dozen sites.

Sauber then makes a recommendation on the ratio and all relevant elements such as labour pools and strategic access to freeways.

"The onus rests with us to prove our case. The final decision, nevertheless, is of course that of the client," adds Barclay.

In support of the recommendation, the architect's appreciation goes into sufficient design detail for the client to make up his mind without incurring the cost of full-scale drawings.

The outline building specifications that follow are presented in the same vein — bare bones only — but sufficient to spell out the implications of the project without the client incurring the cost of a full-scale bill of quantities.

A path flow analysis for construction work is then addended, and, finally, the whole exercise is rounded off with the estimated cost.

"Although there is no commitment at all on the part of the client, we would naturally like to be in the running when he selects a builder, and we hope our initial work gives us an edge," says Barclay.

Nor, he adds, does Sauber stand in the way of independent assessors of the study.

Punchline to the exercise is Sauber's recommendations on methods of financing the project.

"The client selects the method. We follow it through to its conclusion to arrive at a monthly annual cost per square metre of building erected. If a client is unsure of his financing route, we'll make comparisons for him.

"We have the infrustructure to make it a paying proposition," says Barclay. "We believe there will be plenty of volume business around as industries expand to handle the economic upturn."

FM 20/6/80

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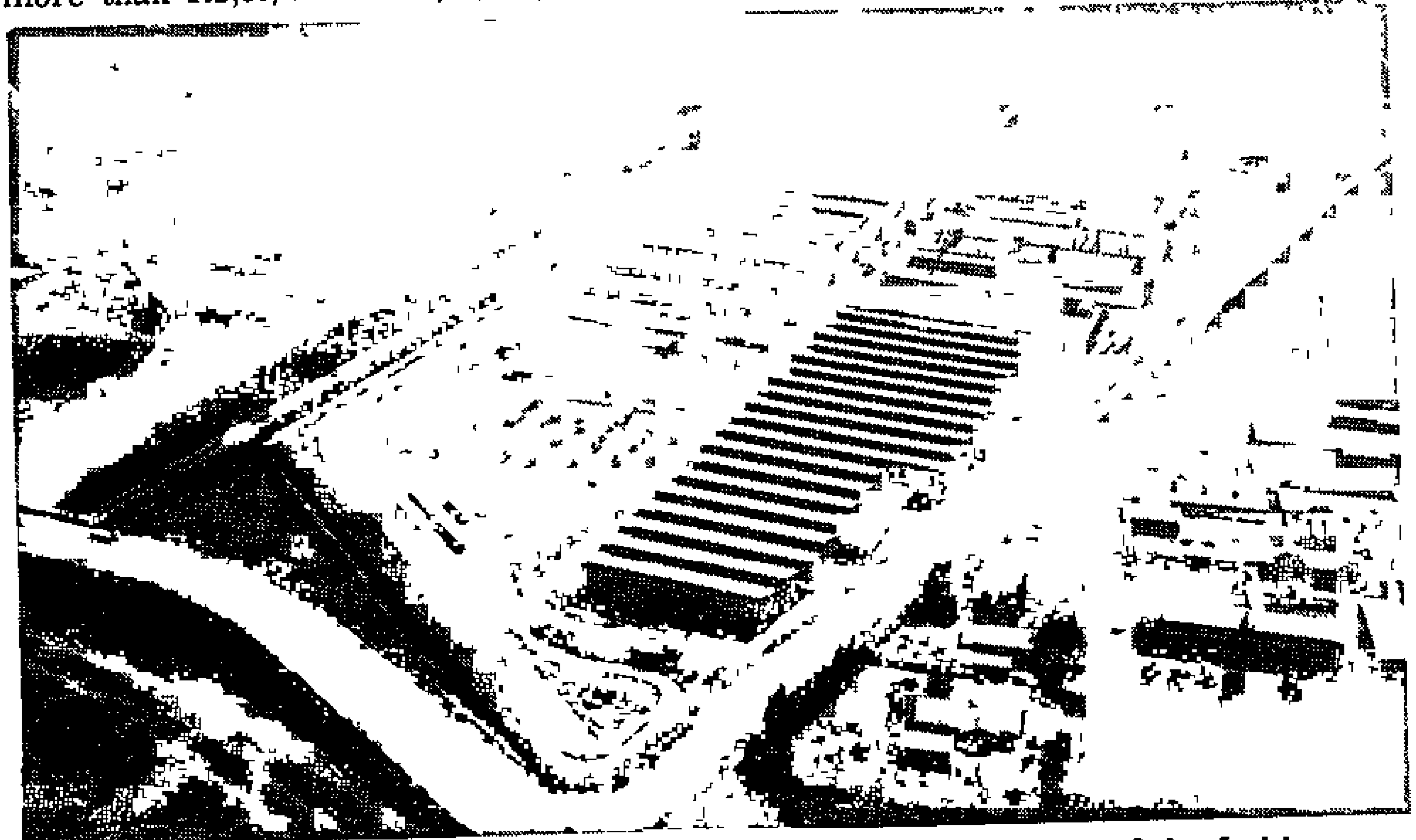
INDUSTRIAL RENTALS

Coastal crunch



Witwatersrand industry a length ahead of the rest of the field

High demand and the softer money market are ringing significant changes in the industrial sector Factory land, once so plentiful, is drying up all over the country and smaller manufacturers are often abandoning traditional financing and going for new development on their own

But there's still plenty of room for spec operators And they're out in force on the Reef again, tying up long-term leases with initial yields as high as R2,70/m²

Countrywide, though, industrial development is a paradox In Durban, for example, shortages of factory space, warehousing and land is as prevalent as anywhere Yet investors are staying out of the market because tenants are holding doggedly to historic rental levels

Good space is still commanding no more than R1,30/m² to R1,50/m², but it's common cause that new development will have to come on at R2/m² or more to be worthwhile

RMS Syfrets (RMSS) says prime land within 10 km of the Durban city centre is now virtually unattainable There's still some stock available in Prospecton and Pinetown further out, but there are no rail-served properties in either

Sanlam's Phoenix township is coming on stream 20 km north of the city, but resistance to higher rentals is bottling up demand for land, says RMSS. As soon as the psychological barrier is broken, activity is expected to rise sharply and shortages will be more acute

Although sales are not brisk, developers are holding prices Prospecton is on offer at well over R200 000/ha Phoenix is asking R255 000/ha for rail served sites (R215 000/m² non-rail) and good to reasonable Pinetown stock is around R150 000/m²

Demand for existing factory space is high enough to threaten shortages and consequent rental hikes But escalating building costs will widen the gap and even the R2/m² which Durban tenants won't pay will probably look cheap a year from now

Cape Town is having similar supply problems in the inner industrial zone The critical area, says David Christie of Christie's Industrial Property Brokers, is inside the 5 km radius of the container berths

Companies operating a large number of containers have considerable difficulty, he says, expanding or relocating within the SAR's free delivery zone

Meanwhile, Government's re-housing policies are having an impact on siting A few years ago, says Christie, there was a tendency to quit places like Salt River and Observatory for alternative locations in Parow and Athlone

But the continuing movement of a large portion of the labour force to outlying areas like Mitchell's Plain is changing all that Accessibility of public transport has become crucial, specially for labour intensive undertakings like clothing and textiles

So now the trend is in reverse Manufacturers are tending to look at the traditional Salt River area again because it is a major rail junction between the northern and southern suburbs

The interest is duly rubbing off on land prices Six months ago, says Christie, an asking price of R255 000/ha in Epping was considered excessive Now it is only "slightly overpriced"

Industrial sites further out have not yet felt the benefit

Rentals have tended to move with the stream, although they are still well below levels being achieved in the PWV But, like the Transvaal, there's a wide gap between the cost of new and old space

At Paarden Eiland a number of new factories have leased recently at R1,50/m² whereas older stock in the same area is tending to stick around R1,10/m²

The difference between coastal and Witwatersrand rentals is marked

Tony Watcham of Currie's/LK Jacobs (CLK) tells the *FM* that the company recently closed a deal for a private investor in Kramerville at an initial R2,70/m².

That's above average for new space, but upcountry levels are still some 50% higher all round As building and land costs are pretty much the same countrywide, there's something wrong somewhere

In Kramerville CLK has sold 19 2 000 m² stands at around R310 000/ha since July This is above the national average, but there's still comparatively cheap land to be had in other areas

There is nothing left in the newer extensions of Selby and Denver and very few stands going in Spartan But good land is still available in Devland at R17/m² and a recent deal was concluded in Trust Bank's Germiston township of Roodekop at about R14/m² (Property May 9)

Watcham backs the view with figures In the 12 months to April 30, he says, CLK closed industrial sales worth R5,6m and wrote R5m worth of capitalised leases That represents a 110% increase in sales while lease value remained pretty constant in real terms with a 16% advance

MANUFACTURING PRODUCTION

The base broadens

FM 27/6/80 180

The physical volume of manufacturing production increased on average by almost 4% in the first quarter of 1980, according to Statistics Department figures The year-on-year increase at the end of March amounted to 7,5%, compared to the 6,5% increase achieved in 1979 Total sales in March 1980 were nearly R3 000m, compared to R2 200m a year earlier

The rate of growth appears to be accelerating, in the three months from December 1979 to February 1980, the volume of production grew by 2,9%, while in the three months to March 1980, it grew by 3,8% (both figures are seasonally adjusted)

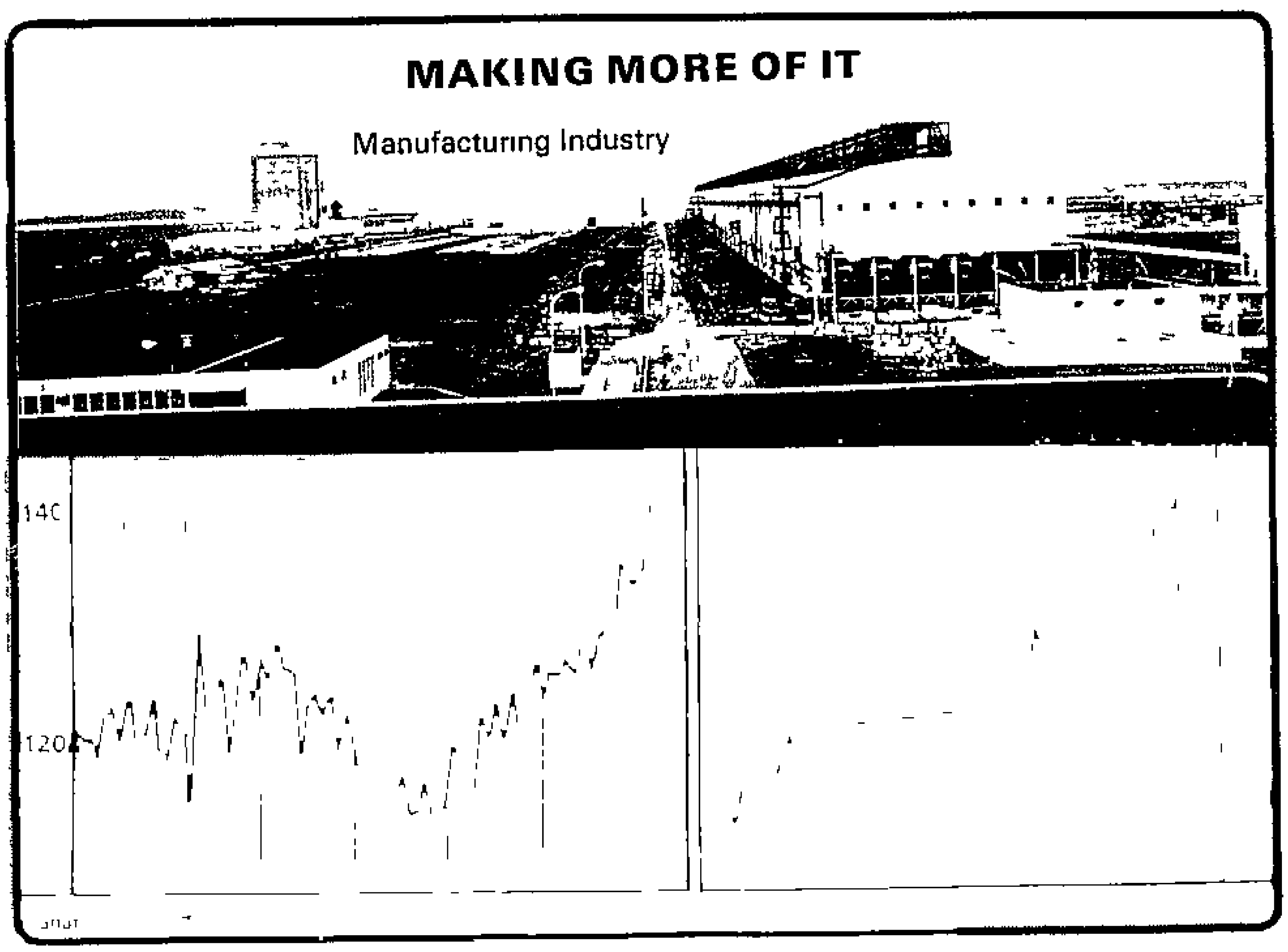
The industrial chemicals sector displayed one of the largest annual rises in volume of production, growing 29% between March 1979 and March 1980 Other chemicals rose by only 11% in volume terms but by 40% in value terms, which is an indication of inflation The plastics sector was perhaps the chief victim of oil price rises over the year, its sales value rose 23% while production volumes actually decreased by 4%

Inflation in the food sector was considerably less Volume rose 9% compared to a 16% increase in value terms Physical production of furniture rose 20% while sales value increased by only 14%, which may be an indication of the cost-cutting effect of increased capacity utilisation According to the Standard Bank economic review, the volume increases in consumer-related sectors like food and furniture are an illustration of the broad base of the current economic recovery They reveal the "changing growth pattern of the sector" insofar as consumer demand sectors have taken over from export- and import-substitution sectors in growth terms

In the heavy industrial sectors, iron and steel production volumes rose 11% over the year to end-March, at which time total sales (an estimation extrapolated from those figures actually monitored by the Statistics Department) amounted to R300m Unfilled orders, though they were less than 1% higher than in March 1979, were valued at over R600m Inflation affected the car sector, in which physical production increased by a mere 3% compared to a 26% rise in value terms But the value of unfilled orders for vehicles at end-March was nearly R80m, about 40% higher than the same time last year, clearly indicating the extent of the current build-up in demand

A high level of demand is evident in the building-related sectors as well, although figures given are in value terms only and the inflation factor must be discounted before a true picture emerges Unfilled orders for building board are 26% higher than they were a year ago, 44% higher for paints and 64% higher for steel pipes and tubing

Some economists have predicted a 6,5% growth in the physical volume of manufacturing production in 1980 — the same growth rate achieved last year but a larger absolute increase, since the growth base from which it starts is larger The current performance of manufacturing industry suggests that this estimate might prove to be conservative



FM 18/7/80

(180)

MANUFACTURING

Thinking small

With 23 ha (10%) to go, Amaprop's Prospecton industrial township is on the last lap Yet estates development director Peter Gardiner admits he would do it differently next time

He says the mini or "incubator" factory concept was introduced to Prospecton too late The team is making up for it now, with 12 units built or a-building, but the idea could have been turned to account a long time ago

The "incubator" idea, he explains, is based on small industries with growth potential When small concerns expand, they can be moved to larger premises on alternative land in the same stable.

The vacated space can be let to a new manufacturer, and thus the stratagem can snowball from one site to the next and one township to another

Gardiner tells the *FM* that some 3 ha have currently been allocated for incubators at Prospecton The first four of 500 m^2 plus yard space have been let at an initial R1,50 m^2, but the remainder, now under construction, will go on the market at R1,72/m^2 with escalations increased to 7%

If the idea pays off, more land will be allocated to the small units, he says, although the bulk of future mini development will probably be undertaken in alternative locations

Gardiner believes official encouragement for the small manufacturer is long overdue The Anglo experience (not shared by some other developers) is that smaller factories tend to be labour intensive and will thus give a leg-up to the campaign to cut unemployment.

UNIVERSITY OF
EXAMINATION

All answer books must be numbered

Number of books handed in

MANUFACTURING FM 18/7/80

In full flow

Manufacturing production in April 1980 was 13,2% greater than output in April 1979, according to Department of Statistics figures This compares with a production rise of 3,6% in April 1979 over April 1978 The figures also show that the value of April sales this year was 24,7% higher than in April last year

These statistics, while illustrating the upswing in manufacturing production, have yet to show the boom's full impact, as the last Budget's stimulatory measures are not yet reflected in sales and output But the results do underline the broadly based nature of the manufacturing recovery this year, which the latest Barclays Bank *Business Brief* believes could be "as much as 14% above that for last year "

The *Brief* reports that, of Barclays' manufacturing customers surveyed, 79% stated that second quarter production and sales volumes were higher than in the first quarter while 75% expected continued improvement in the current quarter This trend will continue as tax concessions filter into the consumer's pocket while the tight labour market and higher employment levels ensure that consumption spending should continue to flow into the economy

However, the Barclays *Brief* suggests that fixed investment in the private sector, other than among the mining houses, has not yet begun on a large scale It quotes only 43% of its respondents as having made plans to undertake new fixed investment in the next three to six months, compared to 49% in its March survey

Companies contacted by the *FM* point to a number of reasons for investment reluctance Partly this is explained by the time lag of typical cyclical behaviour, whereby fixed investment is stimulated only after higher demand patterns are established But as Barclays' chief economist Johan Cloete says, "One would have thought at this stage that they would be investing flat out "

The main consideration, therefore, is probably the uncertainty factor High inflation, coupled with the fear that government may eventually take more effective restrictive monetary action to curtail inflation, and anxiety about possible political crises ahead, has apparently evoked some pessimism that the boom may not be sustainable

The "lumpiness" of investment, whereby expansion is usually only viable if capacity is expanded substantially, is also a problem FCI's executive director Johan van Zyl suggests that if factory capacity could be increased gradually by, say, 10% at a time, entrepreneurs "would do it like a shot" Unfortunately, modern technology does not always make this feasible

Difficulty with skilled labour and management shortages is another constraint on investment, Cloete suggests Evidence for this view comes in Seifsa's mid-year report, which states that industrial production has been hit by the lack of skilled labour The net effect, Cloete says, is that industry will "run into shortages of capacity probably even more severe than in 1974-75 "

Obviously, this will affect manufacturing production adversely and will bear inflationary consequences as labour and raw material bottlenecks arise The high cost of purchasing stock may also explain the apparent anomaly in the Barclays report, which states that an overwhelming 88% of respondents think their stock levels are adequate — up from 79% at the time of the last survey — despite low industrial inventory levels

Cloete suggests the recession has taught customers to work with much lower stock levels while inflation "makes for an economising in stocks " Whatever the case, it seems clear that boom conditions bring with them manufacturing supply problems which cannot adjust easily to increased demand

LOAN SLIDES

SA's recent, successful DM120m (R52m) loan on the West German capital market (25% over-subscribed) has slipped a little in unofficial dealings as the issuing banks sell their holdings to investors, say banking sources The official listing is still probably two to three weeks away

The stock, issued at par with a coupon of 9%, is currently trading informaly at DM98%, for a yield of 9.18% With a term of seven years, the stock represents the first large public issue abroad since 1972, when the Goverment floated a loan of about DM100m (R43m)

It is still a little early to judge whether the current trading discount represents a long-term assessment of SA's credit rating, which can probably only be obtained when the stock itself has settled into long-term ownership

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(40)

NON-CASE FOR TARIFFS

Protection money

"In every country it always is and must be in the interest of the great body of the people to buy whatever they want of those who sell it cheapest" — **Adam Smith, The Wealth of Nations.**

July 1, the day devoted by the Free Market Foundation in SA to the lofty ideals of private ownership and free enterprise, came and went largely unremarked Could anything else have been expected in view of government's protectionist policies and in view of increasing calls for yet more protection from some businessmen themselves

The unhappy truth is that Adam Smith's tenet is unlikely to be the fulcrum on which enterprise here is based Increasingly it is in conflict with aspects of governmental thinking particularly so far as "strategic" supplies are concerned

Despite government's claiming a firm commitment to free enterprise, there is a proliferation of blatant examples of protectionism, which cost the consumer dearly The Atlantis Diesel Engines project is one glaring example Wayne Chesney, MD of tractor manufacturers John Deere provides another He says new tractors with ADE engines will cost 20%-30% more than present models

Moreover, because of local manufacture, chances are that future technological advances based on international research will not be available to SA This, maintain tractor manufacturers, could deal a savage blow to new fuel efficiencies

SA is a society in which the ethic of protectionism has very deep roots Job reservation for white workers is one example Conversely, as the black economist Prof Walter Williams from Temple University, Philadelphia, says "Keeping white businessmen out of Soweto is nothing more than protecting black business-

7/29

FOX04

men from competition with cheaper white businessmen"

Protective tariffs, quota systems, local content in the manufacture of motor vehicles, all testify to the general protection of SA industry. Cheaper, and therefore probably more efficient producers, are kept out.

One argument for protection that does not necessarily stress "strategic" supplies is summed up by Stan Shlagman, Textile Federation executive director, who recently told the *FM*: "Even if a premium is paid for local production, it creates employment and disposable consumer income."

Against such a background, it comes as no surprise that the Textile Federation stands four-square behind the National Clothing Federation's calls for a trade breakwater against what it calls the impending tide of cheap imports from the East.

Producers of industrial rubber products are also gearing themselves to ask government for heavy tariff protection, motivated partly by the plastics industry getting "protection of 40%."

Viewed against economic experience elsewhere, this argument becomes somewhat dubious in anything but the very short-term. Admittedly, a close examination reveals little real free enterprise worldwide. But certainly the Association of East Asian Nations (Asean) economies appear to function more efficiently because they come closer to implementing the ideal of free enterprise.

In 1979, for the fourth successive year, gdp growth in Hong Kong's free market economy was above 10%. South Korea averaged 12,3% per annum growth in real gnp between 1976 and 1978. Singapore's gnp has risen at 14% pa since 1966. Japan recorded the fastest growth in economic history over nearly two decades: the real gnp multiplied ninefold at rates averaging 20% per annum over the last 18 years.

Hong Kong, which boasts probably the freest economy on earth, performs the way it does, say the free market supporters, as it has no:

- Economic development plans,
- Centralised resource allocation,
- Government industry,
- Price or wage controls,
- Tariffs or import control,
- Export incentives,
- Central bank,
- Factory or shop hour laws,
- Restrictive licensing laws,
- Limits on finance charges
- Government protection, subsidies or loans for business.

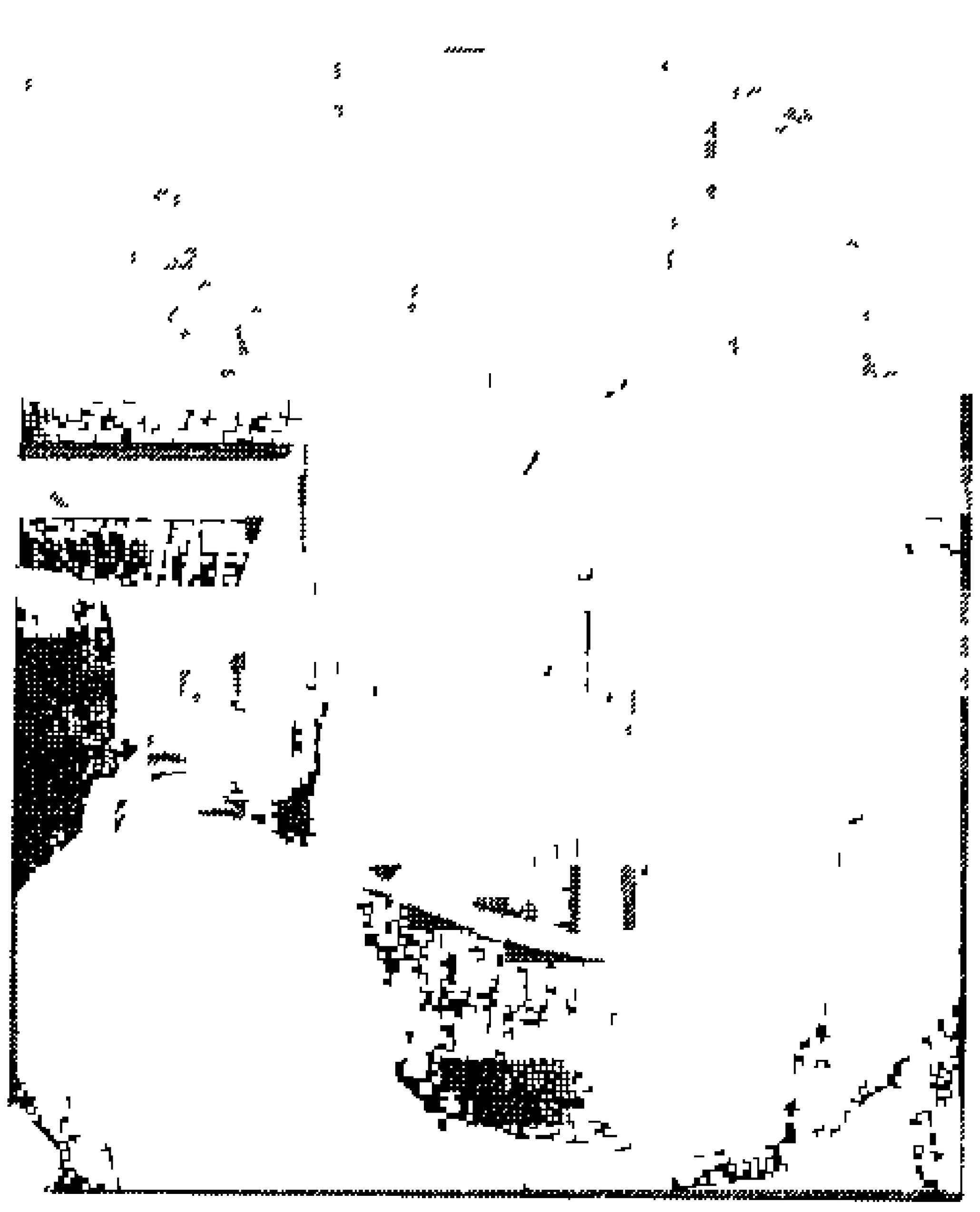
Protectionists say the argument is only partly valid, pointing out that some Asean economies, notably Japan, do have a high degree of protection. They claim of equal importance is tremendously high worker productivity, a fierce determination shared by workers to be employed and a willingness to reject the principle of minimum wages.

That does not mean these workers are locked into what some refer to as "slave wages." Indeed, per capita income in Hong Kong is now roughly $2 500 a year against $85 in 1960 and is projected to overtake UK levels shortly.

Of course, Hong Kong does suffer some conspicuous blemishes. There are thousands of slums, expanses of under or unused land and a vast array of poor peasant farmers. But other reasons, such as a population constantly swollen by refugees, could contribute to the unpleasant aspects of the colony's life being prolonged.

Despite Hong Kong's avowed commitment to free enterprise, there are nevertheless 25 government protected or franchised corporations. And government has roughly 15 agencies. But, compared to SA, Hong Kong business still enjoys a large measure of freedom.

Equally, Singapore's economy is much freer than that of SA. The Singapore



André Hamersma . . . "let the dead ducks die"

government plays an active role in planning and location of industries, and directing industrialists in their operations.

But today, PM Lee Kuan Yew argues: "The free market has got us to the highest level of production and consumption ever in man's history," while government still keeps its finger on the pulse.

The South Korean government, although it supports free enterprise, is very much involved in what it calls, "a comprehensive stabilisation programme." But a recent restructuring for growth saw a reduction in both the rate of expansion of the money supply and growth in aggregate demand. Up to 1979, 148 commodities were subject to price controls. These are being quickly phased out. Only 35 commodities are still controlled.

In the industrialised West the aim since World War II has been to reduce trade barriers and support free-trade policies. Yet, in fact, the trend to creeping socialism is more evident today than it was five years ago. Present recessionary conditions are partly to blame as are inflated wages.

The US is experiencing a wave of worker anxiety over rising joblessness. The result is a new swing toward protectionism, especially in such key sectors as autos and steel. This is likely to play havoc with Carter's stated objective to reduce trade barriers.

In a New York Times-CBS conducted public opinion poll, 71% of the respondents favoured job protection, while 19% were for lower prices.

In SA, despite the Prime Minister's famous Carlton Hotel commitment to free enterprise, not all his officials have got the message. Take Board of Trade chairman Basie Kleu. He tells the *FM*: "We cannot support any policies which would lead to a totally uncontrollable rate of imports. Any downturn in the economy or slack in consumer demand should first be borne by imports and not by local production."

The allegation that South African exports are adversely affected because of the need for manufacturers to use expensive locally produced inputs, is now minimised, says Kleu. "The new export incentives will compensate exporters for use of local materials where this is possible."

Standard Bank's chief economist Andre Hamersma, just back from an extended fact-finding mission to the Asean economies, argues: "Given SA's political situation, there are certain things we should protect. But when it comes to dead duck industries we should not be scared to let them die. We need more flexibility with tariffs."

Hamersma acknowledges that: "If we unilaterally do away with tariffs and protection, very few industries would survive. We need to steer a flexible course.

"If SA unilaterally does away with these measures we would be digging our own grave. The political situation alone makes free trade impossible here."

That may well be. But surely it is the trend away from or towards free trade that is important? In SA official policy calls for moves towards economic freedom while official actions support the opposite.

Free Market Foundation executive director Leon Louw suggests a compromise: "Free marketeers do not advocate the scrapping of protection per se, but offer a whole package. How would a protected industrialist like to have corporate taxes reduced to 15%, marginal income tax rates to 12%, all restrictions on labour recruitment, housing and utilisation scrapped, exchange control abolished, import control on components and other imputs abolished, unlimited zoning rights available, no physical planning, repeal of all transport restrictions, and much more — all in exchange for import protection?"

As he says, that is the position in Hong Kong, to which industrialists flock from all over the world.

Self-sufficiency in guns and butter is important — given our obsession with apartheid — but the cost of it should be clearly delineated. It should not be foisted obscurely, as it is, on the consumer so that it is easy for summer dress manufacturers to jump on the same protectionist band wagon. That won't do. Think again Basie Kleu and those in business shortsighted enough to support him.

Star 23/7/80

3 factory centres planned for Soweto

180

ber of supermarkets in Soweto," Mr Rive said

Concerning his position as chairman of the Greater Soweto Planning Council, Mr Rive said he would accept no formal appointment from the Government, but wished to retain his independence and freedom of judgment.

Mr Rive was speaking at a function to announce the start of building of a commercial college in Soweto He gave details of the three industrial centres planned for Greater Soweto

He said the Industrial Development Corporation (IDC) which was financing the project, had got Government approval to establish the "parks," each consisting of 40 small factories and an office complex.

Mr Rive said the IDC would exercise control over the buildings initially and provide counselling and management services for the tenants, but that Sowetans were to own and manage the centres finally.

The community councils of Soweto, Diepmeadow and Dobsonville would assist in finding prospective tenants and that the Rembrandt Group would finance equipment and working capital for the individual industrialists, Mr Rive said.

Rive backs free trade for blacks

180

Mr Louis Rive

Star 23/7/80

By Josie Brouard

Soweto's planning chief, Mr Louis Rive, publicly sided with the black man in a call today for free economic enterprise and full freehold title.

Speaking of his concern that Sowetans should "come into their own," Mr Rive said it was his view that South Africa did not have a truly free enterprise system.

He said: "Equality in competition, backed up by a history of equal opportunity is a prerequisite for a truly free enterprise system. If all things were equal we could claim that market forces dictate the pattern. But all things are not equal and my sense of justice dictates that I must side here with the black man."

Speaking in Soweto today, Mr Rive also announced a R2-million scheme to build three industrial "parks" in Soweto, Diepmeadow and Dobsonville as the Greater Soweto Planning Council's first step towards economic independence for Sowe-

Freehold

Mr Rive also spoke in favour of:

- Protection of black entrepreneurs in Soweto.
- Training facilities in local and higher government spheres.
- Procurement of long-term, low-interest rate loans.
- Provision for more land for commercial and light industrial purposes.
- Adequate health services.
- Elimination of the housing backlog.

cont.

Mr Rive said because Soweto was never properly planned and developed, its services were totally inadequate and the Government and private sector had a moral obligation to help restore the balance.

Mr Rive went on to say "Full freehold title can play a significant role in the development of a micro-economy and in promoting self-sufficiency. I believe blacks should be given full freehold title in Soweto. There is no adequately cogent point in withholding it after the principle of permanency has been accepted."

Emancipation

It was his view that the black man should have a meaningful stake in the economy, and that Soweto should become a symbol of the black man's emancipation in South Africa.

He said it was wrong that little, if any, of the profits flowing from the buying power of Sowetans (estimated to be over R700-million a year) was going into the pockets of Sowetans themselves.

He advocated the development of Soweto into an independent micro-economy with its own residential, commercial and industrial tax base.

He said loan capital, as opposed to white partnership capital, should be made available to black businessmen.

"Black leaders, almost without exception, and all the black businessmen I have spoken to, favour such a course, fearing that injection of white capital on a partnership basis will perpetuate exploitation of the black man and kill about 1 600 small dealers and a num-

To Page 3, Col 1

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with the management and workers

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The semantics of the organizational
distinguishes between these two types of rel

Dignitaries on stage during the singing of the national anthem Nkosi Sikelela iAfrika. From left to right are Mr J Rabie, Rev Sam Buti and Mrs Buti.

Crowds cheer setting up of Alex factories

27/12/80 S. lo5 (180) (2/5)

By DERRICK LUTHAYI

THE CHAIRMAN of the Alexandra Liaison Committee,
Rev Sam Buti yesterday announced before a cheer-
ing crowd of 7 000 that his committee had established
two factories.

Rev Buti was speaking at the two-day celebration
to mark the founding of the committee. The Deputy
Minister of Co-operation and Development, Dr G
Morrison was the guest of honour.

The committee, Rev Buti told the enthusiastic
crowd, had founded and registered a company, the
Alexandra Co-operation Development Foundation,
which had started the two factories in Alexandra.

The celebration, which started yesterday with the
Cultural Day, continued today. As part of the cele-
bration, the committee's offices were officially opened.

"The 99-year leasehold scheme will soon be im-
plemented in Alexandra," Rev Buti told the crowd who
packed the stadium.

Other guests at the ceremony were Sandton's
mayor Mr P Oertel, Mr J C Knoetze and Mr J Rabie,
both officials of the West Rand Administration Board
(Wrab) and Mr J C Mahlubuchi, the Diepmeadow
Council's chairman.

There was pandemonium at the stadium when Mr
Morrison arrived in a heliocopter. Children rushed
towards it. Police were unable to clear them.

As soon as Alexandra was declared a black area,
Dr Morrison said, and property in the township regis-
tered under Wrab, the 99-year leasehold scheme would
be introduced.

"There are still some formalities that have to be
attended to, after which the proclamation of the area
will be able to proceed," said Dr Morrison.

A church service will be held today as part of
the celebrations.

Sit-in workers baton-charged

EAST LONDON — Police yesterday baton-charged about 250 workers in the canteen of an East London factory, Raylite batteries, after they refused to work

The stoppage follows several strikes in the East London area in recent months in protest at the government's liaison committee system

An East London police spokesman confirmed that police had dispersed a gathering of workers at the factory

He said the workers had been staging "a passive refusal to work" and that police dispersed the meeting because it was "unlawful".

A director of the company, Mr D G Saunders said yesterday that all workers had been dismissed after staging a 'sit-in' strike If they returned to work today, all would be re-employed, he said

However, the South African Allied Workers' Union president and national organizer, Mr Richard Gqweta, said workers would not return today until negotiations had taken place

On Tuesday, the SAAWU approached management and asked it to deal with a worker committee elected in the plant under the union's auspices According to Mr Gqweta, all the workers are members of the Chemical and Allied Workers Union, a SAAWU affiliate

SAAWU was formed as a result of a break-away from the Black Allied Workers' Union, a general union

Management refused to deal with the committee and told workers that if they were not prepared to accept this decision, they could leave the company

Minister disappointed by industrialists

20/5/80 Cit (150)

Disappointment at the slow rate of applications for black apprentices by industrialists has been expressed by the Minister of Manpower Utilisation, Mr Fanie Botha

South Africa's educational level was too low to maintain an economic growth rate of five percent or more annually, he told a labour symposium of the Golden City Jaycees in Johannesburg yesterday.

The value of training had been proved by countries such as Japan which owed its annual growth of nine percent from 1953 to 1973 mainly to training.

Under the free enterprise system it should be possible for every individual, black, white or brown to "get to the top" in the work situation

"I am disappointed at the response from industrialists to apply for the engagement of black candidates as apprentices," the Minister said

The white coloured and Asian groups would not be able to meet the manpower demands, he said in an appeal to industrialists to train more blacks for semi skilled and skilled work

There were trade unions which had reservations, but there was no reason to believe that any good artisan would have to fear for his position

South Africa had nearly 220 000 male artisans but there was a shortage of 10 000 qualified men The present intake of learners was not nearly sufficient to cope with future demands.

Mr Botha said two more adult artisan training centres such as those for whites at Westlake in Cape Town and for Asians at the M L Sultan Technikon in Durban were being set up

One, for 90 whites, was hoped to be ready at Vereeniging next year

The other, for 100 coloured trainees, would be opened in the Cape in January

The Government was anxious to draft legislation for the creation of the proposed National Training Board in time for the 1981 session of Parliament, the Minister said

The Star

Thursday August 21 1980

CLASSIFIED ADVERTISEMENTS INSIDE

STPR

SA firms fail the lead test

In 1973, it was estimated that working conditions were unsafe in 75 percent of South Africa's battery plants and in 40 percent of the other lead-using industries. CRAIG CHARNEY analyses the progress since then in the industry . . . and what it says about Government's ability to enforce industrial health rules.

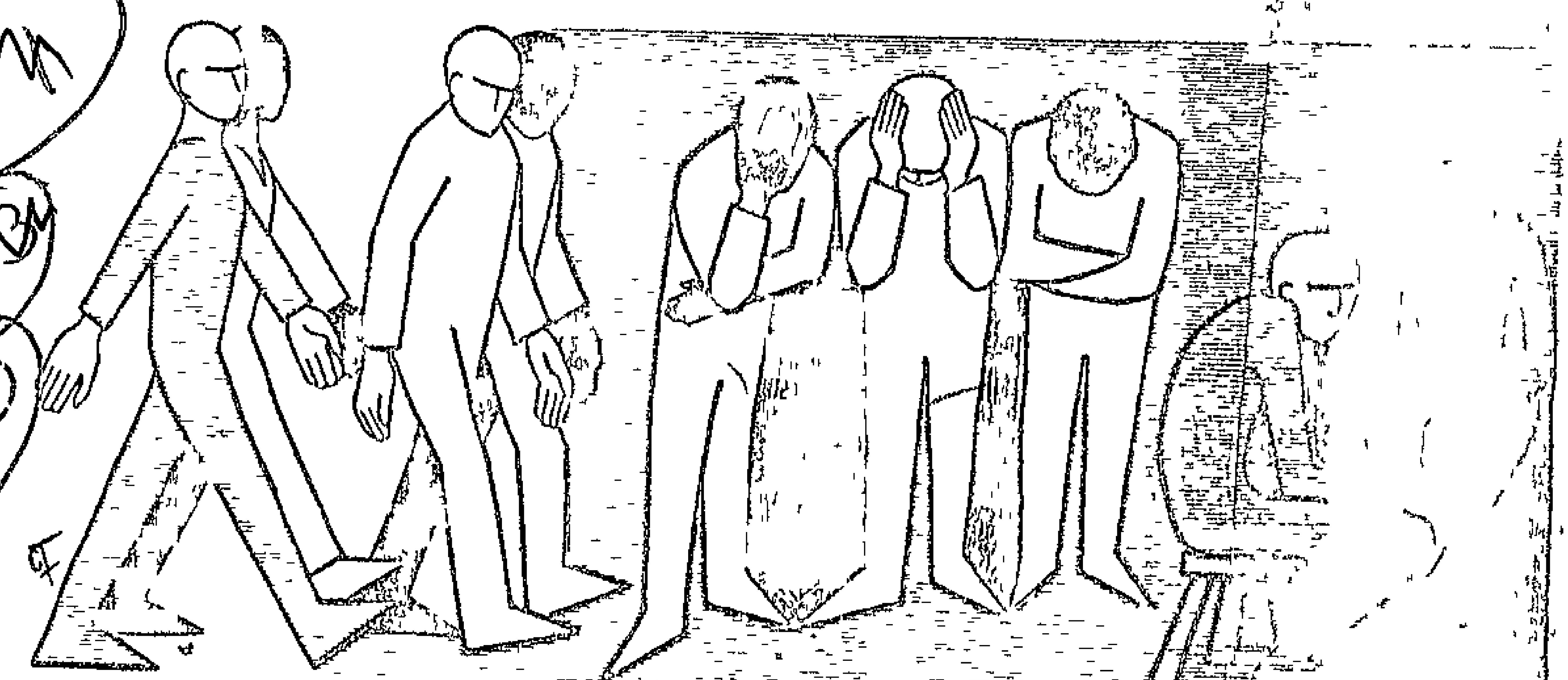
21/8/80

PBN

TOMORROW: The killer dust that threatens 40 000 workers

PBZN

180



A firm where more than half the

"When the National Research Institute for Occupational Diseases was founded we were told by our colleagues 'that lead was not a problem in this country,'" said Professor Ian Webster, the Institute's Director, in 1973.

He continued: "Our findings indicate that not only does this country have such a problem, but that the incidence of lead adsorption is far too great for any industralised country and that urgent measures are needed."

At the same seminar Dr S J Levy of the Chamber of Mines Hospital described a plant where "conditions of almost medieval alchemy prevailed," and more than 50 percent of the African workers suffered from lead poisoning.

Poisoning

Three years later, the Erasmus Commission on Occupational Health reported that an investigation of 60 lead-handling factories by the Government had found that 36 percent of their workers had lead poisoning in various stages.

Faced with findings like these, lead-using firms had to act. Many instituted or stepped up monitoring of lead in factory air and workers' blood, improved ventilation systems, and supplied respirators to workers handling lead directly.

One battery firm estimates that industrial hygiene has claimed 35 to 40 percent of capital spending recently, while a smelting plant put the figure at 40 to 50 percent.

One of the industry's acknowledged leaders in industrial health is Haggie Rand, where molten lead baths are used to anneal and quench metal wires. Its industrial health programme began in earnest in 1975 after the alarming results reported in research on annealing and other lead-using firms.

Now Haggie monitors the lead in air regularly and that in workers' blood at three to four month intervals, publishing the results. There is a health and safety committee in each factory with trained industrial health staff sitting in. Processes have been changed to cut lead emissions as well.

As a result, few workers have blood lead above 60 micro-grams a 100 cc, the US maximum for lead workers. Those who do are withdrawn from lead exposure, as they would be in the US, and retrained in safe working procedures.

While few firms have gone as far as Haggie, those who do monitor insist they have almost no workers with blood leads over 80 micro-grams a 100 cc, the previously-recognised threshold for overt lead poisoning. However, [illegible] research has suggested that [illegible] still in danger at lead levels as low as half that.

Survey

The US Occupational Safety and Health Administration concluded that workers' exposure to lead must be maintained below the level (40 micrograms a 100 cc blood) to prevent material impairment of health. "It reached this finding after exhaustive hearings involving 80 witnesses, including 15 experts on the health effects of lead from around the world.

THIRTEEN of 18 lead-using firms surveyed by The Star failed to meet industrial health standards accepted overseas in one or more major respects.

For several of the others, insufficient information was available for judgment.

The companies surveyed included battery works, paint factories, smelters, plumbing works, and wire annealers.

○ In at least five workers blood lead levels were above the levels where they would be withdrawn from service in the US in a substantial proportion of cases, according to the companies' own figures.

○ Four plants failed to monitor blood lead levels at all, while three did not do so often enough to satisfy overseas experts.

○ Three did not provide separate changing facilities for work and street clothes

The firms surveyed were in some of the most important — and most hazardous — lead-using industries. The ones which failed to meet overseas standards employed more than 1 750 workers

All told, about 159 000 workers are employed in plants where lead is used in South Africa, according to an estimate supplied by the Erasmus Commission on Occupational Health, while 14 500 workers work directly in contact with the metal.

When it reported four years ago, the commission found that "Exposure (to lead) in the Republic is so inordinately high that if the (lead-using) factories which the investigations were carried out had been located in the USA or Sweden, they would have had to close"

The situation had not changed much by 1978, according to Professor Ian Webster, Director of the National Centre for Occupational Health.

Surveys by his centre between 1971 and 1974 in several lead-using factories revealed that 24 percent of the workers suffered from abdominal pains, 19 percent from constipation, 25 percent from unusual fatigue, and eight percent from hand tremor — all lead-related symptoms

A pain in the neck . . . and back . . . and shoulders . . .

For three black workers at an East Rand battery plant, lead is not just a problem they read about. It's a pain in the neck And back And shoulders

They agreed to speak with The Star only if their names would not be used. "It would endanger us at work," explained one, a burly 50-year-old. They won't complain to their boss, either, preferring to risk illness to risking their jobs

Despite the improvements claimed by their company, they all complained of various symptoms — chest and stomach pains, muscle and joint pains, hand tremor, fatigue, and headaches — which have been linked to sub-clinical lead poisoning

"I use powders every day for headaches," said one

~~Another~~ said: "When entering the house, I feel like sleep [illegible] out"

Classical lead poisoning involves damage to blood production, the nervous system, kidneys, coma, and eventual death While this is no longer frequently encountered in South African industry, the lead levels prevalent in many firms have been linked to subtler, "sub-clinical" lead poisoning

The recent progress claimed by many employers would probably have only a limited impact on the proportions of workers suffering lead-related symptoms, according to research from the National Centre for Occupational Health, and overseas findings support this.

At lead levels often present in South African firms·

○ A US study found more than one-third of a group of workers suffered from anaemia

○ Another American study reported impaired nerve function in 56 percent, and joint pain in 39 percent, of a group of workers, many exposed to lead for less than a year. Similar findings were reached by a study which even US lead industry spokesmen called "immaculate"

○ An American professor said at least one in 10 of a group of lead workers had developed serious kidney disease

○ Other research has suggested a link to reduced sperm counts in male workers, and increased miscarriages among their wives

○ Most alarming, a UK study — recently confirmed by American workers — found the death rate from cardio-vascular disease three to five times above normal among workers with blood lead levels often found here

Even with non-fatal illnesses, much of the damage attributed to lead is believed irreversible.

black staff has lead poisoning . . .

RE investigation

However, some South African lead-users surveyed by The Star have a majority of their employees in the 60 to 80 microgram range, and few have most of their workers below 40

Mr David Saunders of Ray-Lite, one of the best battery firms in industrial health terms, warned there was reason to be worried when most of a firm's workers were over 60 micrograms

These findings become more alarming in view of the lack of progress which has occurred in a significant number of firms

According to a researcher who analysed the data presented to the Erasmus Commission four years ago, "certain factories had improved a lot, but I wouldn't be surprised if there is still a large number of factories who are still running the sort of levels we found in the study"

Monitoring

Four out of five paint firms contacted by The Star did not even monitor their workers' blood lead levels though all used red lead in their plants. And a spokesman for the Federation of South African Trade Unions said that "in certain paint manufacturing plants, the lead is so thick it collects around the inlets of ventilators"

When companies do practise monitoring, some do not do it often enough or properly, according to Mr M Bulley, former head of the Department of Health's Air Pollution section

Despite the numerous inadequacies in their precautions, all but one of the problem firms questioned by The Star in this survey was medium or large, while the vast majority of lead-using firms are small outfits where conditions are probably worse At one small plant The Star contacted batteries were repaired by three men working without respirators or safety equipment of any kind and with no monitoring of either air or blood lead levels

Even with the right technology, Mr Bulley warns sloppy working practices can result in the over-exposure of employees to lead

'Pliny and Hippocrates knew more about the clinical manifestations of lead than the majority of people working with it today,'' added an authority in the field.

Enforcement

The nub of the problem is enforcement The Department of Manpower Utilisation, charged with keeping factories safe, has just one inspector for each thousand firms

The Department does try to get to each lead-using plant once a year, according to Mr I Mulder, Assistant Chief Inspector

Plant air is usually found to meet the South African threshold (three times the comparable American standard).

However, the firms generally have notice of the inspector's visit, and they may clean up specially for it, he concedes, though officials of his division do not think this occurs

One expert said, however, that was exactly what happened in his experience. "If you think industries are complying with the threshold — not by a long bloody chalk. If the Opposition could read this, they'd kick up a hell of a row in Parliament"

Another insider, familiar with conditions in plants in recent years, said, "some were excellent, others were horrible."

"A lot of things have still got to be done" to eliminate the lead threat to workers, admits the spokesman for one paint plant

Industrial giants to probe methanol project

(180) C.T. 28/3/8?

Own Correspondent

JOHANNESBURG — South Africa took a major step towards independence in diesel fuel yesterday with the announcement that AECI Anglo American Coal and Shell South Africa, are to investigate a huge 1 000 million litre a year methanol plant that could cost more than R650 million

An announcement by Anglo American Corporation, parent of AECI and Anglo American Coal (Amcoal), said this plant if built, would be only the first phase of 'a major methanol manufacturing and distribution project '

The methanol would be used mainly as a replacement for diesel fuel but also as a chemical feedstock for AECI

The country's total diesel consumption is classified information but experts said the new plant, if built, would make a 'very significant contribution to the country's diesel needs

AECI and Anglo American Coal have expressed interest in a methanol plant for some time but a major stumbling block has been marketing and distribution of the product

The involvement of Shell as a partner in the AECI-Amcoal project overcomes this particular obstacle

FIXED INVESTMENT

Too late for the boom?

180

FM 29/8/80

Real economic growth cannot be sustained unless there is an increase in manufacturing output through a rising level of investment in new plant and equipment But despite the boom in the local economy, that investment has been long in coming

During the current upswing in the business cycle, this important component of economic growth has behaved sluggishly (see graph) Of course, having just emerged from the longest, deepest recession since World War 2, some caution on the part of businessmen is understandable Moreover, after a long period of underutilisation of capacity, the initial pick-up in consumer demand was easily accommodated without expanding capital stock

According to Reserve Bank statistics, gross domestic fixed investment, discounting inflation, declined by over 13% from a peak of R4 636m in 1975 to R3 026m in 1978. Last year, fixed investment edged up by only 2,2% compared to 1978 More recently, in the year to June it shot ahead at 7,5% Over the last six months, private sector was up 24%

Obviously, no businessman is going to increase productive capacity unless he is confident of reasonably sustainable demand For that reason, the peak in the investment cycle always lags behind the peak in the business cycle, with investment tapering off more slowly than the business cycle downswing Moreover, it always takes time to purchase and install new capital equipment In SA, the historical time lag between the business cycle and investment cycle peaks is about three to six months

But as the economy has been on the upswing now for about two years, with investment lagging unusually, a pertinent question is whether businessmen have missed the opportunity to take full advantage of the current consumer spending boom

One view is that SA can look forward to a substantial cash flow (from the largely buoyant bullion price) for some time to come The potential for a much higher *absolute* level of growth is, therefore, enormous

As the University of Cape Town's Brian Kantor points out "The price of gold is now 15 times higher in real terms compared to its level in 1970 This says something about the vastly increased potential to import and to produce" Kantor says that, in this environment, the higher absolute level of growth that can be achieved is more important to businessmen than the actual rate of growth. The latter, he cautions, must eventually begin to slow down simply because the comparative base has risen so much

Indeed, according to a recent survey by

the Stellenbosch Bureau for Economic Research (BER), the confidence of businessmen is still rising They see skilled labour bottlenecks as the real restriction on growth, not consumer demand

Senbank economist Louis Geldenhuys warns against looking solely at low inventory levels as an indicator of a firm's optimism over future growth Businessmen, thanks to the computer revolution, are now able to manage their stock levels far more efficiently Added to which, delivery periods are shorter, which means the old inventory cycle is unlikely to reach the peaks to which it was accustomed

The rate of inventory growth will probably only accelerate when demand starts slacking off Geldenhuys is optimistic that private sector investment will grow at a high level, while he expects public sector investment to slow down, in line with government's stated intention to keep a tight rein on its expenditure

Econonstat's Charles Diamond and Marc Lambrecht, on the other hand, adopt a more cautious line in advising businessmen to invest for short-term growth In their view, there are indications that the present rate of growth in manufacturing production and sales is beginning to decelerate Businessmen should, therefore, be less concerned with expanding capital equipment in order to accommodate the current upswing than with assessing renewed growth potential in 1982-83 Adds Diamond "The days of exponential growth are over We are already on a more conservative growth path "

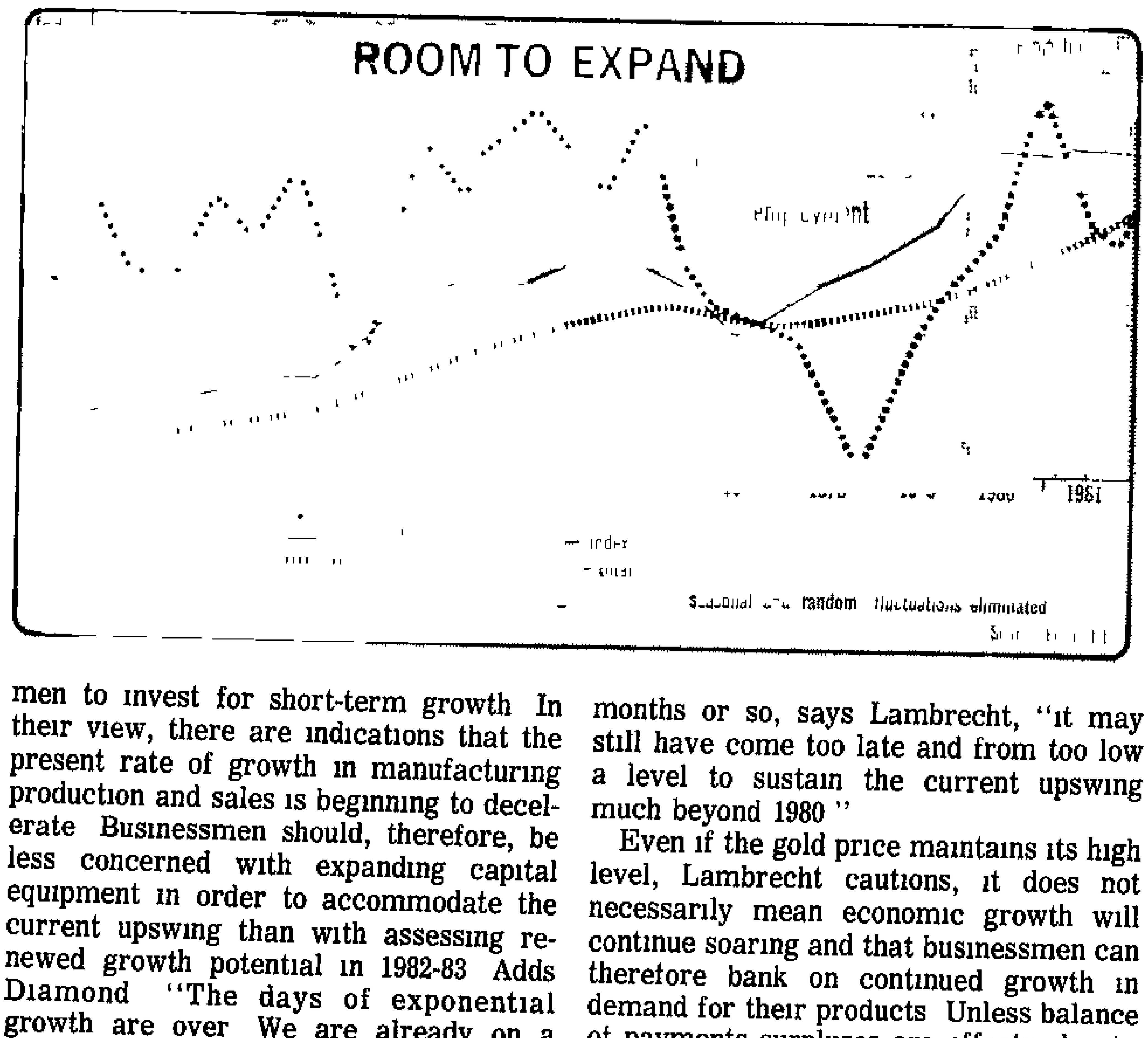
But why did many businessmen delayed investment decisions? The answer to this is partly historical The years 1974-75 saw rapid growth in the nation's fixed capital stock (32% in 1975) in both the public and private sectors As one economist puts it "Considering what followed, we were over-invested "

Then came the gold rush, with the bulk of the proceeds spilling over into the financial sector rather than the productive side of the economy Businessmen certainly followed the major economic indicators very carefully — many of which were positive But, says Lambrecht, the most important insofar as investment decisions were concerned — the long heralded consumer spending boom — took longer to materialise than had been anticipated

Industrialists and manufacturers obviously preferred to make use of existing spare capacity until more concrete signs of the recovery emerged For the same reason, employment growth at 2% remained low relative to production increases at 7%

And, although manufacturing production is expected to grow by between 8% and 12% during 1980, employment growth is likely to be little more than half that figure

Lambrecht reckons that much of the recent good growth in many sectors of the economy can be attributed to higher productivity But, he says, "if we want growth in the future, we have to buy it " While investment growth has certainly picked up significantly in the last six months or so, says Lambrecht, "it may still have come too late and from too low a level to sustain the current upswing much beyond 1980 "



Even if the gold price maintains its high level, Lambrecht cautions, it does not necessarily mean economic growth will continue soaring and that businessmen can therefore bank on continued growth in demand for their products Unless balance of payments surpluses are effectively utilised — for instance, through imports of investment goods — they will continue to languish in the financial sector or, worse, fuel inflation with little impact on the productive capacity of the economy

But even if the rate of growth is beginning to decelerate, says Diamond, that does not mean the economy is about to experience no growth There is plenty of scope for judicious capital investment "

The latest investment statistics bear out the view that firms have not lost confidence For instance, in its latest review of the economy, Volkskas points out that the import figures under the item machinery and mechanical appliances, electrical equipment and so on, showed an increase of 43% during the first six months of this year, "with an accelerating tendency considering that the increase in the second quarter was 51% compared with a year ago " Concludes the bank "This confirms the suspicion that fixed capital formation is already taking place at an appreciable level "

Reserve Bank figures for the first quarter of the year confirm the trend measured in money terms, total fixed investment was 20% up on the same quarter in 1979, with the highest growth being recorded in mining (45%), private business enterprises (47%) and the financial sector (50%) The latter figure disguises fixed investment growth in other sectors, notably industry and manufacturing, since big leasing contracts on new plant and machinery appear on banks' balance sheets and not those of their leasing clients According to a number of banks involved in this field of lending, leasing contracts have been growing rapidly during the last three or four months

Sharp rise

Economists also point to the sharp rise in the use of manufacturing capacity, from 83% in 1977 to about 89% currently Since roughly 8% spare capacity is generally considered to be maximum use (because machinery is either in the process of being replaced or repaired), it can be seen that SA is nearing maximum use of existing capital stock

Those sectors singled out for fastest investment growth include mining, manufacturing — particularly industries in the forefront of export promotion and import replacement — and residential construction Little new investment is anticipated in the agricultural sector, which has experienced a couple of poor seasons, and the civil engineering field, largely because little new infrastructural development is planned in the immediate future

Of course, any projection on future investment cannot ignore political factors Certainly, before the SA entrepreneur embarks on a risk venture he wants to be sure the economy is sound But he also looks to political stability The political unrest of the last six months or so, particularly labour unrest, must be unsettling But at the same time, the business community could have become immune to at least some violence

So, while the exceptionally long time lag in the investment cycle might mean some businessmen have missed a bit of the boom, they are unlikely to have missed it substantially More significantly, if they're taking a view beyond 1981, economists agree the growth potential of the economy is still sufficient to ensure the best use of new plant and equipment

Factory fires 25 employees after refusal to work

By Z E MOLEFE

TWENTY-FIVE workers from the East Rand, employed at an Industria West factory were paid off on Friday afternoon after they had refused to begin their shift

The workers, who were transferred two weeks ago from Fuchs in Alberton to Amalgamated Packaging Industries (API) in Industria, told SUNDAY POST that they had found working in Industria "impossible".

The workers, whose wages ranged from R24 to R35 a week said that originally they were on the 6 am to 6 pm shift, but this week they were informed that they would be split into three shifts. These would be 6 am-3 pm, 3 pm-10 pm and 10 pm-6 pm

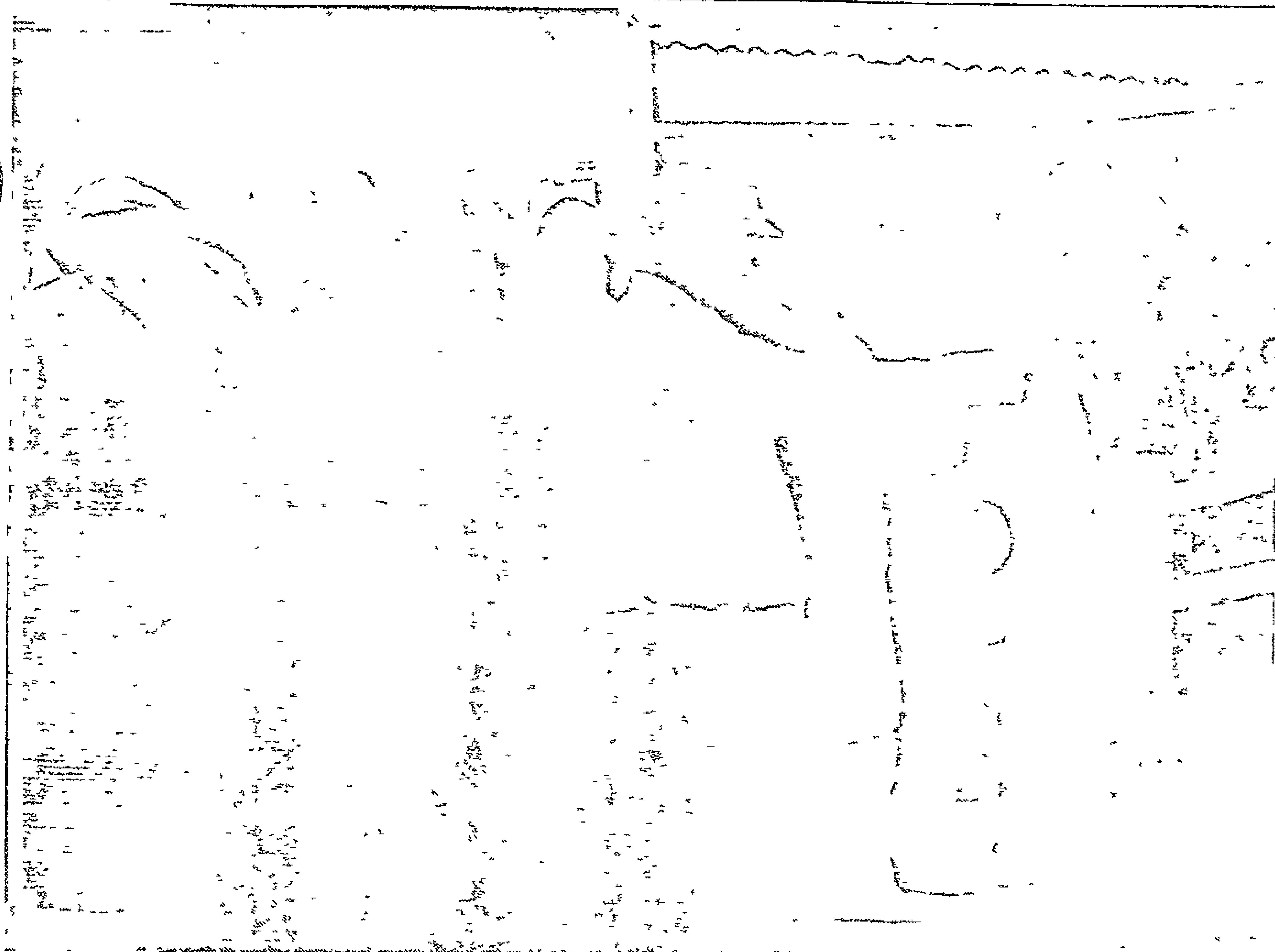
According to Mr Raphael Mayoyo, this arrangement inconvenienced them "The main problem here," he said, "was that we have no transport. The factory was not prepared to provide us with transport"

Instead, he said, the factory suggested that the East Rand workers be provided with hostel accommodation at R20 a month.

"This was unacceptable Some of us have families in Thokoza So in the end it was just impossible to work in Industria," he said

It was not possible to ascertain exactly how many workers were paid off, as some of the workers claimed others were paid off on Thursday.

Mr Matthew Cooper, spokesman for API management was unavailable for comment



A factory security officer directs some of the workers who refused to go on their shift at an Industria factory as they are about to be paid off.

RETAIL SALES (180)

Pace slackens

FM 19/9/80

There are signs that the growth rate of retail sales is losing some momentum, although they are still advancing at a cracking pace

Latest Department of Statistics figures show that at current prices the value of retail sales in the first five months of this year was 22,7% higher than in the same period last year The average value of retail sales from June 1979 to May 1980 was 16,9% higher than the average for the previous June to May

Goods most in demand are durables, followed by semi-durables and food

Retailers prepared to give rough guides to turnover indicate that sales of such items as furniture, hardware, toys, appliances and TV sets are up by 50% on the same time last year Clothing and textiles sales have increased by 30% and food by 25% to 30%

But for the third month in a row, there has been a decline in the increase in the value of retail sales in the three months preceding that month-end compared with the previous quarter Thus at current prices, estimates of the value of retail sales from July to September rose by 4,0% compared with April to June June to August retail sales by contrast, were 5,1% up on March to May

This levelling-off is supported by retailers liaison committee estimates which show there was 36% growth in the sales of the major national retail chains in July 1980 compared with July 1979 but only 29% growth in August

Committee co-ordinator Doug Parker, however, thinks the final August figure could be a lot higher There may also have been substantial "anticipatory buying" in July while a high growth rate in August last year reduces the base from which this August's comparison is made

Retail bosses canvassed agree that delivery periods for most supplies are lengthening, especially for furniture, fashionware and clothing But non-food prices should not increase much before Christmas as prices are already fixed for stock to be bought before then

For the future, Parker thinks it unlikely that spectacular rates of expansion will continue He notes the value of retail sales "has been well above growth in employment and earnings"

PROTEA HOLDINGS (180) FM 19/9/80

Widening discount

Activities: *Industrial holding company with interests in chemicals, consumer products, electrical and electronics, instrumentation and laboratory equipment, medical equipment, metals and engineering and protective clothing*
Chairman: *F G Beard, managing director L A Beard*
Capital structure: *30,4m ordinaries of 10c, 4m 12,5% cum red prefs of R1 Market capitalisation R103m*
Financial: *Year to June 30 1980 Borrowings long- and medium-term, R25,4m, net short-term, R9m Debt equity ratio 53,9% Current ratio 1,8 Group cash flow R19,9m Capital commitments R1,1m.*
Share market: *Price 340c (1979-80 high, 385c, low, 145c, trading volume last quarter, 872 000 shares) Yields 15,8% on earnings, 7,1% on dividend Cover. 2,2 PE ratio. 6,3.*

	'77	'78	'79	'80
Return on cap %	20 4	23 7	25 3	31 5
Turnover (Rm)	167	178	214	277
Pre-tax profit (Rm)	16,2	14 2	18,1	28 2
Gross margin %	9 7	10 1	10 3	11 6
Earnings (c)	21,5	27 4	33 6	53 6
Dividends (c)	13	14	17	24
Net asset value (c)	137	145	162	199

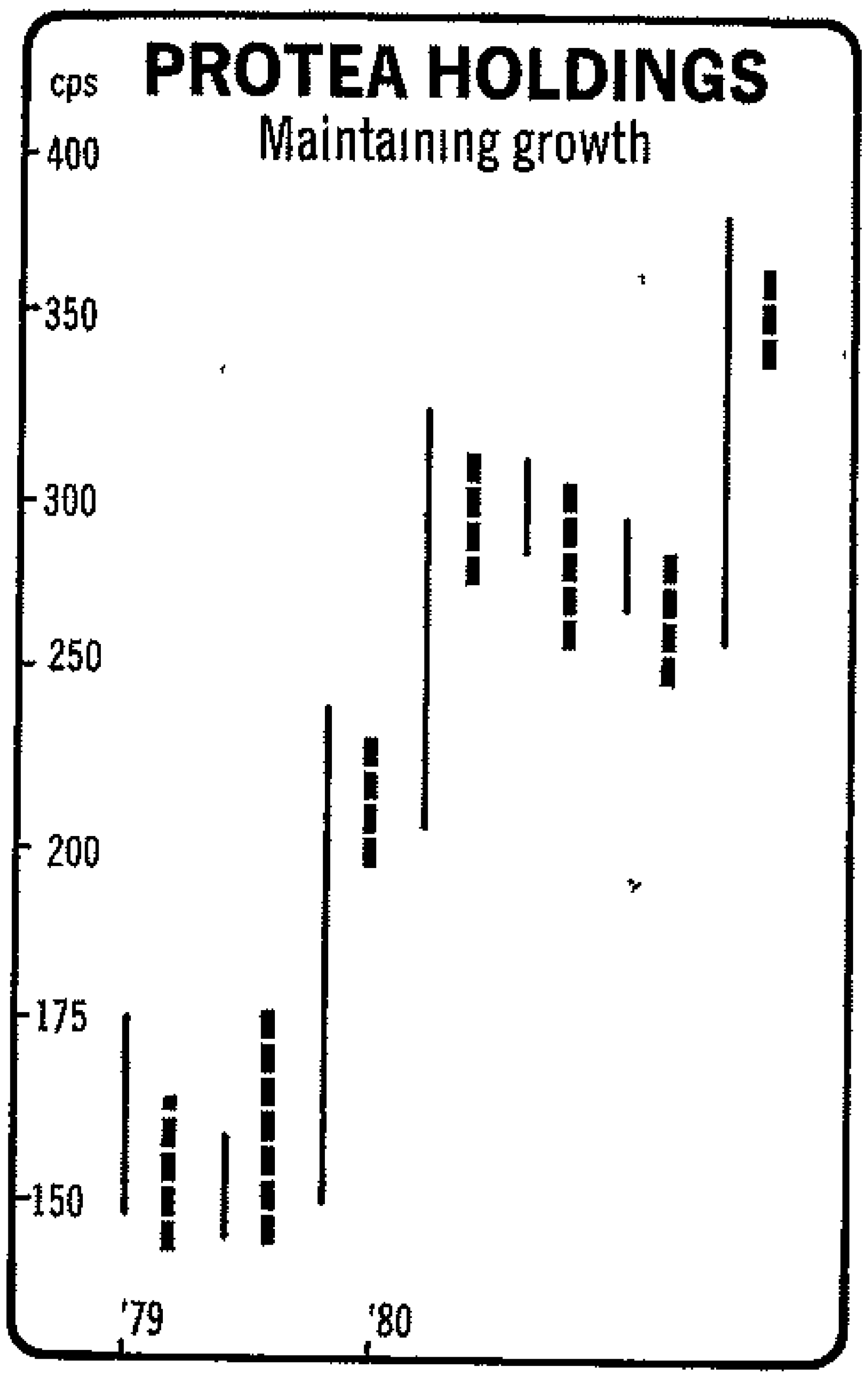
Given the fact that 1980's 41% increase in dividends was the biggest annual improvement in 17 years, one would have expected that Protea's market rating might have benefited accordingly In the event, however, at 340c the share is if anything even more undervalued than ever

A year ago, for example, at 215c and an historic dividend yield of 7,9%, the share was trading at a discount of about 25% to the industrial market as a whole But while the historic yield has now narrowed to 7,1%, the even sharper drop in industrial sector yields means that this discount has widened to some 38%

Given the financial strength of the group and its capacity for expansion, there is little justification for this rating In fact, it is probably fair to say that Protea is one of the most undervalued of the quality stocks on the market, even if it does no more than meet chairman Fred Beard's forecast of a 19% earnings increase to 65c for the current year

But the chances are that his assessment will again prove conservative, although probably not to the same degree as last year's A year ago Beard forecast earnings of at least 40c for fiscal-1980 (a 16% increase) whereas the actual improvement turned out to be nearly four times this amount

However, the two factors mainly re-



sponsible for this will not be repeated in the current year, which is why Beard is forecasting slower growth The biggest single reason for last year's improvement was the recovery in the electrical/electronics division, which had been underperforming for a number of years, after having caused the group's earnings dip in the mid-Seventies

The 314% improvement in trading profits here, after successive restructuring and management changes, accounted for almost 36% of the overall gain in group trading profits It can be calculated that without this contribution the growth rate for the rest of the group would have been a more modest 37,5% instead of the 54,5% actually recorded

DIVISIONAL CONTRIBUTIONS (Rm) (INCLUDING ASSOCIATES)

	Turnover		Trading profit*	
	1980	1979	1980	1979
Chemicals	58,3	46,2	6,0	4,7
Consumer products	22,2	20,3	1,9	2,4
Electrical/ electronics	70,2	55,8	5,1	1,2
Instrumentation	37,1	28,3	5,2	3,0
Medical	22,5	19,1	3,2	2,7
Metals/ engineering	34,7	25,4	6,9	4,8
Protective clothing	32,4	19,9	2,5	1,1

* Profit before tax and interest charges

And while managing director Aidan Beard says there is still room for further improvement in this division, this will obviously not be on the same scale as in 1980 when the pre-tax and interest return on funds employed jumped from 12,5% to 30,7%

The second factor was improved capacity utilisation in a number of group companies, which allowed increased demand to be satisfied without a commensurate increase in operating costs This is highlighted by the group's value added statement which shows a net increase in the cost of products and services of only 26% compared with a 29% increase in turnover

However, with most companies now operating at full capacity, this means that further growth will require increased levels of capital and/or operating expenditure

But against these are other factors which should allow the group to beat its forecast The first is that economic momentum is expected to be maintained for most, if not the whole, of fiscal-1981, with the result that all seven divisions are budgeting for improved results Under these conditions, there could also be an above-average gain in the consumer products division which reported lower profits last year after a non-recurring stock write-down There have been management and other changes here which, Aidan Beard hopes, will improve performance although he emphasises that, due to the seasonal nature of business (particularly the toy interests), an accurate assessment will only be possible after the Christmas season

A second, and more important, factor pointing to better than forecast growth is the group's financial status and its capacity for expansion At year-end the debt equity ratio was only 54% compared with management's self-imposed maximum of 80%, which thus represents an unused debt capacity of R17m "We are cognisant," Beard says, "of the need to take advantage of this capacity for new investment " But expansion capability goes even further adding this year's potential retained income of possibly R12m would give the group scope to expand its asset base by almost 30%, which should be enough to ensure the maintenance of a satisfactory growth rate

Since June 30 long-term borrowings have been increased by R8m through a debenture issue in two series In the short-term, these funds are being used to reduce short-term borrowings (R10,4m at June

SA manufacturing levels off

STAR 19/9/80 180

By Pieter de Vos

For the first time since the middle of 1977 the output of South African factories seems to be levelling off

According to the Department of Statistics total manufacturing declined by 0,4 percent in the three months ended June compared with the previous three months

In the three months ended July, the decline is expected to be 1,2 percent

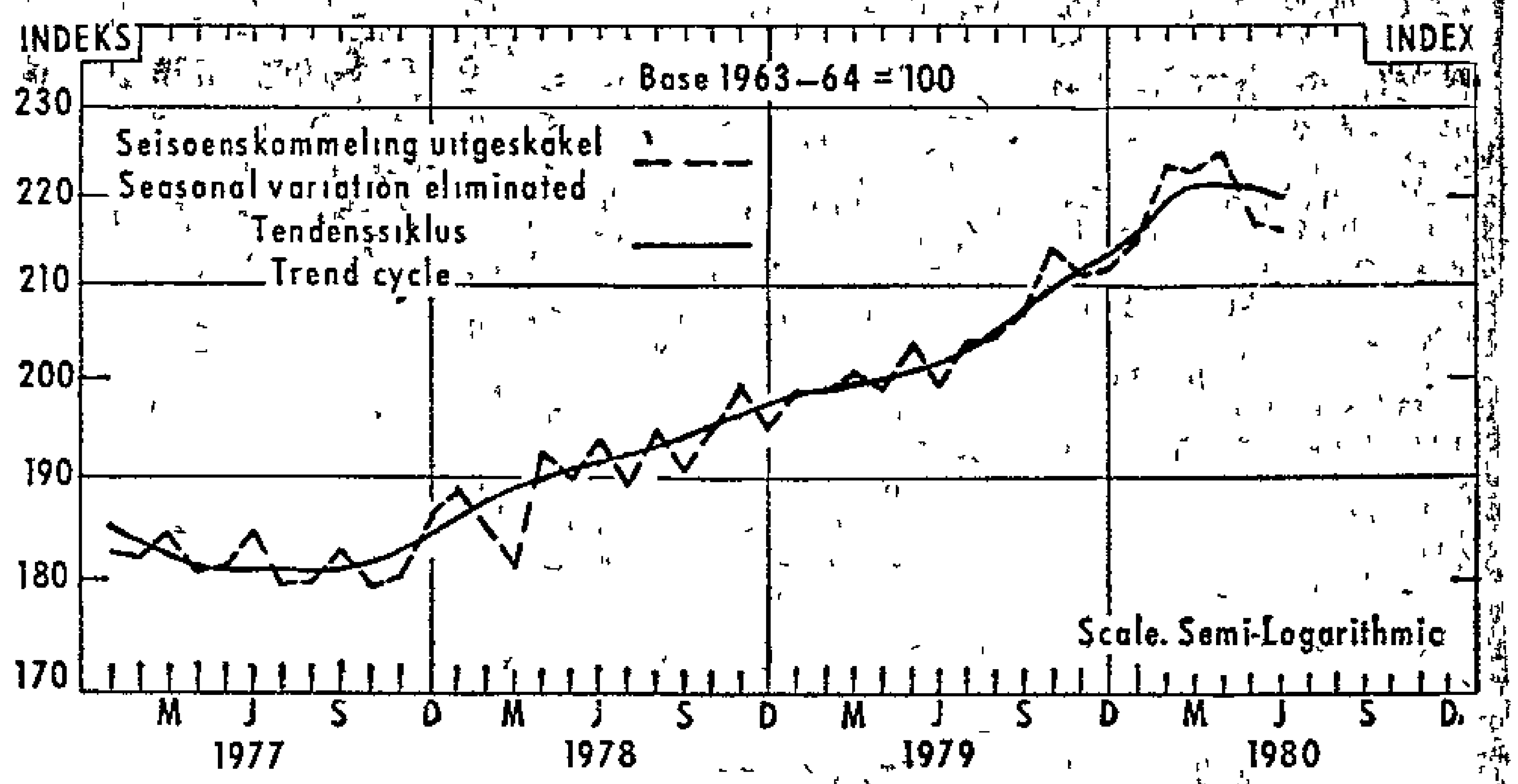
Yet the index of manufacturing volume is expected to reach a new record in July.

In the year ended June this year total manufacturing has risen by 8,7 percent. July's manufacturing total may be more than 6 percent higher than the total in June with the index possibly reaching 229,8 The period 1963/64 has been used as basis with the index at 100

The previous manufacturing record was set in February when the index reached 223,1

- The total value of sales by the manufacturing sector was just below R3 000-million in June after reaching just above that figure in May. However this June figure is still almost 24 percent higher than the sales in June last year
- Measured against sales a year ago wholesale trade sales in June have risen by 29,35 percent to R2 369,9m At constant prices these sales have risen by 5,7 percent The July figure is expected to be even higher than in June at almost R2 400m. Since the beginning of the year till June, wholesale sales have risen by 33,8 percent against the same period last year. In real terms this rise in sales represents an increase of 8,8 percent
- Wholesalers in motor vehicles and accessories report an increase of almost 28 percent in trading revenue in the first six months of this year, compared with the first six months of 1979 In June this year, their trading revenue was more than 16 percent higher than in June last year
- Retailers have shown an even stronger increase in trading revenue They report an increase of 26,15 percent in the first six months of this year and an increase of more than 34 percent in June this year compared with June last year
- Total mining production in the country have risen slightly in June this year compared with June last year, but is lower than May this year
- South African steel mills' output for the first seven months of this year showed an increase of 5,7 percent against the same period a year ago

Figures released by Seifsa show that the output of ferro-alloys had risen 8,2 percent (though a cut back has been made necessary), the output of steel castings is 2 percent higher and iron casting 10,4 percent higher Non-ferrous castings have risen by 44,3 percent



This graph, supplied by the Department of Statistics, clearly shows that total manufacturing volume has been levelling off since March this year. However, manufacturing volume is expected to reach a new record in July.

FCI accepts need to talk to all workers

RDM 25/9/80

(180)

By STEVEN FRIEDMAN
Labour Reporter

THE Federated Chamber of Industries — which represents organised industry throughout South Africa — has accepted that employers may have to negotiate "conditionally" with unregistered trade unions

It has also urged employers to deal with representative unions

But it has emphasised that it believes no employer should permanently recognise unions which are not prepared to register and has endorsed the official Industrial Council system

These are the major points in a set of new labour policy guidelines released at the FCI's executive council meeting in Johannesburg yesterday

In essence, the guidelines strongly endorse the system of Government registration and the official Industrial Council system, but recognise that employers may have to deal with unregistered unions on a temporary basis

They mark a new attempt by the FCI to advise employers on labour issues

Employers hit by strikes should "talk on an interim basis to unregistered unions instead of simply calling in the police", says an FCI spokesman

A statement yesterday says the guidelines imply that the FCI "fully supports the approach put forward by Minister Fanie Botha in a watershed speech" in Pretoria last week

In the speech, Mr Botha, the Minister of Manpower and Utilisation, warned employers of "disaster" if they did not deal with organisations which enjoy "credibility" among workers

The policy approach released yesterday will form the basis for a detailed set of guidelines which will be drawn up by the FCI to advise employers on how to react when approached for recognition by unions

The guidelines were announced at the meeting by Mr Chris du Toit, the FCI's incoming president Mr Du Toit is also the former chairman of the FCI's labour affairs committee and a member of the Wiehahn Commission

After the meeting, he stressed that the FCI was not suggesting employers negotiate permanently with unregistered unions, "but there are situations where employers must recognise that an unregistered union represents a worker majority"

"In these cases, they should agree to talk to the union, but make it clear that they are not prepared to deal with it permanently unless it meets certain conditions, such as registration," he said

Other conditions would be specified in the detailed guidelines, he added

At the meeting, Mr Du Toit said the Minister's speech marked a "change of stance" on the issue of union recognition and urged employers to heed it

In the statement issued afterwards, he stressed the "practical need" for employers to "accept representativeness as the primary requirement in recognising employee groups in negotiations"

The new guidelines could have an important effect on employer attitudes towards unions

Though they are unlikely to satisfy unions which reject registration, they mark a new flexibility in the attitude of organised industry to unions

They state

- "Effective communication" between all parties from top management down must be encouraged,
- Freedom of association must be the basis of industrial relations,
- The ultimate object is to work towards an "orderly industrial relations system in which contracts are legally enforceable",
- Employers and unions which wish to operate under the Industrial Council system should be permitted to do so,
- It is accepted that there will be instances in which employers will find it necessary to negotiate conditionally with unregistered unions, and
- Any recognition given to negotiations with unregistered unions should not undermine the official industrial council system

The Rand Daily Mail understands the guidelines were a compromise between those in the FCI who were opposed to dealing with unregistered unions and those who favoured a more flexible approach to worker representation

An FCI source said yesterday the guidelines tried to show that "business can take a lead in labour issues instead of simply following others"

Industrial profits up by R795m

STAR 25/9/80

180

By Pieter de Vos

Industrial profits in South Africa increased by R795,8m last year due to higher productivity. However, there is still ample scope for productivity improvement

In total, higher productivity saved the manufacturing sector R1 108,5m last year, according to a study by the Federated Chamber of Industries But cost absorption by South African manufacturers — largely cost rises as a result of petrol price increases — amounted to about R443,2m

Better utilisation of labour contributed R125,2m to profits and better utilisation of production capacity R130,5m, the annual FCI meeting was told yesterday

Yet, though labour productivity seemed to be improving, Dr Jan Visser, executive director of the National Productivity Institute, pointed out that the rate of improvement was one of the lowest in the world

Most of South Africa's trading partners, and even countries such as Kenya, increased their labour productivity more rapidly than South Africa between 1972 and 1978

The return of South African manufacturers on their investments has improved from 10,81 percent to almost 15 percent last year Other points of interest raised at the congress were

- Despite some positive changes in South Africa, there were signs of a hardening in attitude towards South Africa in the International Labour Organisation

What had been done with labour in South Africa was not enough for the international trade unions, Mr Jean-Jacques Oechselin of the International Organisation of Employers (IOE) told industrialists last night

Yet in the IOE itself the debate about South Africa had become less a matter of slogans and more of facts — a more positive approach, he said

- The economic boom caught the Railways unawares, Mr Carel van Coller, assistant general manager (commercial) told the congress The rise in high-rated traffic was almost 13 percent in excess of the budgeted figure

In future stock-piling of up to six weeks' supplies of coal would be encouraged in front of the winter season, he said

Boom in private security business

180

Cape Times 26/9/80

By GORDON KLING

THE PRIVATE security industry in South Africa has been swept up in the economic boom, with a massive boost in manpower, the number of firms and its sophistication as commerce and industry respond to government appeals for improved protection of their operations.

There is not unanimous agreement, however, on expanding the private organizations' services to supplement police protection of communities in general, as recently suggested by a Cape Town City Councillor, Mrs Eulalia Stott

Membership of the Security Association of South Africa has almost doubled in the past year to 800 firms according to its general manager, Mr Donald Simpson

"I think this is due to commerce and industry reacting to remarks from politicians to put their house in order and improve security," he said yesterday in an interview from Johannesburg

"Firms can t just rely on the police and army to come along in times of unrest, and of course there is the need for training which we supply in the form of various courses and seminars "

The secretary of the Transvaal Employer's Association of Security Services, Mr John McBrearty, agreed that demand for private security had risen dramatically during the year

"What we have also noticed, and it is something that is very gratifying, is that the new demands are not just for increased quantity, but also for greater sophistication Companies are now prepared to devote a much more realistic percentage of their turnover to protection Businesses are also starting to realize that good security is not an expense, but a contribution to profitability

Mr Eddie Tappan, secretary of the association in the Cape, believed heightened demand was now being reflected in considerably increased employment opportunities in the industry

"It is hard work, but it is certainly there and of course the jobs are for all races "

But quantification is difficult Mr McBrearty believed it almost impossible to obtain an accurate figure for the number of people employed in the industry, let alone the number of firms engaged in it This is evidently not for lack of organisation, but simply because of the nature of the business, which epitomizes the free enterprise system

"Any meaningful figure would have to include everyone from the giants to policemen doing extra work off duty, right down to the watchman in a shed at the back of the garden " he maintained

"There is no registration and

MANUFACTURING FM 26/9/80

Strong performance

180

Growth in the physical volume of manufacturing has accelerated in every quarter since the second quarter of 1979, says the Federated Chamber of Industries' economic affairs committee in a report to its annual congress

Exceptionally high growth rates of 10,5% and 10,8% were notched up in the first two quarters of 1980 and the report indicates the recovery has been very broadly based

"It is significant to note that 21 of the 26 sectors recorded above-EDP growth rates for the first five months of 1980 compared with the same period of 1979 These sectors made up 92,4% of total manufacturing output and in fact recorded a growth rate of 10,2% on average "

Those sectors contributing most to growth were food, textiles, non-metallic minerals and metal products And future prospects are good with the value of unfilled orders having risen by 17% in the year to end-June

Manufacturing profitability has also progressed with the absolute level of profits increasing by 48,2% before price increase adjustments and by 28,1% net of inflation in the same period

A new growth surge?

FM 10/10/80

An *average* economic growth rate of more than 5% a year during the Eighties is the prediction of Finance Minister Owen Horwood If so, it means another spell like the Sixties, when the economy raced along at a spanking annual clip of nearly 6%, and a whole generation of managers forgot (or never learned) how to handle adversity

In those days, manufacturing was a growth leader, dragging the economy along behind it

Clearly, this is not going to happen if the biggest sector of the economy, manufacturing industry, stumbles along as it did during the Seventies, with an average growth in output of 3,5%

Manufacturing is also the sector with the greatest potential for increasing employment — another priority — so there's a lot hanging on the performance of the sector (Even at current prices, manufacturing last year accounted for 22,2% of gdp, exceeding mining's 18,2%)

Can SA industry meet the challenge? It has got off to a very good start in the first seven months of 1980, manufacturing output was 10,3% higher than in the same period of 1979 That must be seen against the context of output that has been rising now for nearly three years from the depths of the last recession

There's no way of avoiding the fluctuations of the business cycle Growth cannot be maintained at that high level The question is, when growth slows down, *how much* will it slow down?

Many of the portents are good At the beginning of the sad Seventies, for example, there was a serious lack of infrastructure, which was a constraint on productive output Then in the first half of the decade, the rush to rectify the imbalance created its own imbalances Heavy infrastructural investment inhibited the expansion of more productive investment opportunities in manufacturing

But, says Standard Bank economist Andre Hamersma, "we begin the Eighties without really significant infrastructural bottlenecks "

Constraint

Another major constraint of the Seventies, which has now virtually disappeared, is the balance of payments It imposed a ceiling on growth which has now been raised substantially, mainly because of the high gold price The healthy energy situation, with an increasing share of liquid fuel needs now coming from Sasol, is an important element of this

The government's fiscal and monetary policies are also much sounder, and unlikely to lead to the boom and bust cycle from which we have just emerged Additionally, the private sector is being encouraged to expand, while the growth of the public sector is being deliberately curbed Public services are being rationalised and a new demand for efficiency is being made within the civil service

The significance of this lies in the capital/output ratio, which is significantly lower for the private (productive) sector of the economy than for the public sector In other words, you need less capital for a given volume of production in the private sector than in the public sector

For example, the ratio of fixed investment to output (gross domestic fixed investment divided by contribution to gross domestic product) last year was 0,15 in mining, 0,25 in manufacturing, 0,11 in construction, and 0,12% in wholesale and retail trade But in electricity, gas and water it is 1,0, and in community, social and personal services it is 2,52

The major constraint now facing the economy is the availability of skilled manpower — a constraint which was not in evidence during the Sixties at all

"You have a nasty chicken and egg situation," says FCI executive director Dr Johan van Zyl "As long as growth rates are high, you can rely on the manufacturing sector to train its own skilled and semi-skilled labour simply because it is profitable to do so

"But if it looks like the growth momentum will sag fairly seriously, they will think again "

In the Sixties, the white population of SA was better able to satisfy the skills requirements of the country, and any shortage was easily met by importing people from abroad Today, the situation is radically different, and black training is a critical requirement for economic growth

Shortage

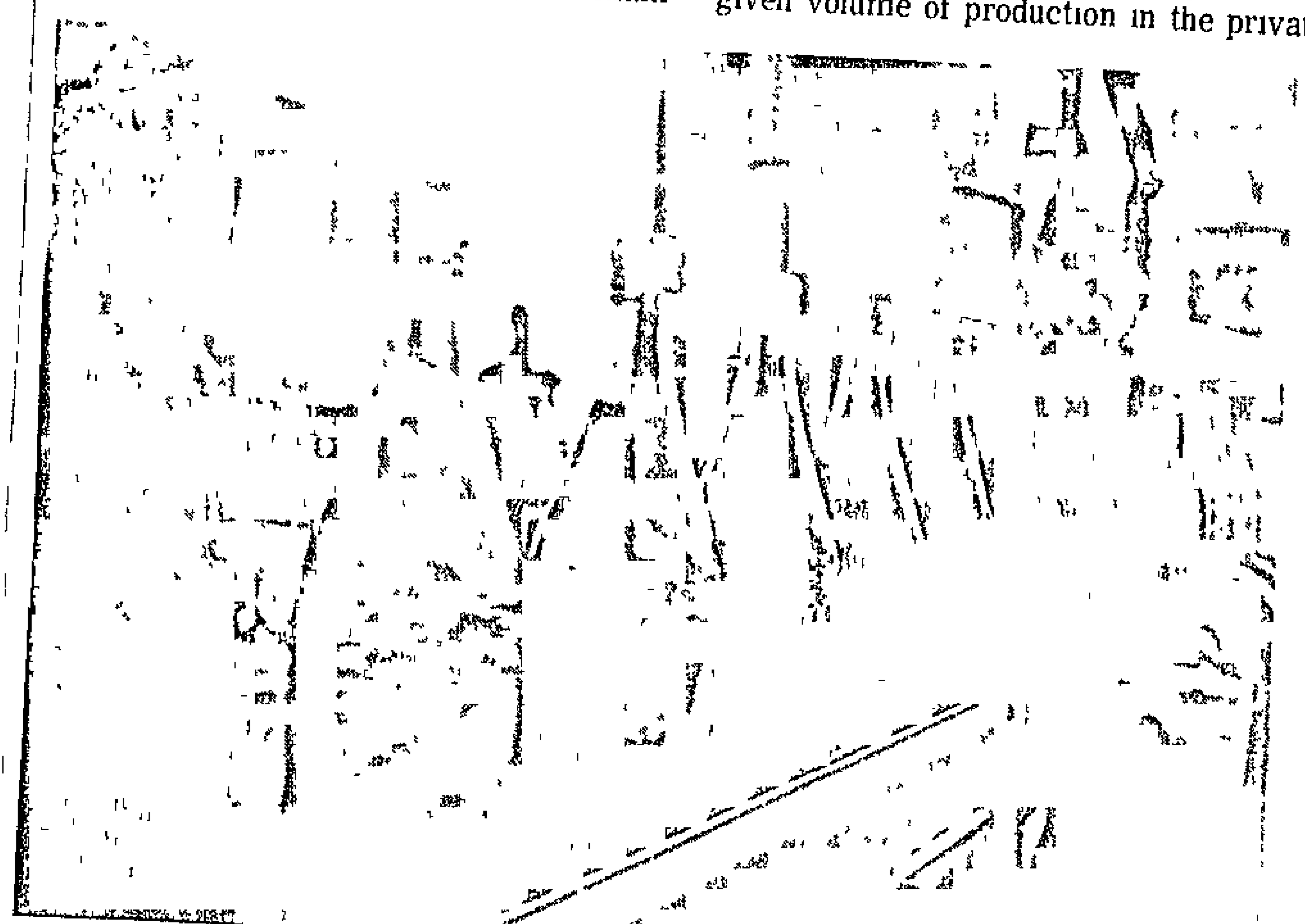
Partly in response to the shortage of skills, partly because of legislative restrictions on the employment of blacks, and partly because of rapidly rising black wages, there has been an increasing tendency during the last 10 years to switch to more capital intensive methods of production

Van Zyl notes that the cost of labour (broadly defined to include not only wages but also training costs, labour unrest and political influences) has risen more than that of capital There has been a big move to close the wage gap, which makes any employer think twice about taking on more black workers

If there was fast growth, that would not matter but with the somewhat lethargic growth rates we have been suffering, there has been a worrying limit on the expansion of employment opportunities

Normally, capital intensity would be increased by businessmen because it is profitable to do so But this has not been happening People are mechanising for the wrong reasons, sometimes at any cost, and as a result there has been what Van Zyl calls an "alarming slump" in the productivity of capital

The National Productivity Institute's combined productivity index of labour and fixed capital was lower in 1978 than in 1970

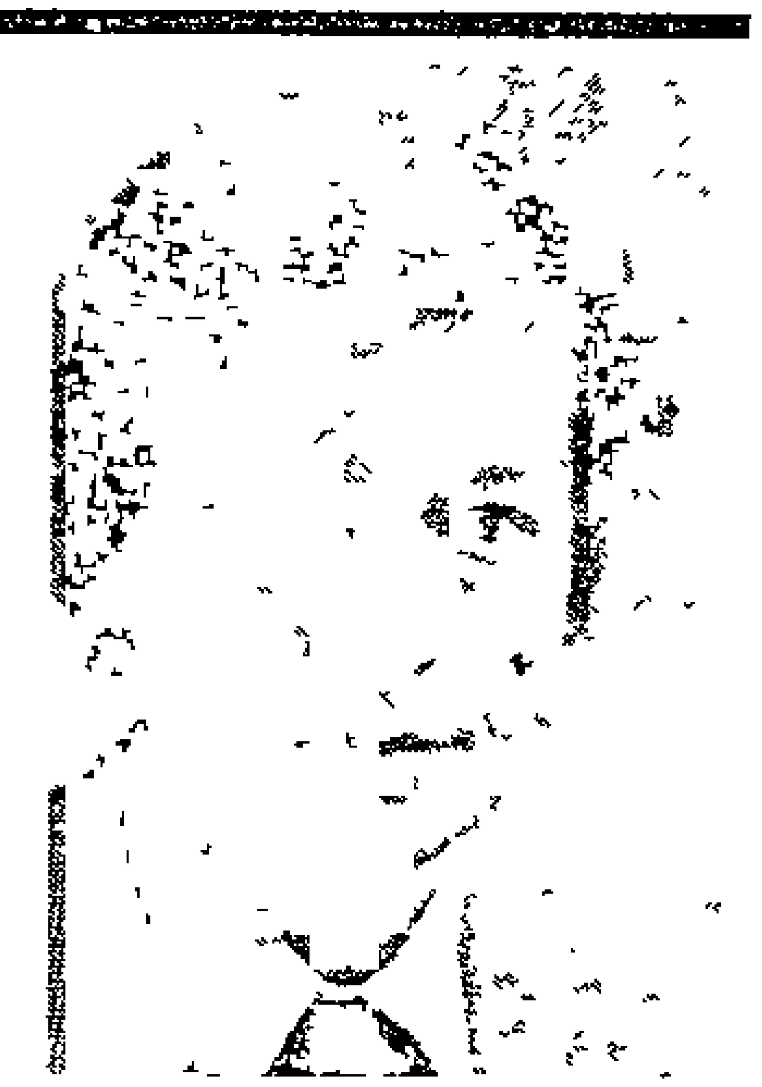


Conveyor belt . productivity of capital is low

(180) 10/10/80

Non-discrimination in the wor
— it's no easy job for SA com

THE SOUTH AFRICAN business community is probably the most closely monitored on earth with three major codes, two of them orginating from abroad, regulating company employment practices In an attempt to evaluate some of the consequences of this scrutiny and how firms react to it, the Cape Times Industrial Reporter, **Gordon Kling**, has undertaken a survey of key firms representing a cross-section of commerce and industry in the Republic The survey is based on a questionnaire compiled by the US State Department This questionnaire must be completed by purchasers in South Africa wishing to make use of valuable benefits available from the $5-billion worth of US Export-Import Bank assistance approved by the American Senate for fiscal 1980 It is an appropriate vehicle, illustrating the onerous red tape encountered by the carefully watched community and the discouraging consequences no successful applications have yet been processed



FIVE OF the biggest industrial and commercial concerns operating in South Africa have supplied the Cape Times with a comprehensive analysis of their progress in implementing non-discriminatory policies and practices throughout their fields of activity

All endorse the fair employment principles set forth in the US Export Import Bank act which in essence demands compliance with non-segregation of races in all work facilities, equal and fair employment for all employees, equal pay for equal work, training programmes to prepare blacks for supervisory, administrative, clerical and technical jobs, increasing the number of blacks in management and supervisory positions, willingness to engage in collective bargaining with labour unions, and improving the quality of life for employees in housing, transportation, schooling, recreation and health facilities

Tollgate Holdings, however, responded it had never formally endorsed the principles "for the simple reason that for very many years it has been company policy to apply them in practice By the same token no formal communication of the endorsements was required — the policy is very well known to all personnel"

Referring to black promotion to management and supervisory positions it said this was subject to the strict proviso of merit Historical legal restrictions on the admission of blacks to registered trade unions were a problem and attempts were now "underway to have blacks admitted to membership of unions representing their white and coloured colleagues, or where this is technically impossible to registered black unions"

The companies responded as follows to the detailed information requested in the questionnaire

● How has this endorsement of fair employment principles been communicated to all your personnel?

Barclays, for example, answered that it has "a manpower plan which has been circulated to regional managers throughout the country who are in turn responsible for the implementation of the strategy set out in the plan The plan has and continues to be commmunicated at presentations to executive staff responsible for executing relevant strategies "

The staff manual, readily available to each member of staff, detailed formal personnel policies Staff circulars were set to all staff whenever changes in policy matters were introduced. The internal house journal regularly published articles on these matters and the managing director's review and photographic features in the bank's annual financial statements also reported on these matters There was also "verbal communication by regional personnel managers to branch executive staff in their areas"

Pick 'n Pay said it had about 20 people in its personnel department which carried the task of communicating company policy to its employees "The department is very involved in the welfare and development of people,' said chairman Raymond Ackerman, and to support this he enclosed with the comple naire a copy of th report, a "Welco Pay" booklet, a report and a phot a staff vacancy with the equal opp

BP replied th message across lication of our s at induction an programmes, at BP courses", s the principles co EEC code of con tion of BP person trial relations po newspapers, ha tive to working benefits, compa policy manuals consultative com

Ford had poste Sullivan principl boards and had d implications with supervisors, emp presentatives o coloured and whi

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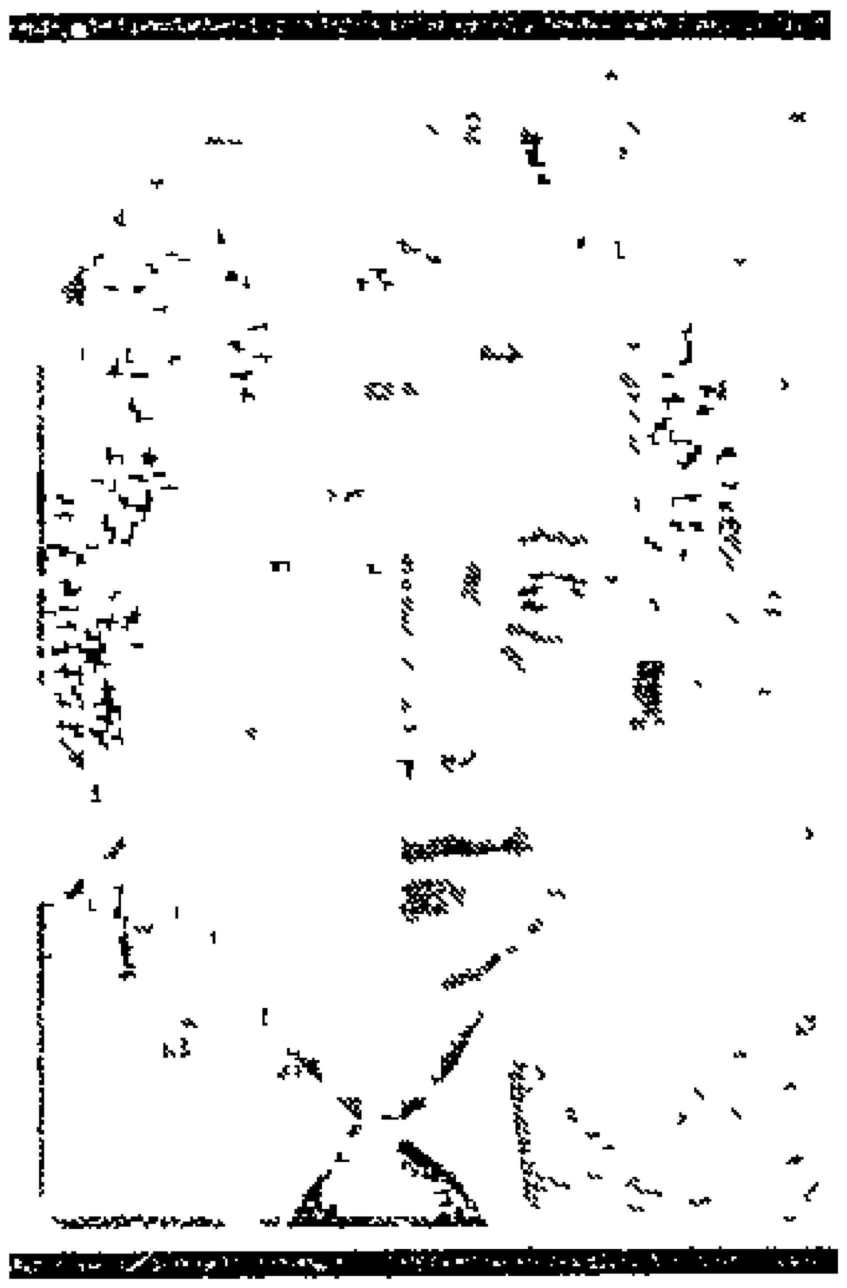
THE TIME Time 10110.18 (180)

the work place SA companies



areas '

Pick 'n Pay said it had about 20 people in its personnel department which carried the task of communicating company policy to its employees "The department is very involved in the welfare and development of people,' said chairman Raymond Ackerman, and to support this he enclosed with the completed questionnaire a copy of the 1980 annual report, a 'Welcome to Pick 'n' Pay" booklet, a 1980 special report and a photostat copy of a staff vacancy advertisement with the equal opportunity logo

BP replied that it got the message across through Publication of our social reports, at induction and orientation programmes, at "Know your BP courses", subscribing to the principles contained in the EEC code of conduct, publication of BP personnel and industrial relations policies in local newspapers, handbooks relative to working conditions and benefits, company personnel policy manuals and through consultative committees

Ford had posted copies of the Sullivan principles on notice boards and had discussed their implications with management, supervisors, employees and representatives of the black, coloured and white unions

That was just one question Another 24, often requiring more detailed replies and considerable research follow in the questionnaire but it is those pertaining to training which provide one of the most dramatic indications of the pace of change

BP said that in collaboration with the National Institute of Personnel Research, it had completed a study to assess the development potential of all its black employees, with eight or more years education, to enable planning of their training and careers and to promote them to more senior positions

An objective had been set to fill 50 percent of all vacancies in middle and senior positions for which outside recruitment is necessary with non-whites, providing the canditates were available and could be trained The company gave a breakdown of positions showing blacks, coloured people and Asians now occupied numerous positions previously held by whites

Figures provided by Ford showed that non-whites were being trained at twice the rate of whites and expenditure on their training was also double

Pick n Pay said it now has two blacks in senior management, four coloureds and 2 Asians Whites are now in the minority in middle management

"The company has recently begun to get involved in organizational development with outside consultants "

Questionnaires can cause extra problems

FORM DS-1800 seeks exhaustive information in an eight-page questionnaire on employment policies and practices of South African purchasers of US capital goods before the Export Import Bank will grant trade loans guarantees or insurance

The form according to South African businessmen, is similar to codes now monitoring the abolition of discrimination in the workplace The Sullivan code for local subsidiaries of US firms, the EEC code for those with European parent companies, and the SACCOLA/Urban Foundation code orginating in South Africa

All of this means an immense amount of often unproductive work, which although virtually impossible to quantify, has now reached proportions where it is actually threatening the implementation of some advancement programmes

Companies which participated in the survey were those with particularly good images and they made clear that they considered themselves in the vanguard of progressive employers Barclays National Bank, Ford, Tollgate Holdings Pick 'n Pay and BP Southern Africa

Those which did not take part were Volkswagen which said it adhered to the EEC code and was prepared to provide a synopsis of its compliance record, General Motors which provided equally comprehensive information in the form of a recent public interest report, Barlow Rand which said it could not further burden the group as it had its own code of employment practice — one which was being monitored in great depth — and some of its companies were also involved in a SACCOLA questionnaire, Total and South African Breweries for similar reasons, and the South African Railways which simply said it could not complete the questionnaire

South African Breweries went deeper into the problem of intense monitoring of its affairs imposed by the codes and questionnaires Due to the numerous questionnaires generally of a voluminous nature that companies are being confronted with at the present time, it has been determined that we will only consider responses to organised and recognised bodies such as SACCOLA, FCI, etc and then only subject to workload considerations

"We have found that the assembly of numerous detailed facts and the completion of long-winded forms is taking up an inordinate amount of time and these are really distracting us from our endeavours of actually implementing our goals and objectives in the critical areas of labour and community affairs "

In subsequent issues the Cape Times will report fully on the detailed replies to the list of questions.

SA pays R100m a year for technology

STAR
14/10/80
180

By Jean Moon

South Africa is a huge net importer of technology

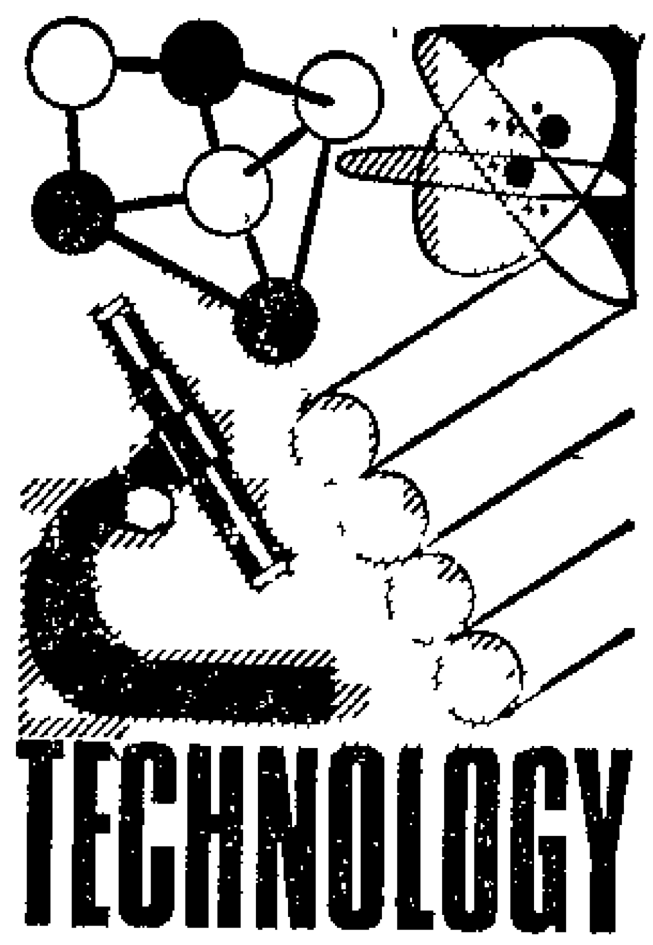
Last year it paid out about R100m for royalties to foreign countries, while the amount it received was probably less than R10m.

John Stonier, president of Licensing Executives' Society, visited South Africa last week and spoke at a symposium in the South African context.

LES chapters can be found in 17 countries around the world and there are nearly 4 000 members in total. The South African chapter was set up last year and so far has 40 members

Members have been drawn from all types of organisations who are concerned with licensing and other forms of technology transfer.

The organisation has affiliated national bodies



in the major Western countries and also in Australia, Japan, Korea, India, Mexico and Argentina

It aims to increase the knowledge and awareness of the communities in which it functions of the value of technology transfers as a means of promoting industrial development, and to provide a forum for the exchange of views and information about all aspects of technology transfer

It is an advisor to several international and government bodies and publishes in-depth studies on legal and other topics in its field

Its international meetings are major attractions to businessmen, lawyers, administrators and teachers with interests in licensing

R2,5m order for ADS

After nine months of thorough investigations into the cash register market, OK Bazaars has decided to place its next two year cash register requirements again with ADS Anker Data System

The order calls for 3 000 MA 140-4 and MA 140-8 electronic cash registers plus the locally manufactured power packs and is reported to be worth about R2,5m

3 General (180)

BUSINESS POST

Nafcoc to hold seminar

IN a new move geared at developing small black manufacturers and farmers, the National African Federated Chamber of Commerce and Industry (Nafcoc), will hold a two-day conference focusing on the two fields.

The conference on industry and agriculture was announced by Mr B O Sibeko, chairman of the Southern Transvaal branch of Nafcoc's Industrial and Agricultural Committee, and Mr Gabriel Mokgoko, Nafcoc's National organiser, during a press conference held in Johannesburg this week.

It will be held at the Southern Suns Airport Hotel in Johannesburg starting Tuesday, October 28 to October 29.

Papers will be presented by specialists in industry and agriculture.

● Mr Sam Motsuenyane, president of Nafcoc, will speak on "Can we learn from other countries?"

● Mr Anthony Evans, a successful farmer in the Free State, will speak on "Can small farming pay?"

Other speakers are: Mr I J Hetherington and Mr Simon Fiska. Their topics are: "Does big business need small manufacturers?" and Broad agricultural implementation" respectively.

Workshops will be held, with discussions on:

● How do I get started in business and is it necessary to keep records?

● How do I develop my welding business?

● How can I start a printing business?

● What should I know about cattle-feed?

The conference will also be addressed by the Minister of Agriculture, Mr P T C du Plessis.

The problems facing the backyard manufacturer and which Nafcoc plans to tackle include:

● Lack of access to institutional credit. The small manufacturer has no access to banking facilities.

● Lack of money big enough for fixed investment needs.

● Poor access to domestic material and lack of enough cash to buy material timely, and

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GOVERNMENT NOTICE

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

No R. 2219 31 October 1980

IMPLEMENTATION OF NEW SYSTEM OF EXPORT INCENTIVES

1 Following upon a statement by the Minister of Industries and of Commerce and Consumer Affairs in the House of Assembly on 13 May 1980, in which he announced the Government's acceptance of a new system of export incentives based on proposals by the Van Huyssteen Study Group, as adapted by the Reynders Technical Committee, which considered the practicability of these proposals, a Standing Committee on Export Incentives was appointed to assist with the implementation of the system, which came into effect on 1 September 1980

2 The Standing Committee has now submitted its recommendations in regard to guidelines for the lodging of claims for compensation and a claim form as well as a registration form for exporters relating to compensation under Categories A and B of the new export incentives

3 Notice is hereby given that the Minister of Industries and of Commerce and Consumer Affairs has approved the documents embodied in Annexures 1, 2 and 3 hereto

4 Exporters qualifying for assistance in terms of the new system should register with and subsequently submit their claims in the prescribed manner to the Director-General Industries, Commerce and Tourism, Private Bag X84, Pretoria, 0001

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN HANDEL EN VERBRUIKERSAKE

No R 2219 31 Oktober 1980

IMPLEMENTERING VAN NUWE UITVOERAANSPORINGSTELSEL

1 Na aanleiding van 'n verklaring deur die Minister van Nywerheidswese en van Handel en Verbruikersake op 13 Mei 1980 in die Volksraad waarin hy die Regering se aanvaarding van 'n nuwe uitvoeraansporingstelsel gegrond op voorstelle van die Van Huyssteen-studiegroep, soos aangepas deur die Reynders Tegniese Komitee wat die praktiese uitvoerbaarheid van hierdie voorstelle oorweeg het, aangekondig het, is 'n Vaste Komitee insake Uitvoeraansporings aangestel om met die implementering van die stelsel behulpsaam te wees wat op 1 September 1980 in werking getree het

2 Die Vaste Komitee het nou sy aanbevelings met betrekking tot die riglyne vir die indiening van eise vir kompensasie en 'n eisvorm asmede 'n registrasievorm vir uitvoerders betreffende kompensasie onder Kategorie A en B van die nuwe uitvoeraansporings voorgelê

3 Kennis geskied hierby dat die Minister van Nywerheidswese en van Handel en Verbruikersake sy goedkeuring geheg het aan die dokumente wat in Bylaes 1, 2 en 3 hiervan vervat is

4 Uitvoerders wat ingevolge die nuwe stelsel vir bystand kwalifiseer, moet hulle op die voorgeskrewe wyse laat registreer en hulle daaropvolgende eise op die voorgeskrewe wyse indien by die Direkteur-generaal Nywerheidswese, Handel en Toerisme, Privaatsak X84 Pretoria, 0001

see full text
See 69

Cape Times 3/11/80

180

Security 'must be aggressive'

Staff Reporter

INDUSTRIAL security did not consist of "a fellow in a greatcoat with a brazier and a nice chair to sit in" Brigadier Helm Roos, former OC 7 Infantry Division and now a top commercial security officer, told delegates at a seminar on security held at a Sea Point hotel at the weekend

Protection, Brigadier Roos said 'must always be offensive and aggressive'

The seminar was attended by officials and executives from many commercial firms

He warned delegates that in their struggle for world power the Russians used 'whatever international forum they can find, from an association for feeding kids to the Committee for the Salvation of Fallen Women They infiltrate the organization, and its official line is then softly bent to their direction

When a new insurgent movement started operating, the Russians provided weapons and equipment free of charge

'When the movement shows some signs of success, they supply it with arms at a reduced rate So the movement has the option of paying for the arms with money -- which it hasn't got -- or by following the Russians' directions"

Insurgents of the present day were not "terrified terries" but 'trained soldiers who know what they're doing"

He said that links now existed between various world terror movements in the world Members of organizations ranging from the Palestine Liberation Organization to the Irish Republican Army and other movements from countries such as Chile, Chad and the Philippines all trained together, "so that when they go their ways they are all members of an international club, and this access is often reflected in a high level of 'middle management' liaison"

Brigadier Roos said that there was a "recipe for success" in countering urban terrorism in the private sector, and this consisted of "intelligence plus manpower plus equipment"

All three were necessary, because "if you don't have intelligence and use equipment, your manpower bill rises stupendously

"Is your security man a fellow in a greatcoat with a brazier and a nice chair to sit in? That's not security I don't believe we use the intelligence we get Do you go out and get intelligence from your workers? Do they trust you?"

Brigadier Roos said that sources of information should be cultivated, "preferably with financial inducement"

Firms should "think in terms of getting information from their workers I think this is the chief weakness of South African industry"

Protection "must always be offensive and aggressive — but always within the law, and always with the use of minimum force"

Equipment such as electric eyes, sniffing devices and X-ray machines saved on manpower, but "you've got to be willing to spend money Money spent on security is not money

PREMIER GROUP FM 7/11/80

Better margins (180)

Outside of the meat producers, the Meat Board must have found a new friend in Premier Group — formerly Premier Milling — which is finally seeing an improving return on the funds invested in its chicken division Abnormally high meat prices have led to an unprecedented demand for chickens, and the margins in this division have so improved that the contribution is cited by chairman Tony Bloom as a significant factor in the group's improved overall profit margin of 3,2% (2,7%) for the September 30 interim period

Premier's turnover in the historically quieter of the two half years has risen 27% to R550,3m Gross margins improved virtually throughout the group and trading profit is 36% up at R35,3m. Though borrowings were higher, lower interest rates and a consolidation in SA of foreign loans just prior to the mid-year increase in the forward discount rate brought the interest bill down from R8m to R7m After a marginally higher tax rate of 37% (35%) after-tax profit is 52% up at R17,8m

Propan, formerly 100%-owned, has been merged with Twins Pharmaceuticals and Premier now owns 50,1% of the new group For this reason minorities took out R1,4m of taxed profits as opposed to R260 000 in the 1979 first half.

On a per share basis, attributable earnings are up 34% to 63,5c while the dividend has been increased from 17c to 22c This was an unexpected move considering Bloom's statement in the 1980 chairman's report that the 2,8 times cover then provided was "prudent" but "required" Cover has now gone up to 2,9 times and will be pushed higher to three times at the year-end, Bloom says. This may seem to be taking prudence to extremes but the policy is understandable in view of the high cash demands on the group Working capital during the first half increased by R40m

Inflation remains a serious problem for Premier and high cover is essential to cope with this — take 12% off the sales increase and it is evident that cash flow is all important to the company. There seems no reason for the supermarket chains to start reducing their creditor periods. Consequently, Premier will remain cash hungry so long as it keeps growing organically. According to Bloom the group will be coming to the debenture market for R15m in the next few weeks

From there on, Bloom believes, the group should come to the money market on an annual basis and thereby, theoretically anyway, average out the cost of borrowing over the years

Commenting on the results, which are good, Bloom says the major factors were higher sales, the elimination of losses in the egg division, lower interest rates and higher spare plant utilisation which allowed technical efficiencies to be introduced

No account was taken of the 55% stake in Gallo which had been in the group for the quarter ended September 30 Nine-month profits from Twins-Propan have been consolidated During the six-month period the liquor interests, apart from 50,1% in Benny Goldberg's, were sold to the Pickard group.

Premier's Bloom . . . unscrambling egg losses

Bloom anticipates that "profits for the second six months of the current financial year should exceed those for the first six months as this has been the traditional pattern of trading for the group."

Margins could increase moderately but there is unlikely to be the same benefit from excess capacity utilisation, and inflation, combined with the tick-up in rates, may well put a damper on earnings growth The group is well managed with attainable financial objectives At least one, that of returning a minimum 20% earnings growth, has already virtually been achieved

Premgroup, as the JSE wishes to call the company, is as blue chip an industrial as they come

Ian Mail

BARLOW RAND FM 7/11/80

Growth unlimited (180)

Despite a one-third increase in the share price over the past six months, Barlows' yield based on the new 58c dividend total is still 4,5% — a shade above the present industrial market average As one of the bluest of the JSE's blue-chip investments, this has to be exceptional value.

With an international spread of shareholders, the rating is obviously influenced by the overseas view of the SA political scene For local investors, however, this is not necessarily a disadvantage as it enables them to buy Barlows at a price substantially lower than would otherwise be the case Put another way, if the price depended entirely on local considerations, it would probably be nearer 1 800c instead of 1 300c, to yield somewhat less than 3,5%.

The year to end-September was an exceptionally active period, what with the booming economy and the takeover and restructuring of the Smith group. The company makes the point, however, that acquisitions did not materially contribute to the increase in earnings per share, which means that the 51% improvement from 119c to 180c (exactly in line with the *FM*'s forecast in May) is probably a fair reflection of organic progress

In any event, this growth has enabled the group to double earnings in only two years, while the five-year annual compound growth rate has moved up to 23% for the period 1975-80 from 13% for 1974-79 Another noteworthy feature of these results is that for the first time since 1971, dividend cover has not been increased This resulted in the 58c dividend total being 1c higher than we expected after the interim report, and may well be a reflection of the greatly enhanced dividend flow to the holding company as a result of the Smith acquisition

Because of the major changes which took place in the group with the incorporation of Smith, it will only be possible to sort out the major growth areas when the annual report is released at the end of this month

However, identifiable contributions to the taxed profit increase, before minorities, include TC Land, up R22m, investment income (mainly gold dividends), up R26m, Pretoria Portland Cement, up R14m, Plevans, up R4m, and Nampak (now an indirect subsidiary through Smith), up R10m These represent R76m out of the total increase of R142m The nine-month contribution from Smith can only be guessed at, but was probably of the order of R40m This, then, leaves some R26m to be split between unlisted activities such as ferro-alloys, earthmoving, and electrical engineering

As expected at the interim stage, the 62% improvement in earnings for the first six months slowed to 44% in the second half, to give an overall gain of 51% for the year to end-September While a further slow-down cannot be precluded, because of the high base from which the group is already operating, there can be little doubt that growth will be maintained at a pace which will keep the group ahead of the industrial pack It has already benefited from such factors as the boom in construction, and this pattern should be enhanced by indications that corporate fixed investment is now starting to take off

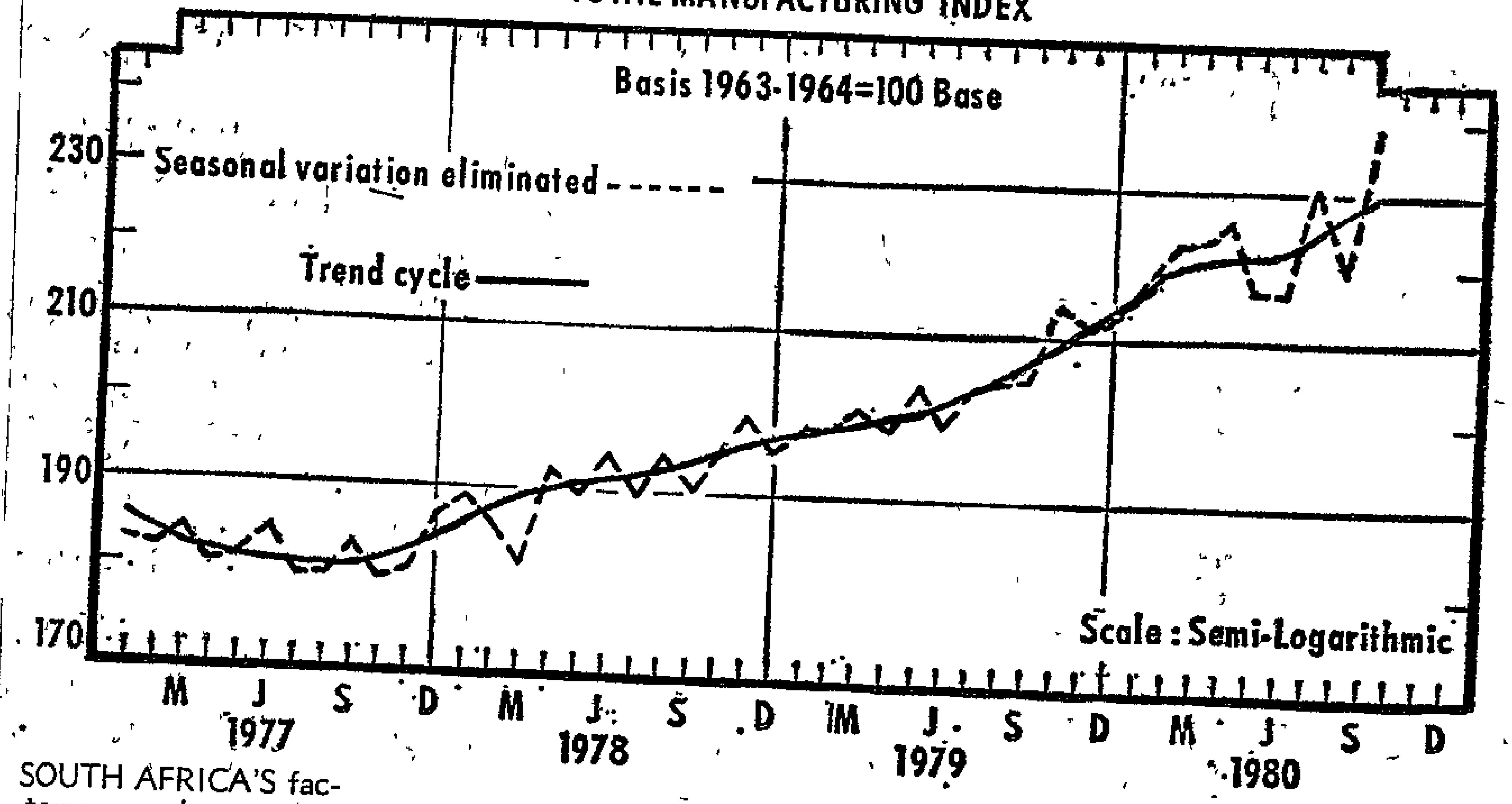
Nor can there be any doubt that the group will remain acquisition orientated Since the year-end, it has already acquired Reunert & Lenz and it is reasonable to assume that the performance of this company will be improved under Barlows' control

Similarly, although some benefits have already accrued from the Smith takeover, there should be more to come in this area after the major restructuring which created a more cohesive entity In addition, Smith will be consolidated for a full 12 months, instead of only nine in the past year

There is no way to forecast with any certainty, but I would be surprised if 1981 does not see both earnings and dividends up 35% This would add 20c to the dividend which, at 78c, would yield a prospective 6%.

Brian Thompson

TOTAL MANUFACTURING INDEX



SOUTH AFRICA'S factories are busier than ever with output soaring, as this Department of Statistics' graph of the index of the physisal volume of manufacturing output shows.

RECORD OUTPUT FOR INDUSTRY

Argus 11/11/80 (180)

Financial Editor

THE manufacturing industry is booming — with record output, record earnings and probably a record return on its capital.

The Department of Statistics reports the index of physical volume of manufacturing production (1963-64=100) jumped 6,4 percent between August and September to a new high of 248,7.

As a result output in September was some 15 percent higher than in the same month last year

In the September quarter output was 12,1 percent higher than last year while in the first nine months of this year it showed an increase of 10,6 percent on a year ago.

The Department of Statistics also reports net profits of the manufacturing sector jumped 21,7 percent between the first and second quarter this year from R1 089,7-million to R1 326,3-million.

Profits in the June quarter were 47 percent higher than in the same quarter last year, while profits for the first six months of the year at R2 416-million were 48 percent higher than last year.

In the first six months of this year manufacturing output was 9,8 percent higher than last year.

NEW ASSETS

The figures also show the manufacturing sector spent R460,9-million on new assets in the June quarter, which was 21,1 percent more than the R380,7-million spent in the same quarter of last year,

This brought the amount of capital invested in manufacturing to R26 631,2-million.

In the June quarter the return on total capital invested, after providing for tax and depreciation, was 19,9 percent. This compares with a return of 15,6 percent in the same quarter last year and a return of less than 13 percent in 1978.

SA imports know-how: loth to export?

STAR 11/11/80

(180)

While South Africa pays vast sums every year for overseas technology, it seems disinclined to create two-way traffic in expertise.

As a young, fast-growing country, South Africa has made substantial developments in recent years, which could be licensed in other industrial countries. At the beginning of the year, Merites Africa, the local partner of Nightingale and Associates of the US, offered private and public bodies engaged in research and development, assistance in spotting overseas organisations or individuals interested in licence or joint venture agreement, but the response was negative

Executive director of Merites, a company specialising in technology identification, evaluation development and transfer, therefore concluded that leading industrial organisations were not interested in entering into licence agreements overseas

Upon further investigation, Merites found that there was not a central register on patents available for licensing or joint ventures, nor found co-operation from Government bodies or industrial associates.

Merites points out that any institution or company engaged in the development production and marketing of a new product needs to know what other parties in other countries have done in the same area of development and production. Much time and money can be wasted in the development of a process or apparatus which is already in existence.

Merites has access to more than 250 computer data bases which can provide on-line data identifying literature and patents which are then analysed by a team of scientists and engineers to select technologies with potential value in meeting clients' needs. — Jean Moon

180 FM 14/11/80

MANUFACTURING PRODUCTION

Selective demand

The physical volume of manufacturing production, seasonally adjusted, was 7% higher at the end of August 1980 than it was at the same time last year, according to Statistics Department figures

The August rise, however, probably understates the annual trend Other statistics indicate faster growth The year-on-year percentage increase at the end of July was over 13%, and preliminary figures for September indicate an annual increase of over 15% Reserve Bank statistics, on the other hand, show an annual rise of 9% at the end of the second quarter of 1980

The outstanding performer in the manufacturing field is the motor industry Backed by surging consumer demand, the production of motor vehicles and parts showed an annual increase of 34% by the end of August At the same time however, the value of sales offset by actual production indicates an inflation index in the motor industry of close to 24%

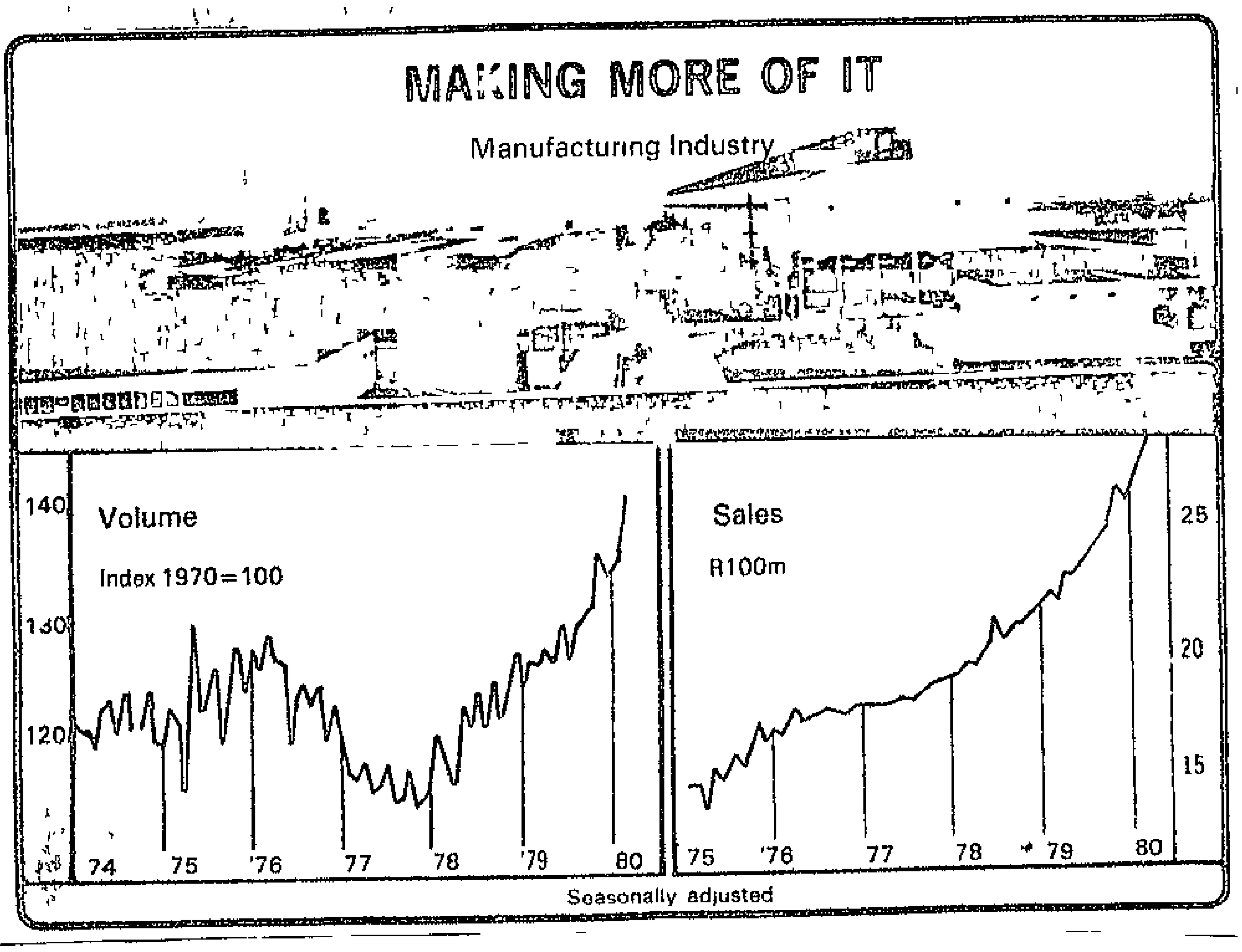
The level of consumer demand in durable and semi-durable goods is shown by 16% increases in the production of furniture and clothing However, the Department's figures, which claim to represent 80% of the total, indicate a decline in the levels of food manufacturing of about 6% over the 12 months to August, and 5% since July 1980, a phenomenon supported by independent evidence The total value of sales has simultaneously risen, putting the annual inflation index of food at 25%.

Industrial manufacturing production is running at lower levels than goods produced for the consumer sector The output of industrial chemicals fell 9% in August from its July level, and registered a small increase for the year as a whole Basic iron and steel production fell by 2%, and non-electrical machinery by 11%, while non-ferrous metals and metal products rose a modest 5% The corresponding sales values of these categories show that the average price level of non-ferrous metals has dropped about 7%, while iron and steel prices, and those of metal products, have risen about 14% The inflation index for non-electrical machinery, however, stood in August at over 30% And the index for the whole manufacturing sector was nearly 14%, slightly above the latest consumer price index

Statistics detailing the value of unfilled orders at current prices at the end of August show the extent to which demand, largely emanating from the consumer sector, is now locked into the economy Unfilled orders for motor vehicles were no less than 90% higher than in August last year The percentage increase in furniture was a staggering 160% And orders for electrical appliances were 33% higher

Further expansion in the building industry is suggested by a 70% increase in unfilled orders for laminated board and plywood, a 53% increase in orders for glass, and 55% for paints and varnishes

On the other hand, industrial demand still in the pipeline is running at lower levels Orders for non-ferrous metals were 35% higher at the end of August, and 21% higher for electrical machinery The value of unfilled orders for iron and steel actually declined by 5%



HULETTS/HULAMIN (180)

Sugar problems

FM 14/11/80

Despite falling sugar production and an increased number of shares in issue, Huletts managed an earnings rise to 48,1c (42c) in the six months to end-September, largely as a result of strong performances from 61%-held Hulamin and the now sold packaging interests. And though Hulamin's results for the whole year should be doubled, Huletts itself expects earnings to be little changed on fiscal 1980's 86,7c

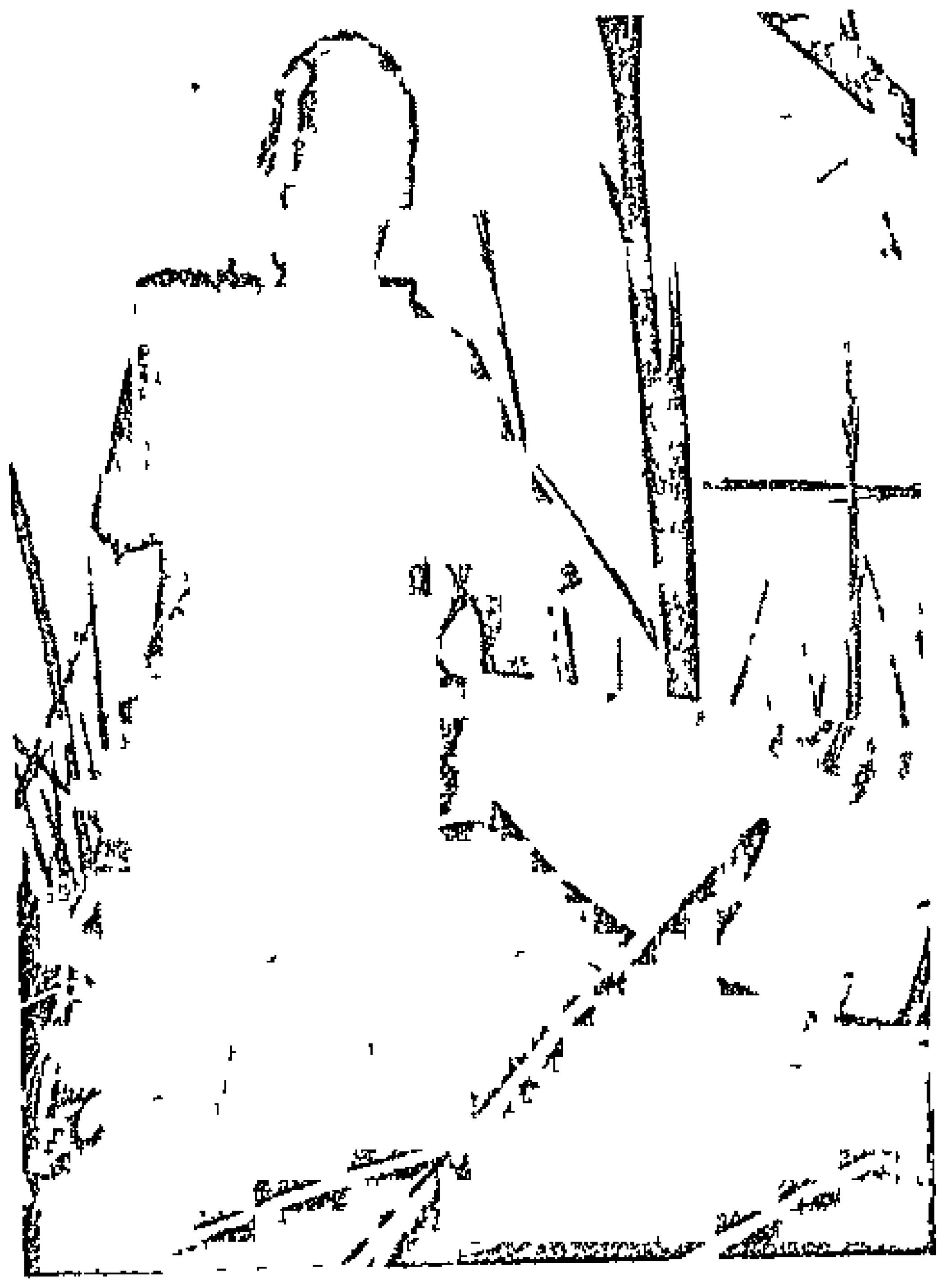
Huletts' first-half turnover advanced 41,1% to R255m (R180m) of which R69m (R46m) reflects increased activity at Hulamin Pre-tax profit rose 41% to R30,8m (R21,9m), of which 26,3% (16,4%) was attributable to Hulamin Larger minorities' charges of R4,5m (R2m) reflected the acquisitions since end-September 1979 of Metal Sales, Containers and Haggie Rand Properties Thus earnings on the increased number of shares after last year's issue of 2,3m shares to S & T for Hypack, grew only 14%.

Since end-September, however, the structure of Huletts has changed with the sale to C G Smith of Hypack and Containers for R39m. This meant a R24,8m surplus being accounted in the six months to end-September

In fiscal 1980, Huletts' packaging interests contributed R4,7m to group operating income of R40,3m Applying the proceeds of the sale of the two companies to debt reduction will mean an interest saving, but this will not come near compensating for the elimination of a growing income investment

Funds from the sale will also be applied to Huletts' capex programme In the second half R10 4m is to be spent on the sugar paper and aluminium divisions Hulamin alone will account for R9m of this in the installation of a new foil rolling mill which will boost capacity by 80% and relieve supply bottlenecks

With the national sugar harvest likely to fall to around 1 6 Mt (2,1 Mt) this year following the drought Huletts is set to suffer proportionately more than other producers because of its geographical position Earnings from this source are destined to fall for the second year running Last year sugar contributed R22,3m to the R51,1m group operating profit The directors say Huletts share of the total industry proceeds could be as low as 28% (34%) which would mean a "large" dip in earnings



Hulett's . aluminium makes up for sugar

Salvation will come from the investment in Hulamin The directors reported 59,2c (29c) earnings in the first half and expect more in the October-March period This reflects not only growing demand for foil and the plans to increase capacity, but also the acquisition of 76% in Huletts Metals from Huletts Industries for R7,7m This acquisition should say the directors, add 13c a share to earnings in the second half The sale of Rotoflex, Alpak and Aluminium & General Products to Nampak is not expected to materially affect results.

On the basis of the directors' statement that Huletts' earnings will be roughly the same as last year's 87c, an unchanged 32c final dividend can be expected Thus, at 675c, the share yields a prospective 6,5% With the drought likely to have an adverse impact on the 1981 season as well and the sale of some non-sugar interests, the share could move lower short-term Hulamin, on the other hand seems set to earn around 125c (74c) and on the basis of a higher 2 5 times cover given the capex commitments could pay a minimum 50c (36c) after an 18c (9c) interim On this basis the share, at 680c yields an attractive prospective 7,4%

Des Kilalea

Industry steps up profits and dividends

(180)
18/11/80 Kreus

INDUSTRIAL companies continue to report booming business, higher profits and better dividend payouts.

● **Lion Match** is paying a non-recurring 5c dividend on top of its 15c final, making 45c for the 18 months to September against 25c for the previous year.

Taxed profit reached R7,8-million, equal to R5,2-million on an annualised basis, which is 48 percent up on the previous 12 months.

Earnings rose to 88,97c a share for 18 months compared to 39,78c for 12.

At pretax level, profit was R13,4-million or an annualised 40 percent over the 1979 figure.

● Turnover of **Stewarts and-Lloyds** jumped by R77-million or 27 percent to R358-million in the year to September.

Taxed profit of almost R12-million was 55 percent higher, a figure depressed by valuing all stocks for the first time on the Lifo inflation-accounting basis.

An 18c final dividend raised the year's total payout by 27 percent to 28c (22c).

● **Chemical Holdings** doubled its pretax profit to R2,1-million in the September quarter. Sales were up 29 percent to R17,1-million.

The half-year's earnings are foreast at R2,4-million, a rise of 85 percent.

● A 60 percent rise in interim dividend is coming the way of **Dermacult's** shareholders, the payout rising to 4c from 2,5c a share. Earnings jumped to 21,15c from 7,3c.

Taxed profit of R213 000 was almost 189 percent higher.

● **Hosken's** taxed profit for the half-year was 83 percent higher at R573 000, equal to earnings of 11,7c (6,4c) a share.

● **Chloride** boosted its half-year sales by almost 12 percent to R21,5-million.

But earnings dipped 23 percent to R1,1-million because of lower margins and intense competition in the motor replacement market. The interim dividend is still 11c.

● A large part of **SA Druggists'** business does not benefit from the boom, say the directors, and taxed profit improved 12,5 percent to R4,4-million for the half-year. Profits for the second half are expected to be higher.

Tom Hood

SA INDIAN DEVELOPMENT

Applications up

180

FM 21/11/80

The third annual report of the Indian Industrial Development Corporation (IIDC) shows loans to Indian industrialists of R8,6m (R4,9m) Although the clothing, textile, and paper and packaging industries account for almost three-quarters of this, the proportion has shifted away from clothing towards packaging and textiles

Other industries such as food and furniture have increased their share Smallest loan granted was R5 000, and the largest over R1m Repayments are now coming in and enabled the IIDC to reduce its accumulated loss from R108 000 to only R11 000 The report comments that "the development of Indian industries in recognised decentralised areas remained disappointing one of the main reasons being the method of application and level of decentralisation concessions in respect of Indian labour"

During the year to June 30 the number of applications investigated rose by almost a third to 46, of which 34 were approved for a total of R6,5m But facilities subsequently lapsing reduced the total to R3,8m

The corporation estimates that 1 360 additional employment opportunities have been created in new and expanded operations which have received its help

TONGAAT (180) FM 21/11/80

Changing profit mix

One of the main objects of bringing a diversity of interests to a group is the protection this provides if there is a downturn in a particular sector This theory is well-illustrated in Tongaat's interim results, although it is doubtful whether management ever thought it would have to cope with such marked profit swings between divisions when the diversification programme was started some 18 years ago

Tongaat does not give a divisional breakdown of profits at the half-way stage, but it is already clear that the key elements in this year's results will be the extraordinary recovery at Toncoro, a slump in sugar earnings, and the additional profits generated by acquisitions

To be sure, the mix has worked out very much in Tongaat's favour Despite the sugar situation, and continued losses in the electrical engineering and electronics division, profits attributable to equity were up 53% while earnings per share, after taking into account an increase in the issued capital, gained 46% from 40,3c to 58,9c for the six months to end-September

And chairman Chris Saunders obviously expects this favourable balance to be maintained, and has increased his earnings forecast for the full year from 100c at the time of the annual report to 115c. This is 43,6% up on 1980's 80,1c, and will probably yield a dividend total of 42c (30c) assuming an unchanged 2,7 times cover

But it is interesting to analyse how this profit growth was attained If the Toncoro contribution to attributable earnings is deducted, the rest of the group is left with an improvement of only 24% Further adjustments can be made for the consolidation of new subsidiaries such as Hebotex and H Lewis, and taking these out even at their year-ago profit levels tips the balance into minus territory But this figure, in turn, still includes the sugar division which, again, is hardly a normal trading situation

Tongaat forecasts that, due to the continuing drought, sugar production in the 1980-81 season will be down by almost 36%, from 217 573 t to 140 000 t This is considerably more than the decline presently estimated for total industry output (1,6 Mt against 2,1 Mt) and will reduce Tongaat's industry production share from 10,5% to only 8,8%

But with fixed overheads it is probably not unreasonable to expect sugar earnings to decline even more sharply than output If so, there might not be more than R1,8m (R3,5m previously) attributable to sugar in the interim earnings estimate And if this is then deducted from the previous sub-total (attributable profits, less Toncoro, less acquisitions, in case you have lost count), the balance of the group's diversified interests appear to have had a growth rate in the region of 60%

In other words, the final outcome was probably not materially different from what it would have been had all divisions made equal contributions to the profit increase

For the full year, based on the companies' own forecasts, it looks as if Toncoro will account for some 45% of group earnings, up from 28% in 1980 Sugar, in contrast, is likely to fall from 31% to as little as 14% — somewhat below group's target averaging between 15% and 20% for the three-year period 1980-83 As rationalisation of Hebotex with the David Whitehead operation progresses, there could also be a proportionately increased contribution from textiles (19% last year) but the importance of investment income (mainly dividends from Huletts) is likely to be lower Tongaat will be bringing to account Huletts' higher 1980 final plus this year's unchanged interim, in aggregate an 11% improvement This is well below the expected gain in group earnings

Based on a 42c dividend total this year, the share at 775c is on a prospective yield of 5,4% This is some way below the industrial market average, as is the historic 4,3% yield after taking into account the higher 12c (9c) interim The low yield is justified by an excellent growth record — 23,5% compound over the past five years and 23% over the past 10 — but it nevertheless looks expensive relative to a share like Barlows where, after a 200c drop over the past two weeks, the historic yield virtually matches Tongaat's prospective yield

Brian Thompson

During the past year, protective import tariffs have meant that a wide range of imported products rose steeply in price. Products included crockery, certain textiles and clothing items and toys. Awaiting decisions on whether or not protection should be given is another wide category of clothing — which could cause price increases of 300 percent to the consumer — and scissors, among others.

CHARLENE BELTRAMO, editor of Fair Deal, looks at import protection and how it affects the consumer.

Control boost local industry . . . and prices

180 STAR 2/12/80

The consumer is the prime beneficiary and the main victim of import protection measures.

Advocates of import protection say that by preventing cheap imports flooding on to local markets, it paves the way for similar local industries to develop.

This naturally creates local employment opportunities and the likelihood of future export markets and increased foreign exchange.

They point to countries like the United States, Japan, Germany and Britain, that became economic giants while sheltering behind protective import tariff walls.

POOR PRAWNS

Those who are opposed to it — and most are favourably inclined to some degree of protection — point to the way import tariff protection can force up prices on the local market. As examples:

- Import tariff protection measures taken a few months ago, meant that crockery doubled in price on the local market

Retailers complain that the local crockery manufacturers, have a six-month supply backlog, deliveries are erratic and quality is not always up to standard.

Prices are also higher. A cup and saucer — imported through Hong Kong from Red China — that used to sell for 79c now costs R1,29, as an example.

- Recently Natal fishermen asked for a 6 000 percent import duty on prawns. However, retailers and members of the Department of Sea Fisheries alike, pointed out that local prawn supplies were not sufficient to meet local consumption and the quality was much inferior to that of cheap imported Taiwan or Australian prawns.

- Retailers complain about the heavy 35 percent to 40 percent protective import tariff on toys.

Although they say local toy manufacturers are generally excellent, they complain about the limited range.

"A very small percentage of educational toys, is made here as an example," said Mr Ig Ferreira, managing director of Pick 'n Pay Hypermarkets

"There is a tendency to throw a blanket protective cover over everything, without due regard to whether or not the product is made or available here — and in sufficient quantities to meet demand," Mr Ferreira said

Mr Ike Rabinsky, of Greatermans, voiced the same criticism He pointed out that it would probably be impossible for local manufacturers to produce battery or electronically controlled toys

"Production lines have to be enormous, about 100 000 toys would have to be made at a time," he said.

It is the blanket way in which protective import tariffs are often applied which is of the most concern to retailers and commerce

As an example, Mr Rabinsky mentioned a request for import tariff protection from a local scissors manufacturer.

TWICE THE PRICE

"Imported scissors normally sell for about R1,49 The local manufacturer, who has a limited range, sells for R5 We are concerned that the Board of Trade may impose protective import tariffs on all scissors and not just those of the type manufactured locally"

Mr Ferreira agreed saying tariffs were often not selective enough "which means we import inflation unnecessarily"

The Minister of Finance, Senator Owen Horwood, announced a perk to consumers in his April Budget speech this year, when he dropped the 7,5 percent import surcharge on more than 6 000 commodities ranging from motor vehicles to foods and books.

Other importers complained that other costs had "forced them" to absorb the surcharge cut

Import controls — which ban certain items from being brought into the country — have been dropped to a large extent

Senior Department of Commerce and Industry economists predict that this will cause many more manufacturers, who were sheltered behind the wall of import controls, to now apply for protective import tariffs

"Import control is too extreme a measure at any rate Tariff protection is the remedy for local industries The Board of Trade may give the manufacturer an advantage of 20 percent over foreign imports, whereas with import control, local industry could have an advantage of as much as 200 percent, as an example."

The Clothing Federation does not consider the new protective tariffs it has applied for "will put up clothing prices at all."

"At present, less than 10 percent of clothing is imported, but with knitwear in particular, we're seeing Far Eastern imports dumped on the market at tremendously low prices"

Despite this, and by their own admission, the local clothing industry has shown remarkable growth. The value of production has increased R250-million to at least R1 000-million a year, since 1976

Exports last year topped R32-million and the Clothing Federation hopes that the final figure this year will exceed R35-million

Most businessmen are against the clothing sector being granted further protective tariffs for these very reasons, among others.

State import restrictions questioned

Some businessmen have questioned governmental attitudes that see import restrictions as the sole way of combatting the economic revolution in the Far East.

Taiwan, as an example, has an annual growth rate of 8 percent and China is achieving a yearly growth of 10 percent compared to the world average of 3.4 percent. Last year, SA exports had a growth rate of 7,5 percent.

Main imports from the Far East to South Africa, include sports equipment, calculators, radio cassettes, hardware and giftware from Taiwan.

Tools from Japan — which retailers consider to be the best quality in the world.

About 90 percent of imported toys come from Hong Kong — often the conduit for goods from mainland China — as well as electronics equipment, car accessories, rattan ware, clothing and textiles.

Another major Far Eastern exporting country to South Africa is Korea.

Far Eastern imports will become a major contention for countries all over the world as growth in those countries accelerates during the next five years.

But in this country, at present, the subject of Far Eastern imports and "dumping" is probably being overplayed.

Imports from Taiwan, as an example, last year amounted to R60,1-million. The major import items were machinery and mechanical appliances — R19,5-million.

Exports to Taiwan, however, topped R115,2-million. Main exports (R44,7-million) were base metals such as copper, tin, lead, stainless steel and iron.

GENERAL NEWS

4/12/80 STAR

Kelloggs agrees to increase wages

A 60 percent wage increase at bottom level and commensurate increases throughout the grades were agreed to yesterday by the Sweet, Food and Allied Workers Union and Kelloggs of South Africa

A spokesman for the Federation of South African Trade Unions said today the achievement of these wage increases was "evidence of the wisdom of in-plant negotiations between the union and the company"

The union wished to thank Kelloggs for their acceptance of the need for in-plant negotiations

The spokesman said negotiations for a further agreement concerning working conditions at Kelloggs were underway and were expected to be concluded early next year

"In addition, the two parties have agreed to negotiate a future wage increase for the last half of 1981"

ICFIN (180) FM 5/12/80

Musical chairs?

Activities: *Holding company with 86% of Piccan, 62% of Picfoods and 60% of Union Wine, which in turn holds 80% of Picotel Sagit holds 77% of the quity, while Picardi Investments is e ultimate holding company*

hairman: *J A J Pickard*

pital structure: *3,4m ordinaries of Market capitalisation R9,7m*

nancial: *Year to June 30 1980 Borrowings long- and medium-term, 2,4m; net short-term, R29,6m Debt equity ratio 115,7% Current ratio 1,2 Net cash flow, R5,1m Capital commitments R832 000*

Picfin's Pickard . restructuring complete

Share market *Price 285c (1979-80 high, 335c, low, 135c, trading volume last quarter, 75 000 shares) Yields 30,0% on earnings, 7,0% on dividend Cover 4,3 PE ratio 3,3 Earnings 85,6c, dividend 20c, net asset value 989c*

The deed has been done and those shareholders who objected to the re-construction of assets have either sold out or accepted that what is now a *fait accompli* could, in the long run, prove a sound investment Picfin formerly relied almost entirely on Katz International a household electrical appliance distributor for income Katz is now a wholly-owned subsidiary of Sagit Property Holdings, while Picfin is an amalgam of the Pickard group's food and canning interests

The group now has liquor, canning and meat interests and enough cash to cause some management embarrassment This results from the year's activities, some of which occurred after the balance sheet date but which for clarity have been included in this analysis In fact, at end-June, the gross cash content was equivalent to 871c a share

Admittedly, this cash is doubly bespoken by creditors and bank overdrafts, but the deployment of cash will be even more of a priority once R15m flows in from the reduction by Picfoods (formerly Asokor) of its controlling stake in Karoo to 39%

For shareholders, the value of the 1980 annual report lies, as is the case elsewhere in the Pickard group not on an historical comparative basis but rather on an assessment of the benefits of the asset swop and long-term earnings potential in the company's new investment areas

Certainly, the three-pronged investment strategy now offers greater sustainable earnings growth potential than the single investment in Katz What may concern some, however, is whether the assets were swopped at an advantageous price to Picfin shareholders and whether the timing does not suggest that a switch from Picfin into Picbel would be advisable Picbel draws on Picfin, Picprop and Katz for its income and, given the buoyant conditions in property and consumer spending, there seems a strong case for shifting into Picbel

Analysis of Picfin without the benefit of knowing where management will be investing the R15m due is incomplete On the figures to end-June, however, the group appears to offer investors little near-term excitement but considerable long-term merit

Attributable income is 50,6% up at R2,1m This is after the exclusion of that portion of attributable Karoo earnings affected by the meat interests merger In addition, R840 000 was contributed by Katz which was sold in September This brought in R4,8m, which will probably be invested in relatively low-yielding stock until the group finds the right diversification This means the earnings picture for 1981 is not particularly bright

Union Wine is poised to expand into a large liquor retailer and the 35,6% earnings increase in 1980 should be repeated this year. Dividend cover was reduced to 3,9 times with the payment of a 7c (5,5c) dividend, but it is my guess that cover will be pushed back to the mid-Seventies level of over 5 times This would allow some internal financing of the gradual purchase of the 75 additional bottle store licences to which Picotel is entitled

Piccan continues to operate on extremely tight margins and, considering the high working capital requirements of this operation, it is unlikely that there will be any cash outflow to Picfin's benefit for some time Exports are struggling to maintain market share as a result of the strong rand, so it is to the low-growth domestic market that the group will be looking for higher sales

Picfoods will probably prove to be the major profit contributor, but as the accounting policy will be to not equity account, the earnings growth related to this investment will not be fully reflected It does mean, however, that Picfoods will be able to generate a higher cash flow for Picfin than its stablemates

Financial 1981 will be Picfin's bedding-down year Ignoring the possibility that a major investment will be made with the group's cash, only moderate earnings growth is likely My guess is that the restrictions lower down will not prevent Picfin reducing cover on even a small increase in earnings and a prospective dividend of 22c seems reasonable

The prospective yield of 7,7% is not enticing and a wait-and-see attitude for Pickard fans is probably the safest bet now *Ian Muil*

BARLOW RAND (180) FM 5/12/80

Keeping ahead

Activities: *Diversified mining and industrial group. Main listed subsidiaries are Welgedacht (effective interest 43%), Witbank Colliery (43%), T C Land (60%), P P Cement (54%), Plevans (80%), Nampak (40%), Premier Paper (20%), C G Smith (53%), Rometex (26%), and R M Properties (59%)*
Chairman and chief executive: *A M Rosholt*
Capital structure: *125,5m ordinaries of 10c, 375 000 6% cum prefs of R2. Market capitalisation R1 406m*
Financial: *Year to September 30 1980. Borrowings long- and medium-term, R344m, net short-term, R161m. Debt equity ratio 32,0%. Current ratio 1,7. Group cash flow R425m. Capital commitments R818m*
Share market: *Price 1 120c (1979-80 high, 1 255c, low, 478c, trading volume last quarter, 1,8m shares). Yields 15,8% on earnings, 5,2% on dividend. Cover 3,1. PE ratio 6,3*

	'77	'78	'79	'80
Return on cap %	20,8	20,7	23,5	22,3
Turnover (Rm)	1 246	1 624	2 284	3 460
Pre-tax profit (Rm)	170	214	315	516
Trading margin* (%)	9,2	9,0	10,8	12,0
Earnings (c)	77	88	117	177
Dividends (c)	26	30	38	58
Net asset value (c)	450	471	580	835

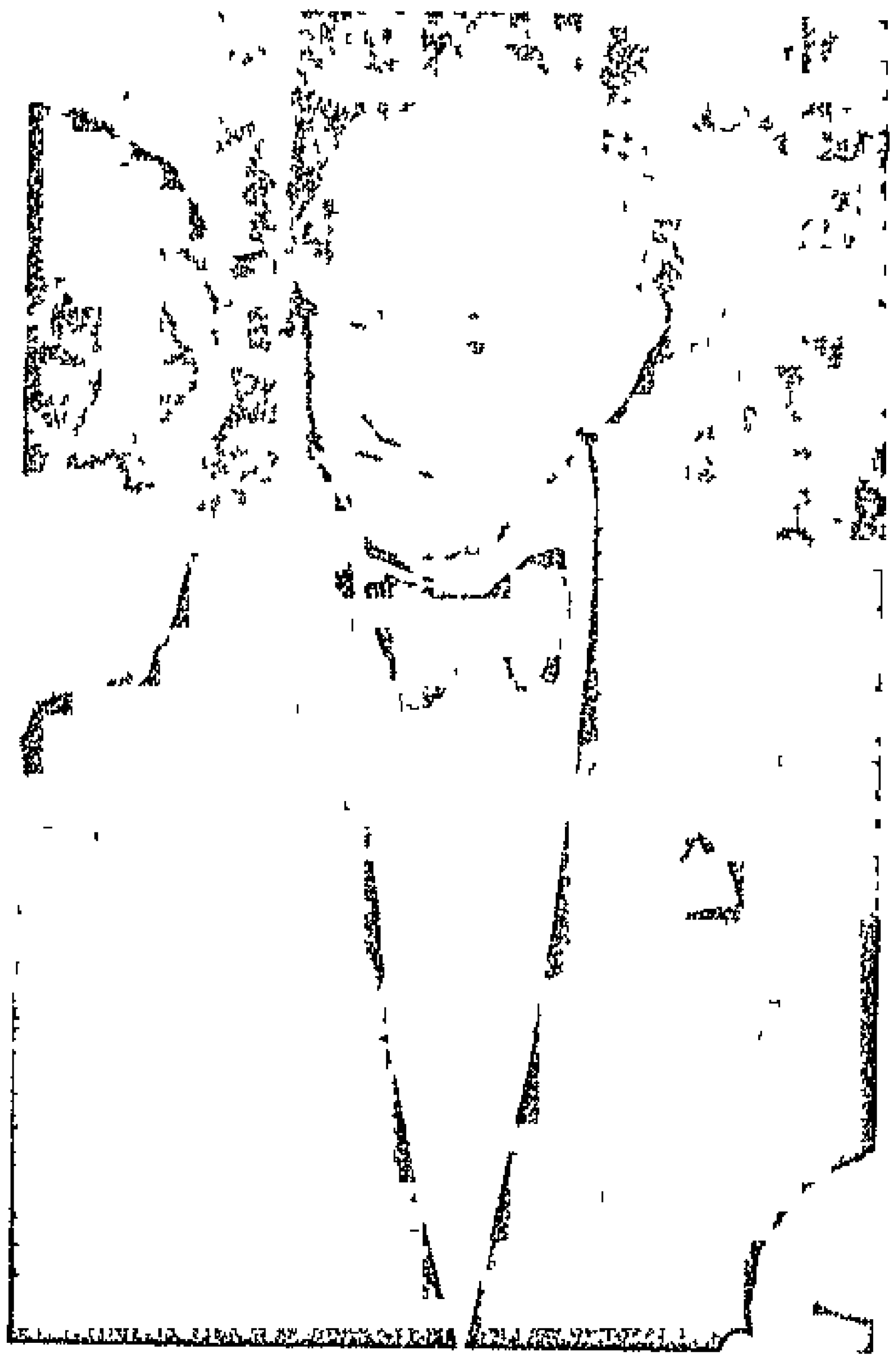
* Pre tax, excluding mining

While it would obviously be unrealistic to expect Barlows' earnings to continue compounding at an annual rate of over 50% indefinitely, it is nevertheless clear from the annual report that the group is nowhere near the end of its present growth phase.

Perhaps one of the most revealing aspects is the enhanced financial status which the report details. To take just one point: at September 30, the group had an additional borrowing capacity, in terms of its articles of association, in excess of R1 000m, which exceeds by 27% the R818m capex it expects over the next five years. At the same time, retained earnings, assuming only a 15% annual growth, will amount to some R1 150m during this period.

Adding the related further increase in borrowing capacity flowing from profit retentions, it is evident that the group would have little difficulty in doubling its existing asset base of around R3 000m by the mid-Eighties. This does not, of course, take account of any future acquisitions.

Interestingly, over the past five years the asset base has increased four-fold from R706m in 1975. Yet, despite this there has been a progressive decline in the debt equity ratio from 63% to 39% (taking investments at book value). With strong profitability and a pre-tax interest cover of over 12 times, gearing is clearly below optimum, a factor of which management must be conscious.



Barlows' Rosholt ... expanding the base

This strengthening of the balance sheet has been in no small way a product of the group's acquisition programme in recent years. The drop in the debt equity ratio from 41% to 39% last year, for example, was largely due to the takeover of the virtually ungeared and cash-rich C G Smith group in January.

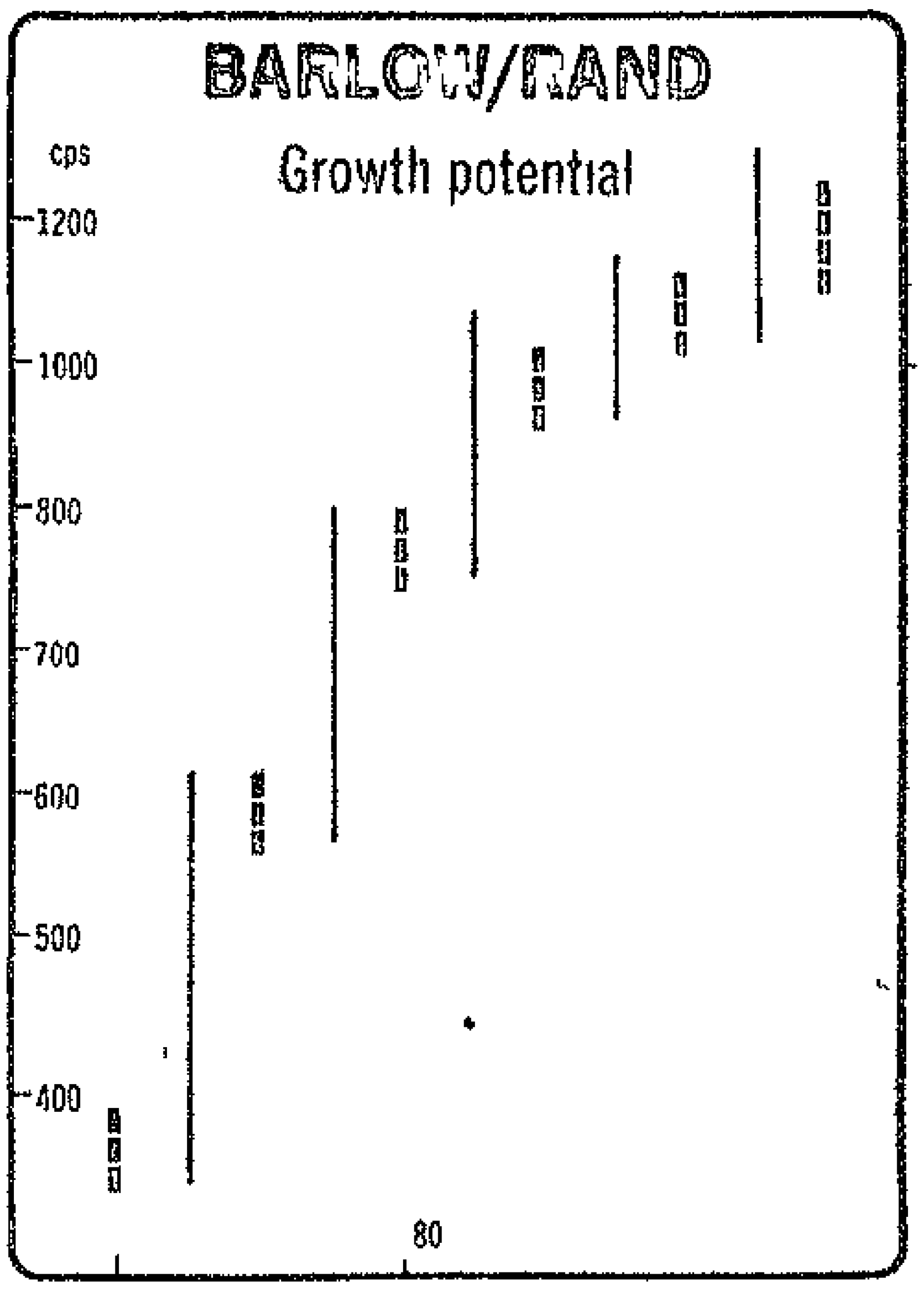
Oddly, however, although this could prove to be the most important acquisition since the Rand Mines takeover in 1971, the group has tended to down-play the initial impact it has had on results. While conceding that it was a "very significant acquisition ... in terms of the expanded range of activities brought into the group", executive chairman Mike Rosholt repeats in his annual review the statement in the preliminary profit announcement that there was no significant effect on earnings.

But, according to my estimates, the additional earnings attributable to Smith for the nine months accounted for some 8% of the overall increase in net earnings and enhanced the per share figure by about 5c (2,9%). This is after taking into account the proportionately smaller contribution from Nampak, which was sold to Smith as part-payment for a controlling interest in that group. In addition, it compares with the forecast a year ago, when the takeover was first announced, that there would be a slight earnings dilution.

Perhaps, though, it is all a matter of how one interprets "significant". On the one hand, the R8,7m in additional profits which flowed from this takeover is equivalent to some 25c per share on the 34m new shares issued in the deal. And that is almost 50% more than earnings for the rest of the group as previously constituted would have been. But once this is spread over the full 125,5m shares now in issue, the overall effect is obviously very much smaller.

Still, the R8,7m was among the largest factors in the overall profit improvement, having been exceeded by mining (including gold dividends), up R20,2m, and the building materials division whose profit contribution increased R17,4m. Other noteworthy gains included Pretoria Portland Cement which chalked up a 92% profit rise, and Middelburg Steel & Alloys, 84% higher. These each accounted for about 10,5% of the group profit increase. Together these five activities contributed some 71% of the total improvement.

For the current year, nearly all of the 14 divisions are looking to a further improvement in results. Exceptions include ferro-alloys, where "strongly reduced



spective;
- orientation to the subject ... per-
Each course will consist of two sessions per week incl.

CALAN (180) FM 5/12/80

Strength in diversity

›stors have, it seems, a long memory glomerate remain a dirty word judg- by the inferior atings ascribed to ›rsified holding companies on the JSE owing profit dips in the mid-Seventies v, however, the game has changed glomerates have entered a new and onger growth phase as poor performing l uncomplementary elements were sold d managements strengthened

That is especially true of Calan, the ghting, plastics, electrical wholesaling, res and footwear group which is at- acting a fair share of brokers' recom- endations Profits dipped in 1978 as two ements of the five-division conglomerate ›rformed badly Since then, profit has own strongly, despite some manage- ent problems in the tyre division, atyre

Last year, however, earnings were 100c 7c) and chairman Peter Grobbelaar ex- cts 15% real growth in the year to end- ne Looking behind the numbers at Ca- i's major operating subsidiaries more an justifies this confidence and leaves › share's relatively poor rating (it yields :%, compared with Abercom's 7%, Pro- ı Holdings' 6,7% and Rennies' 7,1%) as striking anomaly in Diagonal Street

In all likelihood, given the strong expec- 'ions of the operating subsidiaries plus e recent low-cost acquisition of the Ed- ls shoe manufacturing interests and elrose Footwear Grobbelaar's forecast ll be conservative

Calan's operations cover a number of arket sectors But central to Grobbe- ar's philosophy is that every subsidiary ust be a dominant force in its market d that management be decentralised ›wn to the operating level So, given iat appears to be a strong management am now Natvre is sorted out, Calan's ture looks sound

Growth in all major subsidiaries this ar should be strong, though high fixed st manufacturing operations promise e lion › share of the increase And ityre's return to profitability under e new leadership of ex-executive MD ›nnie Tollemache will give a boost to the ar's results

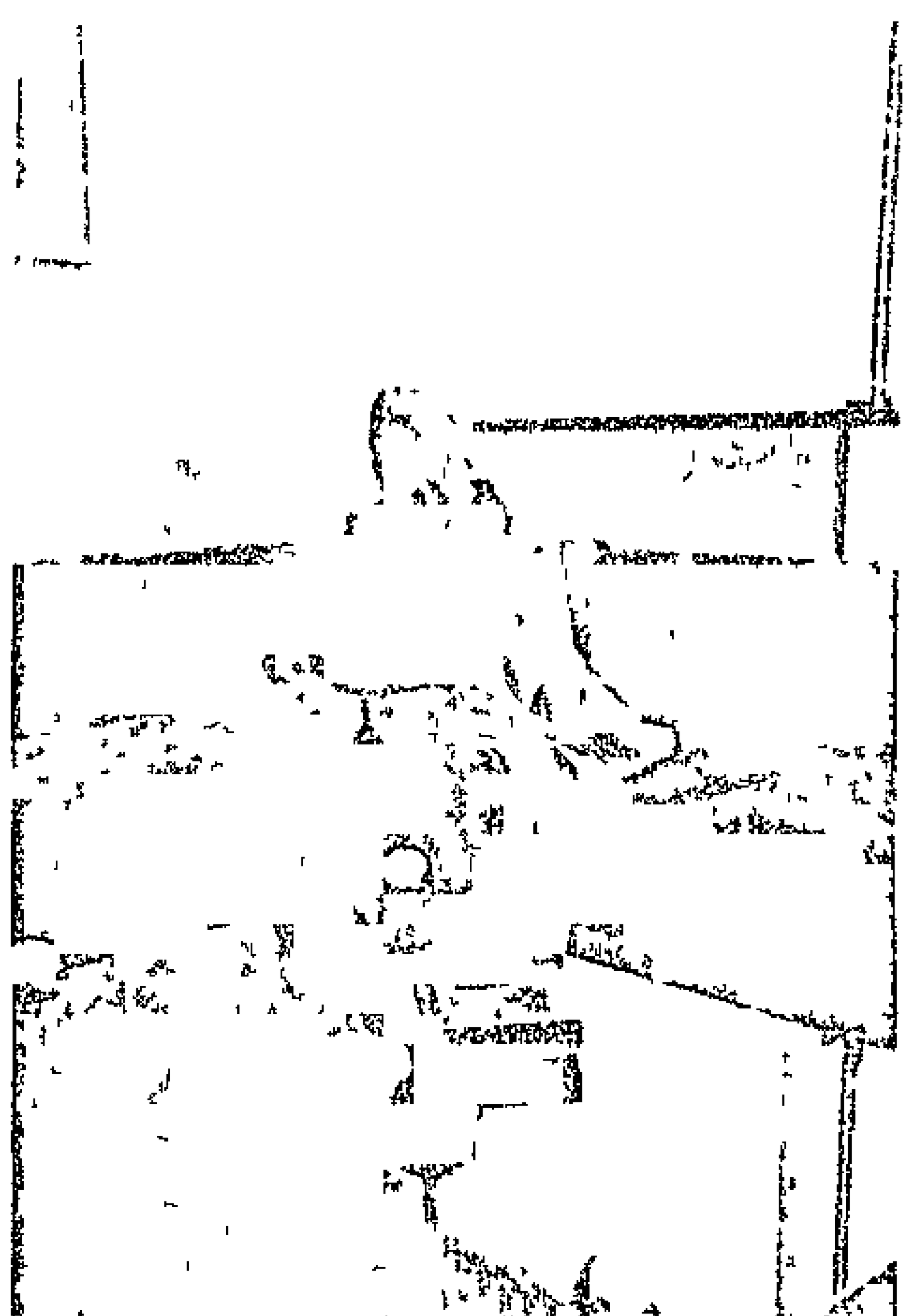
The group's prime profit source since ityre fell from grace is Omega-Barfel, 's largest plastic products manufactur- MD Barry O'Brien is brimming with nfidence as demand for Omega's pro- cts keep its three factories working 24 urs a day and, in some cases, has tified additional capacity

ı 1978 Omega was a problem area as ›petition and costs cut into margins e O Brien took over, every product st earn its keep or go In addition, ›ega has now been shaped into a more diversified plastics extruder and injection moulder so a dip in one market segment should not overly harm profit potential Thus as demand picks up and factories run overtime profitability is very strong

At present Omega's product range stretches from yoghurt containers to soft drink crates and mining hoses O Brien is not satisfied He wants his newly formed marketing division to continue hunting new products and patents which will en- able Omega to distance itself as far as possible from seasonal influences But expansion he says, will only be directed at areas where management is assured of strong longer-term orders to avoid the danger of being overcapitalised in any area should demand fall off

Expansion is centring on the Olifants- fontein factory where new injection moulding capacity is being installed and will account for most of Calan's capex this year

A similar picture emerges at Lascon, the lighting subsidiary formed through the merger in 1978 of Calan's Consolidated Lighting and Allied & Lighting Services With a range of over 200 standard and specialised light fittings in its catalogue, joint MDs "Bunny" Frey and Gordon Forbes claim Lascon is one of the most sophisticated and largest lighting groups in the world This claim is backed up by plans to embark into the export field



Calan's Grobbelaar . reflections on a bright future

After the merger Lascon added to its capacity so few problems are expected in customer supply And though Lascon bene- fits from the profit gearing of a manufac- turer it receives an added advantage in having flexible capacity Forbes says for example that having no foundry of its own Lascon can turn on or off at will without adding to its irrecoupable over- heads Similarly it can switch production from say high-rise fittings to low-cost housing units as the need arises

The major trading arm in the Calan group is electrical-wholesaler Litecor un- der the management of Roy Hirschowitz, previous financial director of group com- pany SA Kultuurbeleggings As the largest contributor to group turnover, and yet not having the advantageous profit gearing of a manufacturer, Litecor demands strict control on buying activities Hirschowitz says the need to stock more than 16 000 items some of which can be slow moving, means management must monitor order- ing constantly In this way the organisa- tion remains trim and minimises its in- vestment in warehousing facilities yet still offers a range sufficient to keep it among the top three electrical wholesalers in SA Thus the credo that anything well bought is half sold plus decentralised manage- ment in the 15 branches nationwide has produced growth in Litecor ' even during the bad years

Hirschowitz complains that like the oth- er major wholesalers, Litecor is vulner- able to the small operators who undercut in good times and disappear in the bad Nevertheless with strict buying and cred- it control he is optimistic that Litecor will produce records this year

In fiscal 1980, tyre distributor and re- treader Natvre suffered serious manage- ment and quality problems at a time when the motor industry was a poor performer The result was Natvre slipped from being the largest profit contributor to the lowest

Group MD Ronnie Tollemache's move into the subsidiary with a small equity stake seems to be correcting that prob- lem Tollemache admits that regaining market share is difficult but with a small- er and better motivated staff he is confi- dent that Natvre will soon again challenge for first place in the Calan profit stakes

The company's factories are running full blast to meet year-end demand and quality has been improved with the re- ceipt of an SABS mark Tollemache says that '1981 may not be too dramatic but I am looking forward to 1982 This confi- dence is well founded on potential demand once the current motor industry splurge creates replacement demand for tyres and related accessories And being one of the

N. KOBUS

D. LANGEVELDT

Pol, Sc, 11, 54% Psy, 2, 34%

country's largest retreaders, Natyre is well placed to benefit from this prospect

In addition to these four foundations of its business, Calan recently became the country's largest shoe manufacturer with the acquisition of the Eddels assets to add to its existing Dick Whittington, D I Fram and Wayne Rubber subsidiaries And this week, SA's largest safety footwear manufacturer Fram acquired its major competitor Melrose Footwear

Grobbelaar says the Eddels acquisition is performing better than had been expected, so much so that some profit contribution is on the cards this year With the Eddels and Dick Whittington factories in Pietermaritzburg, Calan has a total capacity of some 15 000 pairs a day, which is more than double capability at end-financial 1980

-Fram MD David Lethbridge says with the acquisition of Melrose the new group will be in a position to rationalise its shoe range and production facilities In addition, Fram has embarked on an export drive which, so far, has secured contracts to supply safety footwear to Germany and the UK This year, the export drive extends to France and Switzerland, with the result that up to 20% of the Fram Melrose group's capacity could be exported

Though the footwear division's growth is recent, it is probably Calan's most exciting prospect near-term Not only is the group now the undisputed market leader, but its sales are in the basic footwear market where volatile fashion trends are of minor importance

With subsidiaries covering such a broad spread of interests in sound industries and having a dominant share of their markets, one would have expected Calan to receive a better rating on the JSE

It seems, however, that Calan's strength — motivated and decentralised management — is one of the issues about which the market is sensitive A decentralised policy works well with the best hands on the operating helms, but should any problem areas emerge, some feel control is too distant to react timeously

In Calan's case, however, this is not true Operating managements are strong and the policy of keeping corporate HQ as trim a possible is supported by rigid financial parameters and quick reporting Thus, after agreeing on corporate budgets, operating management is given a free rein in the market place Grobbelaar is satisfied that Calan's management is strong, which leaves the small HQ staff free to formulate objectives and monitor overall targets

The near future for the Calan group looks likely to revolve around the development of the existing five major operating areas — plastics, electrical wholesaling, lighting, tyres and shoes Other subsidiaries, like encyclopaedia distributor SA Kultuurbeleggings, do not contribute a large proportion of profit, and the foundations have been cast for a five-direction development

Grobbelaar's forecast of 15% real earnings growth this year will probably prove conservative The group seems set for a 30% earnings improvement to about 125c a share That implies a total dividend of 47c Given the possibility of this well-founded growth, the market appears to be erring by rating Calan at a high prospective 11,3%, when the industrial market averages out around 6%

Des Kilalea

CAPACITY UTILISATION (180)

Below the ceiling

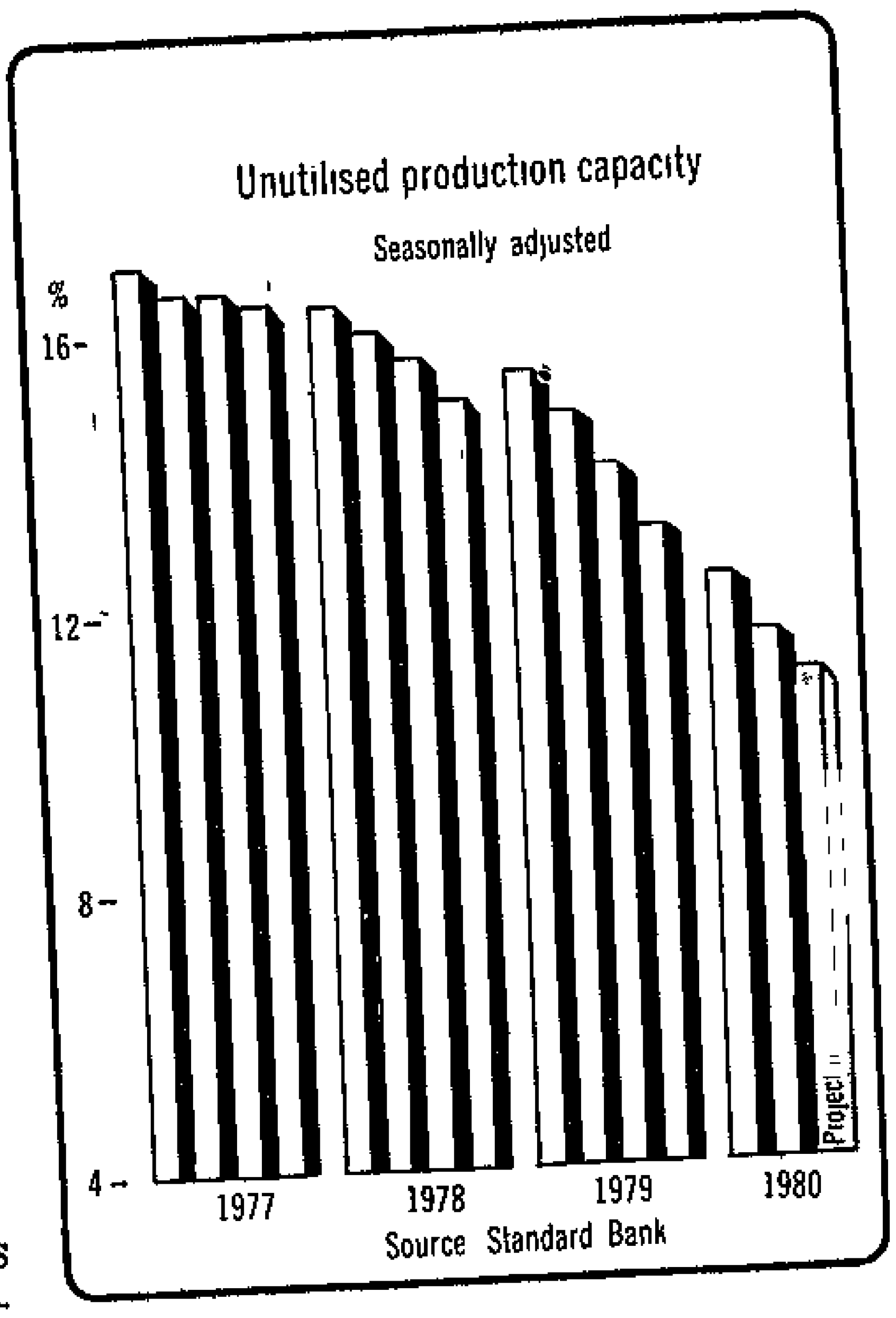
FM 19/12/80

Productive capacity is rapidly topping out Responses to a Department of Statistics survey on levels of utilisation in the manufacturing industry reveal an average at the end of August of less than 89%

This kind of percentage is generally reckoned by economists to represent complete capacity utilisation But the Department points out that the survey was based on estimates furnished by individual manufacturing establishments of the extent to which they could further increase their outputs without fresh investment in fixed assets and without significantly increasing unit costs

So the overall figure of nearly 90% represents, in fact, the widespread belief among manufacturers that manufacturing industry in general has not yet reached a full capacity position It says, in effect, that most manufacturers are still operating about 10% below effective full capacity

Underutilisation percentages covering nearly 30 manufacturing sectors range between 5% and 20% Of the key basic industries, that of non-ferrous basic metals appears to be furthest away from full capacity at about 17% The ferrous metal basic industries, by contrast, are operating only about 8% below their capacity ceilings And the industrial chemical sector retains very little production slack, with an estimated 5% left in hand Whereas metal products and machinery, operating at about 85% capacity utilisation, can still meet further demand



Among consumer goods, remaining production capacity in car manufacturing, despite the steady fall in spare capacity since 1978, and the rapid rise in car sales this year, remains at a relatively healthy 12% On the other hand, the fall-off in retail food sales is indicated by a spare capacity level higher than it has been at any time since 1978.

A significant and surprising fact emerging from the survey is that the prime cause sited by respondents for underutilisation is insufficient demand This means that the manufacturing industry, which has of course borne the brunt of the dramatic increase in domestic expenditure in 1980, can cope with still more It suggests as well that the much vaunted onset of demand inflation may not have yet begun in earnest But the threat is serious

More important, where resource shortages are cited as secondary reasons for underutilisation, raw material shortages invariably take precedence over labour and skill shortages The respondents to the survey seem to have bypassed the fact that a dearth of skilled labour is universally cited as one of the major inflationary problems facing the economy at the moment

As far as labour supply is cited as being a cause for capacity underutilisation, shortages of white (ie skilled) labour do on balance receive greater weightings than those of black labour This is more pronounced in the non-consumer sectors of the manufacturing industry, and corresponds to a large extent to the relative weightings for demand factors In other words, where end-user demand is shown to be relatively high, and unused capacity low, skilled labour shortages will generally receive a large weighting, which makes sense

However, the far greater weightings given to raw material shortages appear to be something of an anomaly The raw material producing industries, with the exception of iron and steel and chemicals, generally show comparatively high levels of underutilisation And even these exceptions indicate a belief in their ability to produce more in the immediate term without further investment, with its associated time lags It may well be that the putative raw material shortage is, more than anything else, a function of inefficiency in communication, allocation and distribution

MANUFACTURING – GENERAL

2 JANUARY 1981 —— 14 DECEMBER 1981

AFROX (180) FM 2/1/81

Growth oriented

Activities. *The group comprises three divisions medical and industrial gases, welding and cutting equipment, and engineering BOC International (UK) holds 60% of the equity*
Chairman: *J B Sutherland, managing director P G Joubert*
Capital structure *29,9m ordinaries of 50c Market capitalisation R149,5m*
Financial: *Year to September 30 1980 Borrowings long- and medium-term, R26,6m, net short-term, R8,2m Debt equity ratio 29,4% Current ratio 1,7 Group cash flow R25,3m Capital commitments R28m*
Share market. *Price 500c (1979-80 high, 655c, low, 275c, trading volume last quarter, 109 500 shares) Yields 12,1% on earnings, 5,8% on dividend Cover 2,1 PE ratio 8,3*

	'77	'78	'79	'80
Return on cap %	22,1	20,3	18,0	17,6
Turnover (Rm)	132	135	153	179
Pre-tax profit (Rm)	18,0	20,8	22,0	27,1
Gross margin %	13,7	16,1	15,1	16,4
Earnings (c)	34,4	40,0	42,6	60,6
Dividends (c)	14	17,5	21,5	29
Net asset value (c)	241	306	349	400

After compound growth rates of 24% in earnings and 22,5% in dividends over the past five years, there is little reason to doubt that the "improved results" forecast for 1981 by chairman Beau Sutherland will at least keep the group abreast of the general industrial pack

Despite the forecast slow-down of economic growth rates, which could affect Afrox during its second half, the benefits of capacity expansion and the possibility of an improved performance by engineering subsidiary Dowson & Dobson should ensure an earnings growth rate in the 25%-30% range, with dividends to match On this basis, a distribution of 38c looks possible, putting the share on a prospective yield of 7,6% at the current price of 500c

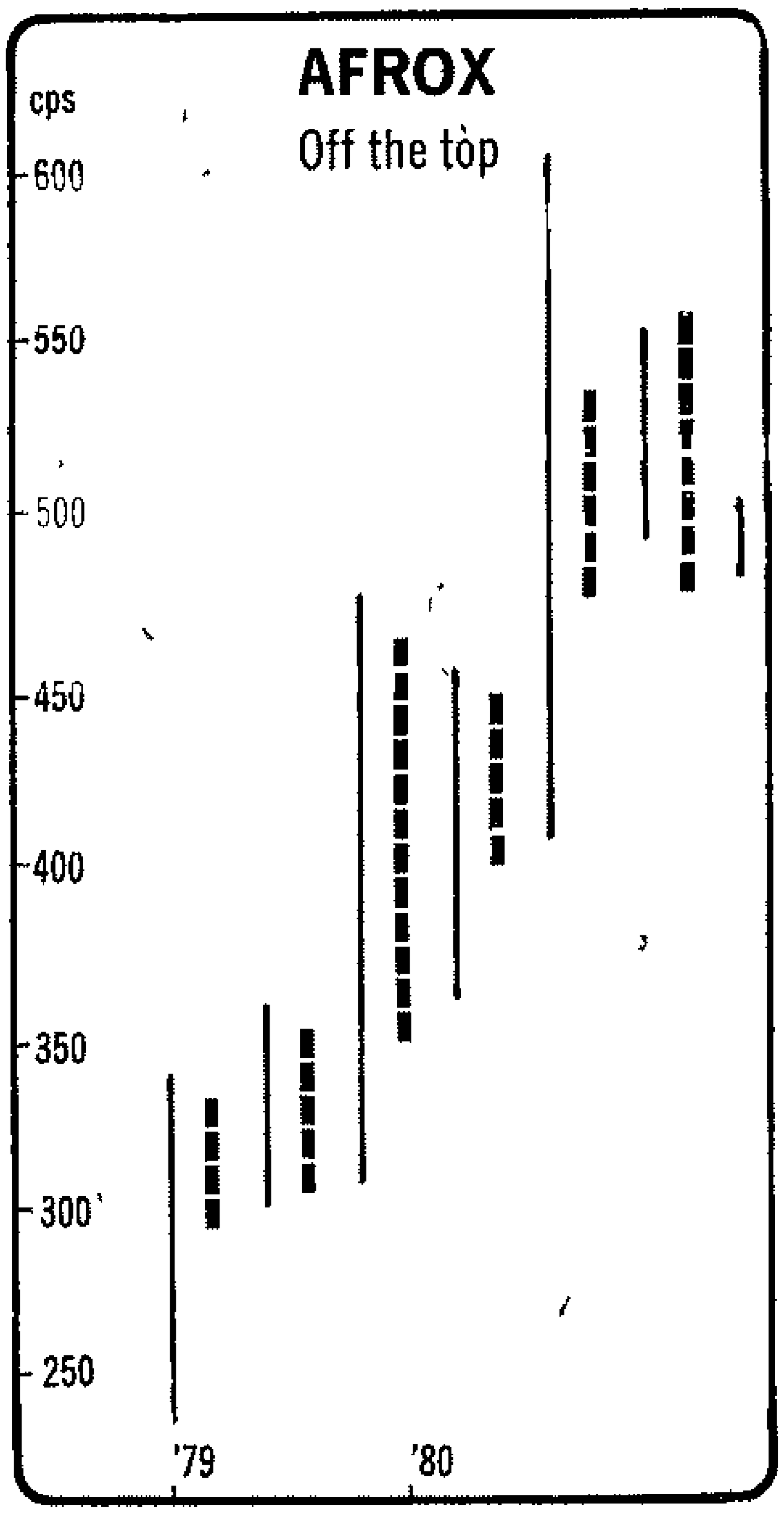
One of the interesting aspects of Afrox is the accounting system which it has developed over the years, based on a constant reappraisal of the current value of fixed assets

While it is only one of many groups to use this method of inflation accounting, the system in Afrox's case has been developed to a degree of sophistication that makes any additional benefits which might be derived from full current cost accounting of questionable value

For instance, published earnings of 58,9c a share are only 5% above the current cost figure of 55,9c This underlines that inflation accounting need not be complicated to be effective

Afrox's system is, in essence, very simple Fixed assets (mainly gas cylinders) are revalued annually and the income statement is drawn up accordingly, with excess depreciation charged on the higher asset value The effect is that the income statement and balance sheet remain fully related, which is not the case with lifo-based accounts, and none of the problems of continuity which are self-evident in the current cost system are encountered and have to be dealt with

These constant revaluations and increases in depreciation obviously affect group profit ratios and this has been one



of the factors behind the progressive drop in the gross return (pre-tax and interest) on total capital employed from a peak of 22,1% in 1977 to the present 17,6% The situation will continue until inflation rates come down

But an equally important consideration in this regard has been the marked increase in capex during the period, which inevitably leads to an inflation of the capital employed base without a corresponding profit improvement For instance, last year's expenditure of R21m was largely absorbed by a gas plant in Pretoria (commissioned in July) and a new welding wire facility in Brits. Although the latter came on stream in February, the normal teething problems associated with new plant meant that the profit contribution from this source was also minimal A solid contribution is likely this year

Logically, the gross return ratio should tend to bottom out as capex tails off, but this is unlikely to happen before 1983 Expenditure this year is estimated at R28m and is expected to remain high in 1982 as well

This expansion, however, involves a progressive increase in borrowings and is thus correcting what was previously an under-geared balance sheet situation Borrowings, excluding liabilities relating to lease contracts, which have been included in the accounts for the first time, were up about R10m last year and the total debt equity ratio increased to 29,4% (18,4%) The benefits of this improved gearing were reflected in the fact that the pre-tax return on total shareholders' funds edged up from 21,2% to 22,9% (after having declined during the previous two years), despite the continued drop in the gross return

Returns could also be materially affected by a long-overdue upturn at engineering subsidiary Dowson & Dobson This division has performed disappointingly in each of the past four years and in 1980 was merely able to maintain trading profits (before interest) despite an 11% turnover improvement

According to Sutherland, activities are being hampered by severe competition and a shortage of skilled workers But results were also affected by non-recurring costs and disruptions flowing from ongoing extensions to the machine shop, which is being converted to the local manufacture of previously imported products This is, however, nearing completion, so some improvement could be evident in the current year, although problems of low margins and labour are likely to remain

From a point of view of market rating, Afrox is perhaps unfortunate to be listed in the engineering sector, which is presently trading on a higher yield basis than the industrial market as a whole Its yields — historic and prospective — are roughly in line with the sector averages, but the strong growth record suggests that the share is under-valued and can be bought for medium-term portfolios

Brian Thompson

INFLATION ACCOUNTING

The silent thief

(180) FM 16/1/81

SA's system of investment incentives must be restructured to protect industry from the insidious effects of inflation and to permit rational choices between investment in physical or human capital, says the FCI In a memorandum addressed to the Standing Commission of Inquiry into Taxation Policy, the FCI records some adverse trends affecting the prospects for manufacturing industry, and argues that some or all are related to current tax structures and incentives

The FCI claims that there has been a general decline in the productivity of capital in the manufacturing sector during the Seventies, while monetary, fiscal, labour and decentralisation policies have interfered with price signals, distorting the balance between capital and labour

Equally seriously, the current system of investment incentives has, in an inflationary context, exerted a differential impact on assets of varying economic life, discriminating against long-life assets (see table). The loading of the fiscal scales in favour of investment in short-lived assets has encouraged the installation of labour-saving machinery with an adverse influence on black employment prospects

Concurrently, investment in large-scale manufacturing plant (on which industrial capacity really depends) has been discouraged The existing system of incentives fails to provide for the replacement of long-life plant — especially when it takes several years to install — at anything like current inflation rates, say 13% to 15% (see chart)

And the inadequate fiscal and accounting approach to replacement financing in an inflationary situation has "caused the taxation of illusory profits and over-declaration of dividends, cutting into real company savings and eroding the ability of the manufacturing sector to finance expansion"

The run-down state of British industry is appalling testimony to the eventual effects of inadequate provision for capital renewal under inflationary conditions How far the local situation has deteriorated already can be illustrated by Reserve Bank statistics, which reflect a net erosion of capital of R564m in SA industry over the period 1970 to 1978, through inadequate provision for depreciation

But it is vital to avoid the debate over the issue degenerating into an adversary relationship between industry and the Revenue department, as both parties have a common interest in continued industrial health, which provides both profits and tax revenue

And the issues are complex — not all of industry's problems can be blamed on the combination of inflation and tax policy Thus it has been suggested that the declining trend in return on industrial capital during the Seventies has, at least partly, been caused by the restrictions on free employment contained in the Physical Planning Act, so requiring a political remedy

Then too, the current system of investment incentives was originated to promote industrial expansion, rather than as an ad hoc system of inflation relief, which is what it has very substantially become (The current system also, of course, includes added fiscal incentives for regional

INFLATION RATES FOR WHICH 30% INVESTMENT ALLOWANCE COMPENSATES

	Operational asset life			
	5 years*	10 years†	15 years†	20 years†
	%	%	%	%
All expenditure in one year; initial production in same year	25,5	16,5	16,0	15,8
Expenditure phased over 3 years; initial production in third year	12,7	9,7	9,4	9,3

*Wear and tear allowances on straight line basis.
†Wear and tear allowances 20% on declining balance.
NB Initial allowance: 25%.

industrial development)

Government already recognises the need for adjustment — the Standing Commission is currently investigating the entire system of investment allowances, assisted by Profesor A P Zevenbergen, head of the Bureau for Financial Analysis of the University of Pretoria (*FM* December 12 1980)

The FCI's recommendations on inflation protection fall into two parts — those relating to capital investment and those concerning trading stock For capital investment, two main approaches present themselves — asset revaluation to take account of the impact of inflation, and changes in the present rules for depreciation to permit more rapid recovery of capital costs

The FCI's preferred solution is a simple one — the "recovery of capital consumption during the year the asset is acquired " The alternative of asset revaluation would confront the accounting profession with intractable problems, involving a large subjective element

The deduction of the full amount of capital investment in plant and equipment in the year of acquisition would be a relatively simple procedure with a number of advantages Says the FCI "The administrative burden of complex systems of capital accounts for tax recording purposes would be eliminated and tax reporting would be brought closer into line with accurate financial reporting procedures " And, as deductions from taxable income would be made in the same money as that in which the assets are purchased, this system would be unaffected by variations in the rate of inflation It would also be neutral on the issue of asset life, so eliminating the distortions caused by the present system It would also align the tax status of capital investment in industry with that of investment in mining and agriculture

Productivity and growth

Assuming that a positive real rate of return exists within a company, it would stimulate investment in long life assets without encouraging investment in labour-substituting short-life assets "It would thus encourage productivity and economic growth in the longer term without discriminating against employment creation in the short term."

The FCI also finds fault with the present definition of capital expenditure, and recommends its extension to include certain items (like pre-production interest) which are necessary in practical terms for the operation of an industrial concern, but not currently given recognition by the Income Tax Act, either on the capital or revenue side

The FCI recommends that all expenditure incurred in the process of conducting a business of manufacture should classify either as revenue or capital and that the definition of a "process of manufacture" should be broadened to include "all costs where expenditure of a capital nature is incurred because the taxpayer is engaged in the process of manufacture "

The FCI recommends as a short-term measure for trading stock the more general application of the lifo ("last in first out") system of stock valuation This would require the removal of certain current complexities, and, argues the FCI, a more co-operative attitude by the commissioner But other sources say there is no major obstacle to any taxpayer switching to lifo Perhaps the real cause of the reluctance to switch is that lifo would throw up lower disclosed profits

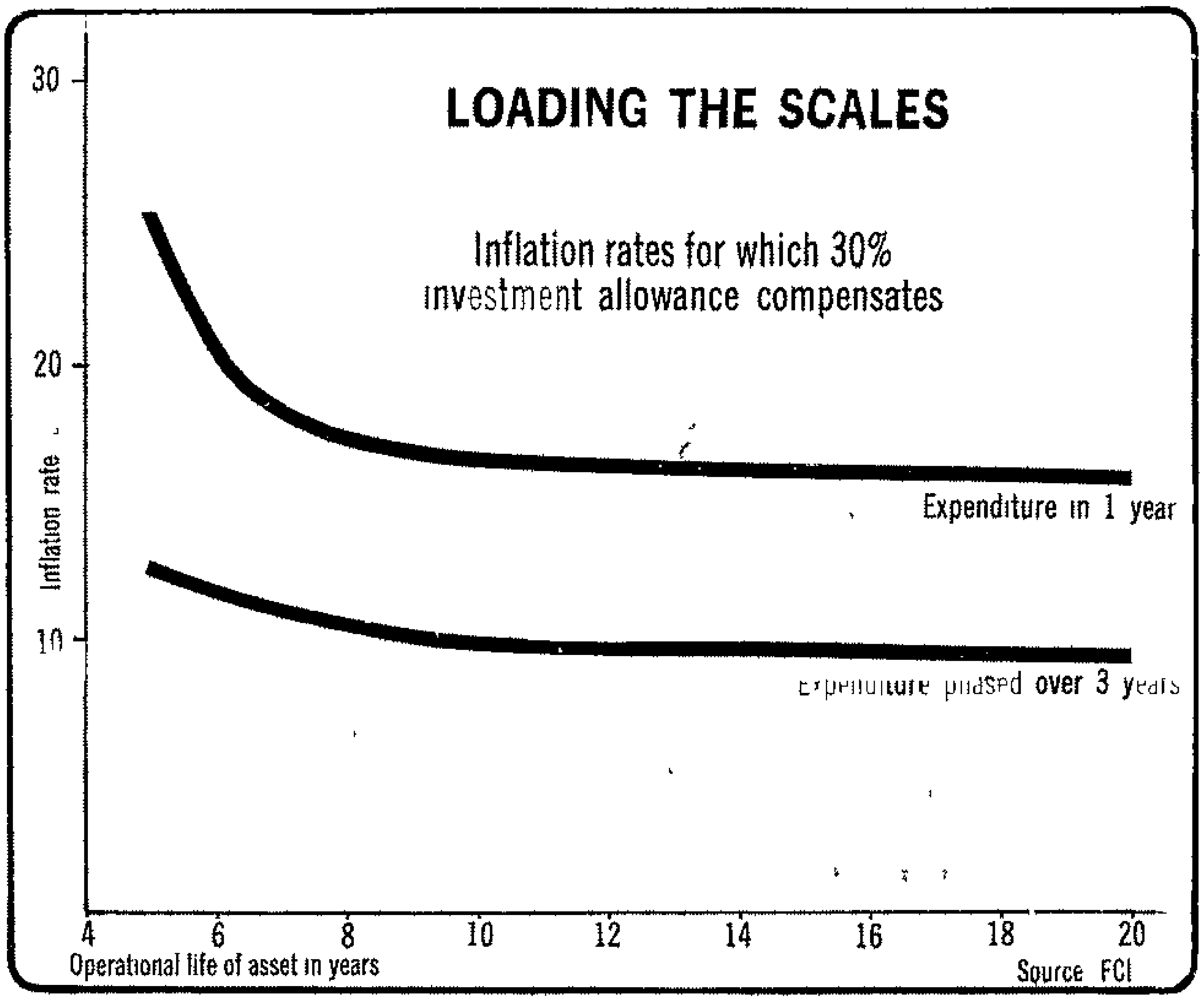
In the longer term, says the FCI, a formal system of inflation adjustment is needed, enabling the taxpayer to deduct from taxable income the rise in stock values attributable to inflation during the year of assessment (It seems that this is broadly speaking achievable without encountering the accounting complexities involved in revaluing capital assets) The lifo system merely defers tax on inventory appreciation — this concession would eliminate it

Informed sources suggest that the Revenue department might be reluctant to change over to a system of expensing of all industrial capital expenditure for fear of a grave loss of revenue in the year of change This objection could be met by making the change at a time of buoyant aggregate revenue, like the present

On the broader issues, some sources argue that it would be quite wrong for industry to load all responsibility for solving these problems on to government There is nothing to stop any corporate taxpayer from calling a halt to the policy of self-deception (and deception of shareholders and creditors) over profit levels during inflationary conditions

On the contrary, there already exists the strongest possible encouragement for such a change in the form of Guideline 4 003 of the National Council of Chartered Accountants (SA), which regrettably few concerns have actually adopted The more general application of GAAP 4 003 could, very plausibly, greatly strengthen industry's hand in subsequent negotiations with the Revenue department Accounting sources claim that the commissioner attaches considerable weight to generally accepted accounting principles

Some companies are already setting an example, for instance, Iscor in the public sector and Dunlop in the private Both disclose the effect of inflation in their accounts in one way or another, and Iscor has just switched to a lifo system (which has had the effect of reducing the net profit from R152,6m to R77,5m) Iscor also provides additional reserves for asset replacement



Dunlop's earnings per share for the 1979 year on the conventional basis are 65c· adjusted for inflation they are only 36c, demonstrating the courage needed to face the truth about the impact of inflation

Industry, while continuing reasoned negotiations with government over this tricky issue, should meanwhile take firmer action on its own initiative, showing the effects of inflation through the application of 4 003 Quoted companies which evade this obligation should not escape criticism from investment analysts

SBDC soars above target of R50-million

16/1/81

57 APR

180

Business Reporter

The founding committee of the Small Business Development Corporation (SBDC) has pushed up its target for private-sector investment to R75-million, it was announced in Johannesburg yesterday.

The initial target of R50-million had already been oversubscribed by more than R7-million, said Dr Anton Rupert, leader of the committee. The final date for subscription has been extended from the end of last month to the end of this month.

This means that the corporation could start off with a share capital of up to R150-million. The R50-million had already been committed by the Government but the corporation would apply to the Government to subscribe the same amount as the private sector.

Mining companies top the subscription list with more than R16-million, second lie industrial companies with almost R13-million. Then come banks with R12,25-million, insurance companies with R10,45-million, oil companies with R4,5-million, motor companies with R450 000 and last newspaper groups with R300 000.

However, no subscriptions has yet been received from trade or commerce, Dr Rupert said. "This is remarkable in view of traders' current high profits," he added.

The SBDC is to be registered on February 3 and the first board meeting is down for February 12. Groups from the private sector, which contributed R1-million or any larger amount, will be allowed to nominate one director. Government is to nominate one quarter of total number of directors. Apart from these board members, directors will have the right to nominate experts in any field as board members.

The corporation would promote small businesses mainly by providing guarantees for bank loans when applicants have little or no personal security to provide. It would also provide an advisory service.

Legislation still has to be passed this year but it is not known when the SBDC will start operations.

The SBDC represented the ethical commitment of private enterprise to the community. Without an ethical backing, capitalism was doomed, Dr Rupert said.

ARCHITECTURE

(Continued)

Mrs. Thornton White Prize

For the best work in first year.

Miss M F J Sandilands

S A Brick Association Prize

For the student who has made best use of bricks in his design work.

J G Kirkman

R Stubbs Award

For the best project in structure and design.

M R I Ness

National Development Fund for the Building Industry Book Prizes

For the best student in each year of study of the degree course.

First Year

Manufacturers' big role in economy

21/9/81 Star (180) (81)

By Ann Crotty

Information from the Department of Statistics highlights the importance of manufacturers in the economy during 1979.

The information concerns registered companies with assets exceeding R250 000 — assets of these undertakings represent more than 90 percent of the total assets of all companies

With 1 043 760 workers, the manufacturing division is the largest employer and pays wages and salaries of R3 946,3-million.

The next largest employer is the mining and quarrying sector with 648 879 workers, paying R1 551,5-million in salaries and wages.

The division titled wholesale and retail trade and catering and accomodation services, employing only 606 327, pays wages and salaries of R2 475,093-million. This sector has the largest gross income with R41 910,6-million

LION MATCH . FM 23/1/80 (180)

Cash build-up

Activities. *Manufactures and distributes matches and razor blades Assembles sunglasses and has interests in packaging The distribution division handles scissors, disposable lighters and garden tools Wilkinson Match (UK) owns 64,8% of the equity*
Chairman: *H A Williams, managing director R W Harker*
Capital structure. *8,8m ordinaries of R1 Market capitalisation R37,2m*
Financial: *18 months to September 30 1980 Net cash R6,4m Debt equity ratio 1,7% Current ratio 2,6 Group cash flow R9,8m Capital commitments R575 000*
Share market *Price 425c (1980-81 high, 480c, low, 355c, trading volume last quarter, 40 000 shares) Yields 13,8% on earnings, 6,3% on dividend Cover 2,2 PE ratio 7,3*

	**'77	'78	'79	'80*
Return on cap %	18 0†	20,9	20 9	26 0†
Turnover (Rm)	37 6	35 7	39,4	74 2
Pre-tax profit (Rm)	5,6	5,3	6,0	13,4
Gross margin %	16 0	15,6	15 4	18 1
Earnings (c)	29 3†	34,6	39 2	58,5†
Dividends (c)	13†	17,5	20‡	26 7‡
Net asset value (c)	235	270	286	330

* 18 months to September 30 1980
** 15 months to March 31 1977
† Annualised
‡ Excludes 5c bonus

The main feature of Lion's accounts continues to be the strong liquidity build-up This trend has been evident for at least five years and it emphasises the company's need for an acquisition or some other major expansion of its activities

The 18-month accounting period saw cash resources of this virtually ungeared group increase by R1,9m to R6,9m, despite sharply increased expenditure on fixed assets and the additional investment in working capital made necessary by increased trading Together, these two items absorbed R6,2m compared with only R2,9m for the previous 12 months

And taking the position since 1974, the group has repaid all but R470 000 of its borrowings, which totalled R6,6m in December 1974, in addition to establishing its net cash position

Considering that the balance sheet was hardly over-geared at end-1974, with a debt equity ratio of 36%, this indicates an overall surplus cash generation of some R12,4m over the period — R2m more than has been distributed by way of dividends

Chairman Alan Williams was optimistic that a worthwhile acquisition would be concluded last year, but although a number of possibilities were investigated, nothing materialised In his latest statement, Williams comments that the group remains committed to its expansion policy and that suitable investment opportunities are "continually being sought by management"

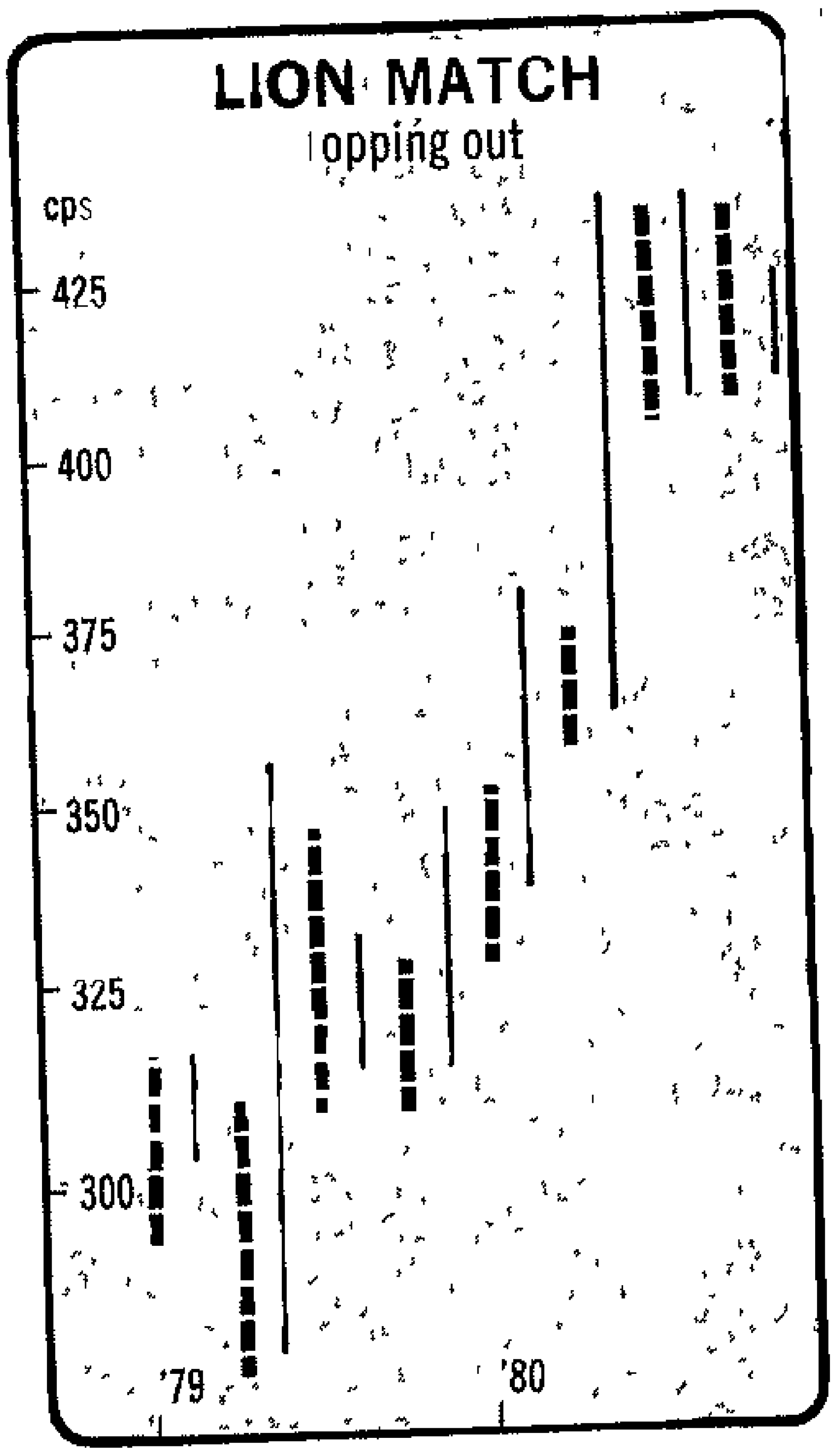
There are, however, diversification and expansion possibilities within the group's existing line-up of products and activities For instance, R2m is being invested in the packaging division this year following Interpak's acquisition of the exclusive right in Southern Africa to a newly developed process for the indirect metallisation of a wide range of packaging materials

Similarly, the group is now assembling the Camargue range of sunglasses which it introduced to SA during the 1979 financial year as a distribution activity Also, it is now manufacturing a virtually full range of razor blades, which again started off as a distribution activity, and the same potential exists for other products handled by the selling division, namely scissors, disposable lighters and garden tools

Despite the diversification of recent years, matches are still the back-bone of profits In the latest accounting period, local activities in this field accounted for 53,5% of operating profits, and if foreign interests (Zimbabwe and Malawi, Mozambique is not consolidated) are included this proportion rises to nearly 66%

Local operations performed quite well, with an annualised 20% operating profit improvement With no increase in the controlled price, this represented almost entirely better volumes and cost control

On the face of it, it seems hardly credible that people light more fires in



good times than in bad, but the explanation is that roughly three-quarters of match sales are to blacks and it was the improved economic situation in this sector of the population which benefited the group

Foreign operations had mixed results Profits were well up in Zimbabwe, aided by the cessation of hostilities But in Malawi they were hit by substantial raw material price increases

By far the most important contributor to the overall profit improvement, however, was Interpak which, like others in this field, made strong headway as a result of the higher level of economic activity Annualised operating profit rose 74% and the additional income from this source accounted for nearly half the group profit increase

Combined results of shaving products, sunglasses and the sales division swung from a R367 000 loss in 1979 to a R119 000 profit, mainly as a result of the turnaround at Camargue during the last six months

As for the current year, Williams forecasts a profit improvement "in excess of inflation" The group's assessment of its prospects, however, has traditionally been conservative and shareholders can probably count on a gain of between 25% and 30% in earnings and dividends, taking the

DUNLOP FM 23/1/81

Spare capacity

180

New vehicle sales reached a record 4?5 000 units last year and were partially responsible for Dunlop's 24% hike in turnover. But MD Clive Hooper points out that the real impact on earnings was better capacity utilisation.

Car and truck purchases were only 11% above those in 1979. "We were not over-extended at that time in terms of equipment in our motor-orientated divisions," he says, "so we had no need for additional capex last year."

The increased profitability is reflected in the hike in pre tax profits from R15,9m to R22,4m in the year ended December 31 — a rise of 41%. This translates into a rise in operating margins from 12% to 14,5% over the period. Earnings a share climbed from 65c to 94c and the total payout was 51c (34c).

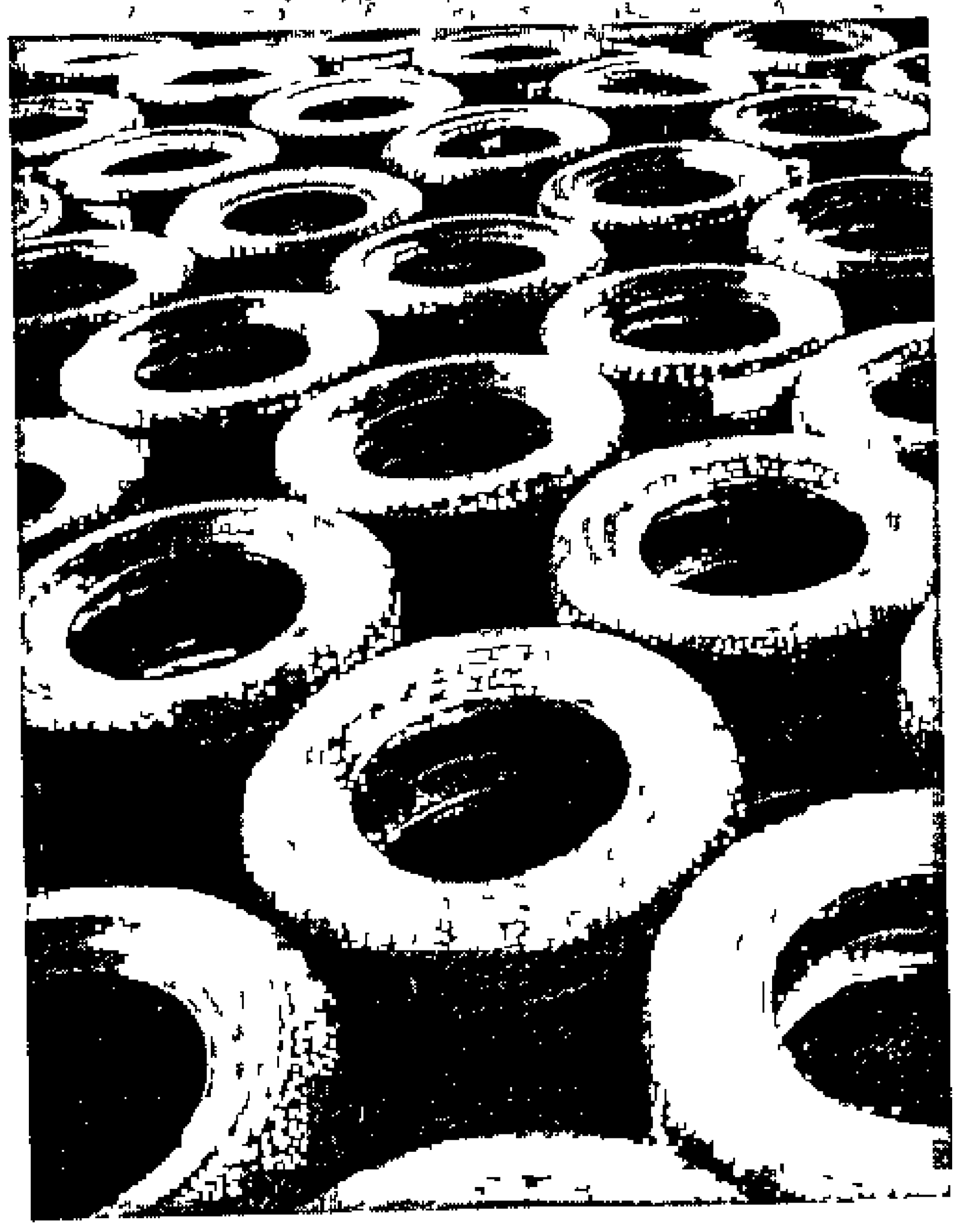
There was considerable expansion in the industrial products division, however, where the company has a three-year R10m capex programme in progress to instal equipment used in the manufacture of steel reinforced and PVC conveyor belting.

The industry was awarded a 10,6% tyre price increase on January 19, with the previous increase taking place at the beginning of 1980. Though this rise does not cover the inflation rate over the last year, Hooper believes that, notwithstanding any 1973-style oil crises or similar disturbances, there should be no need to call for an interim increase, though obviously the relatively small rise granted could curb profit growth.

[illegible] expects the motor industry [illegible] real [illegible] sales [illegible] 1980 [illegible] earnings and dividends [illegible]

be expected to grow in line with this, according to Hooper.

Growth through acquisition is also a possibility, Hooper says, pointing out that the venture into conveyor belt manufacture was solidly within the group's traditional operating areas. He adds that acquisitions outside the normal fields are becoming very expensive at present.



Dunlop . . . putting wheels on profits

However, even with such expansion in mind, Hooper does not foresee any constraints on financing for at least three years, adding that the debt:equity ratio for the past year was well under 10%. As a result, he says, there should also be no need to change group dividend policy of about 1,9 times cover.

Though the performance forecast for the current year could put growth at as low as 15% to 16%, it would seem more likely that an increase of at least 20% will be attained. Consumer expenditure seems set to continue at relatively high levels, though, as Hooper admits, if the authorities make a concerted attempt to control inflation this year it could spell the end of spending on durables.

Nevertheless, earnings could rise to around 115c, indicating a total payout of over 60c. At the current 660c, the share offers a reasonably attractive prospective 9,1%.

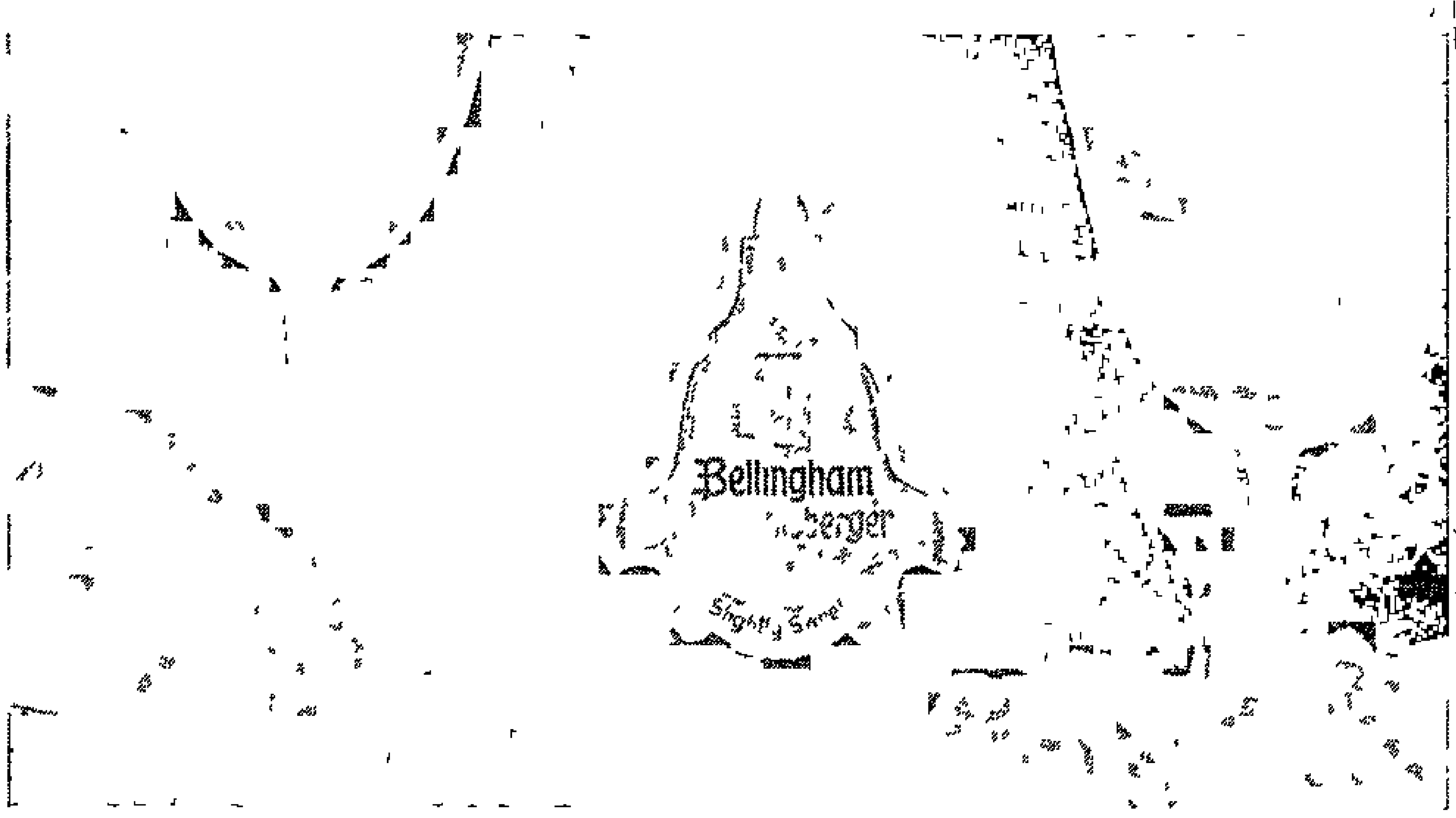
Scott Hawker

PICBEL 180 FM 30/1/81

A fresh approach

Activities: *Investment holding company with operating subsidiaries in liquor, hotels and electrical goods wholesaling Owns 77% of Picfin, 57% of Picprop, 86% of Piccan and 100% of Sagit Picfin holds 60% of Uniewyn, which holds 80% of Picotel Directors hold 49% of the equity*
Chairman: *J A J Pickard*
Capital structure: *4,4m ordinaries of 50c, 4m 9% red cum prefs of R1, 46 550 5,5% cum prefs of R20 Market capitalisation R13,9m*
Financial. *Year to June 30 1979 Borrowings long- and medium-term, R14,2m, net short-term, R39,3m Debt equity ratio 123% Current ratio 1,2 Group cash flow R13,0m Capital commitments R832 000*
Share market. *Price 315c (1980 81 high, 325c, low, 105c, trading volume last quarter, 247 000 shares) Yields 22,9% on earnings, 2,5% on dividend Cover 9,0 PE ratio 4,4*

	'77	'78	'79	'80
Return on cap %	16,5	15,9	16,2	18,5
Turnover (Rm)	343	352	391	498
Pre-tax profit (Rm)	7,6	6,7	8 4	13 9
Gross margin %	4 7	4 6	4 4	4 5
Earnings (c)	32,6	15,8	26,0	72,2
Dividends (c)	4	4	4	8
Net asset value (c)	118	99	110	771



Picbel . . . plenty of money for expansion

After a year in which the Picbel group's operating structure and balance sheet appear to have been dragged into line, chairman Jan Pickard now sounds confident that he will be able to get back into the hunt for new acquisitions

Certainly, his earnings and dividend forecasts for the current year, made at the annual general meeting last month, seem to reflect the additional operating efficiency which should result from the recent thinning out

It is a pity, though, that reporting standards seem to have gone up the spout While the annual report is dated November 10, the *FM* received its copy on December 16 — three days before the agm And we were lucky the copy in the JSE Listings Department library is date-stamped December 23, while one of the larger broking firms received its copy on Christmas eve The report should have been distributed not later than November 28

After earning 72c in the year ended June 30, Pickard is now looking to earnings of around 140c this year, while he anticipates the payout as being "at least double" last year's 8c — welcome news, indeed, for those who have recently bought the share on an historic 2,4 dividend yield This 8c payment was the first change since the dividend was dropped from 7c to 4c in 1975 The prospective 5,1% offered at a share price of 315c this week is however, only in line with the industrial sector historic average

Since the last financial statements, the group has seen its meat operation, through Asokor and Karoo, turn into a 40% investment in Karoo (now a Kanhym subsidiary) through Picfoods (formerly Asokor) Picbel's indirect subsidiary Union Wine has also seen a change in status in the liquor industry since the revamp by the majors, and it is Pickard's confirmed intention to buy up the 65 bottle stores still available to him by government decree These changes, including the elimination of goodwill, have mainly been responsible for the seven-fold increase in net worth

Since the year-end, Piccan has sold off its canning assets to Langeberg Co-op for around R7m, but far from staying a cash shell, Piccan subsequently absorbed the assets of electrical goods wholesaler and distributor Katz International, which was formerly a Picfin subsidiary

Pickard told me this week that the assets and operations of Katz had earlier been transferred to Picbel, though the company itself remained under Picfin — tough luck for those who bought Picfin hoping to get the benefit of its Katz operations, for this change could not be picked up from the accounts!

Logans, the sports goods retailer in the group, was also transferred to Piccan earlier this month (again without much publicity) The price paid by Piccan for both these has not yet been finalised

Of course, all these transactions have left the group with a great deal of cash, and the sale of Piccan's assets will now have relieved the group of a large debt and stock liability The debt equity ratio had already been cut by half over the year to stand at 123% and the position should have improved further after the jettisoning of the Piccan operation

Though Pickard has a still lower debt target the current position is not unrealistic for Picbel, which he now sees as the banker for the rest of the group, and thus required to hold funds for subsidiaries

Pickard is keeping mum on further rationalisation — which could see Picfin taking Picprop from Sagit and thereby holding all the operating companies — but he does say that the improved debt position will allow him to look around for acquisitions He adds that he intends streamlining the group further over the next year

Nor will he comment on whether expansion will be in the current operating areas or not though liquor and white goods are obvious areas But with the degree of diversification already in group structure it is quite possible a new operating arm could be added

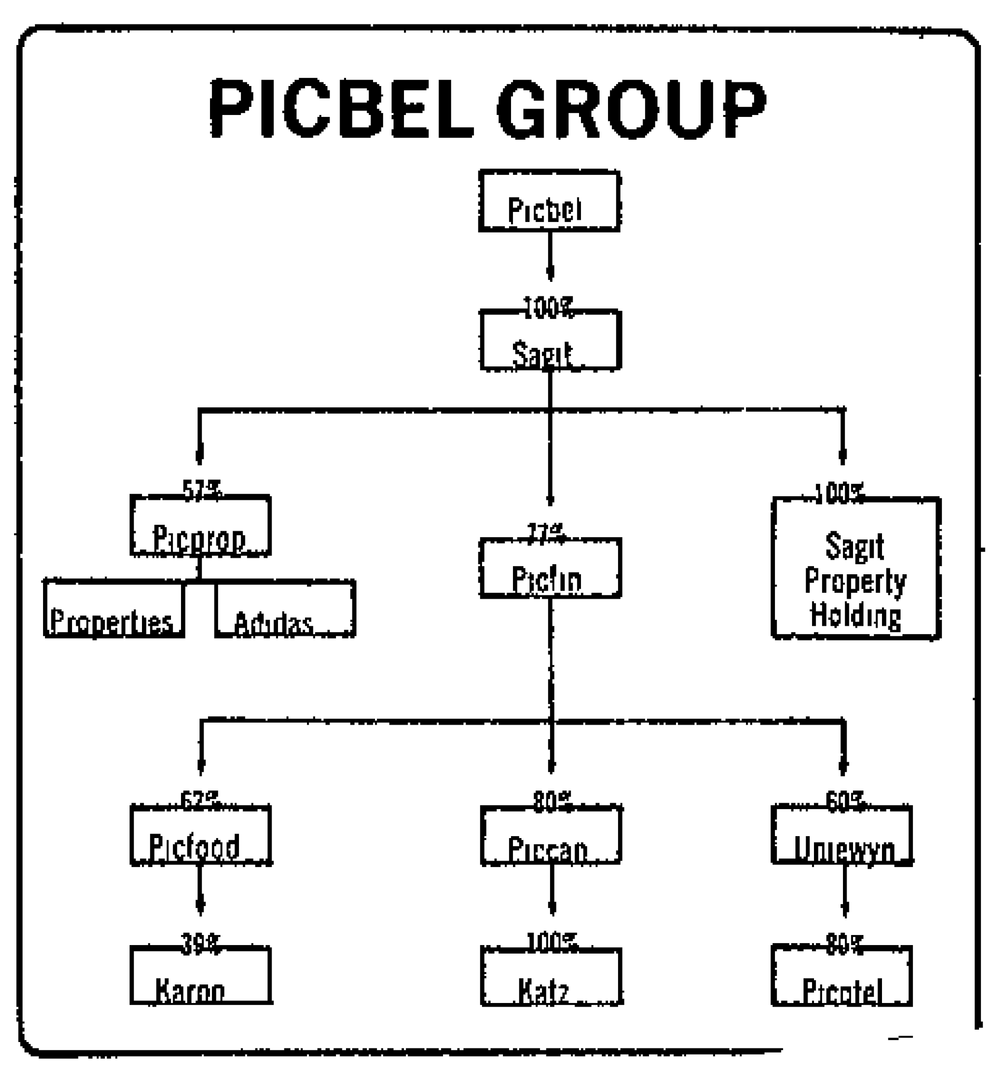
The group's stake in Tollgate is purely a strategic investment he insists and there are no plans to enlarge the holding at present

Pickard sees recent acquisition Sechic — which holds the lucrative Adidas franchise — as being well placed in Picprop, though it could be logically housed elsewhere in the group He reasons that the property arm of the group which typically grows relatively slowly, is well supported by the quicker-moving sports goods business

The balance sheet is now considerably more healthy than it has been for some time and last year's improvement in performance across the board reflects this Pickard's forecast for the current year should be met without too much difficulty and, though the share is fully priced at present — if not fairly expensive — a longer-term view on expansion prospects gives the conglomerate a better look than it has had in recent years

DATES TO REMEMBER

Last day to register for dividends·
Friday February 6 Blue Circle 23c, Dunlop 33c, East Dagga 15c, FS Development 15c, New Wits 18c, President Catering 5½c, SA Land 20c, Selected Mining 18c, Southvaal 260c, T & I Accept 13c, Vaal Reefs 700c, Vogelstruisbult 11c, Western Deep 400c
Meetings
Monday February 2 Bertrams (Stellenbosch), Eureka (S)
Thursday February 5 Quincor (O & S) (Cape)
Friday February 6 Atrox, Plate Glass
All meetings are in Johannesburg unless otherwise stated
S = Special O & S Ordinary and special



12. Income el ... ied as

(1) $^{Y}/_{Q}$

(2) $^{\Delta Q}/_{Y}$

(3) $^{Q}/_{\Delta Q}$

(4) $^{Q}/_{Y}$ x

(5) $^{\Delta Q}/_{\Delta P}$

13. If you were ... wanted to raise the price of ba... ng actions would you take?

(1) Take ba... from government storage and sell it on the ... market

... their barley-

... in production).

MANUFACTURING

Levelling off

(180)

FM 30/1/81

Manufacturing activity, which is at a high level, is expected to level off in the first quarter of 1981, says the Stellenbosch Bureau of Economic Research But optimism is strong, delivery periods are lengthening and a net 60% of the bureau's respondents believe business conditions will be better than a year ago.

This is reflected by the net 34% of manufacturers who plan to expand their productive capacity in the present quarter, up 18% on the proportion of respondents who expanded productive capacity in the last quarter of 1980.

These findings are supported by Statistics Department figures, which show that in the year to end-November 1980, the physical volume of manufacturing production rose 9,9% — a flattening of the rate of growth compared with earlier months but at a very high level. And while the increase in net manufacturing profits in the year to end-September 1980 was 41,2%, lower than the rate of increase in net profits in the years to the end of the March and June 1980 quarters, growth in capital expenditure on new assets in the year to end-September hit a high of 63,7%.

Employment has risen and overtime figures show that in the half-year to end-June 1980, overtime as a percentage of ordinary hours worked rose from 12,1% in January 1980 to 14% in June 1980. This sharp rise is likely to have continued as Christmas demand gathered momentum.

Investment is most likely to be concentrated in those sectors with the highest productive utilisation capacity Such sectors include clothing, raw materials for construction, chemicals, furniture and household appliances

The Bureau warns, however, that traditional skilled and semi-skilled labour bottlenecks, raw material shortages and the increasing cost of finance will accelerate the rate of inflation in manufacturing Last year total costs rose an average 10% per unit of production

... a Point flats ... effect of rent control that laid a ma... ...are foot would be to:

(1) Help alleviate the housing shortage in Cape Town.

(2) Increase the rate of turnover in flats.

(3) Increase the chances of newly married couples finding a flat in Sea Point.

(4) Make it more difficult for newcomers to find a flat.

(5) All three possibilities 1, 2 and 3 above.

15 . If the income elasticity of demand for maize was known to be exactly 0,6 and if South Africans consume 80 million bags of maize per annum then the effect of South African real incomes rising by an average of 20% would be to:

(1) Reduce the demand for maize by 8%.

(2) Create a surplus of 16 m. bags of maize.

(3) Increase South African consumption of maize by an indeterminate amount.

Company tax

*7 Mr H H SCHWARZ asked the Minister of Finance

What amount in company tax was collected from (a) mining and (b) non-mining companies in each month of 1980?

The MINISTER OF FINANCE (Reply laid upon the Table with leave of House)

Hans 2 Ques Col 34

	(a) Mining Companies	(b) Non-Mining Companies
	R	R
January	5 035 453	293 654 226
February	623 375 516	121 427 507
March	5 162 025	208 027 382
April	6 863 051	135 479 811
May	368 255 879	120 255 702
June	47 105 337	178 095 042
July	9 751 114	330 140 082
August	1 068 383 680	118 539 272
September	15 335 046	241 468 000
October	943 003	174 107 567
November	403 453 866	104 744 362
December	64 628 992	286 229 318

These amounts include loan levy where applicable

4/2/81

58

330

180

R10

identify and solve problems and a problem orientation to a case will de-emphasize the role of the super-specialist and emphasize the role of the generalist, thus hopefully, checking the tendency towards super-specialisation.

Mr. Chairman, recently when I looked over my slides with all the wise ideas which I borrowed from the literature available, I was reminded of a feeling of ambivalence which I experienced when I visited the Jefferson Memorial in Washington DC, and realised that the beautiful writings on the wall of the monument which listed the rights of the individual were written by a man who kept slaves!

I believe in what I have told you about the importance of political social and economic factors in health, and I am proud to be a member of the staff of U.C.T. and G.S.H., yet, I live in a country where political and social privileges are limited to one sector of the population. Where the "Have's" and the "have not's" are distinguished on the basis of the activity of the melanocytes in their skin. I work in a hospital where few, if any, of the doctors believe that they discriminate between one patient or another, but where we can never prove this objectively to ourselves, our students or our patients, until these patients lie side by side in the same ward. I work in a hospital where, contrary to what has been published in the press, most doctors are satisfied with their salaries but are deeply disturbed by the fact that similarly qualified colleagues earn less than they do. I work in a health care sytem where those in charge have publicly expressed fine ideals for the health of the individual but where the already limited funds are being used to duplicate equipment and resources for ideological reasons. None of these activities in which I am engaged can be said to improve health.

Mr. Chairman, I also work in a University where many academics including myself, wake up too late, and criticize actions when they could possibly have used their influence to prevent these, but did'nt because they believe politics should be kept out of medicine. This despite the fact, that health development is "a political and social process".

Mr. Chairman, I have been greatly concerned about what message, I,

as a specialist in diseases of the liver, can give to an audience like this one. The Xhosa word for liver is Isibindi, 'he has a liver' - is Unesibindi, Unesibindi is said of those who have courage. It takes courage to change the emphasis of medical care from cure to prevention, and it takes even more courage to eliminate inequalities of health care especially when these may be influenced by ideology. Nevertheless, Mr. Chairman, I would like to express the wish that all those involved in our health services should qualify for the term UNESISINDI.

180

By Graeme Addison

The Government is pursuing plans for a R27-million "poison pipeline" into the sea at Richards Bay

The controversial pipeline will carry a variety of chemical waste products four km out to sea

In December the Minister of Water Affairs, Dr Nak van der Merwe, said the pipeline was needed to attract a R500-million Mondi Paper pulp mill to Richards Bay

Mondi's managing director, Mr Reg Donner, said in Johannesburg plans for the huge mill had not gone beyond the investigation stage

The other user of the pipeline may be the Triomf Fertiliser plant which needs to dump 10 000 tons of gypsum and 83 tons of fluorine each day

Full report See Briefing

Plea for equal treatment of small businesses

180

ST 5/2/81

By Mervyn Harris

A plea has been made for equal chances and fair treatment for small businesses in a system that benefits the economy as a whole and not only a few big companies

It comes from Professor Nic Swart, chairman of Potchefstroom University's Small Business Advisory Bureau, in an atricle in the latest issue of Energos, a Mobil Oil publication

He says that in some instances in the retail industry the small store is, in fact, subsidising big brother.

The problems of the small store may be as old as retailing but they have been accentuated by the unprecedented shift towards big stores because of the increasing inability of small stores to buy goods at competitive prices

The retail industry has, during the past five years, seen a massive concentration of capital, selling volume and consequent buying power by large groups with the opening of hyper, super and multi stores at strategic points.

DICTATING

The buying power of some of these groups has become so strong that they can now dictate to some manufacturers what products they want and what prices they will pay.

To comply with these demands, some manufacturers lower prices to such an extent that prices of the same products to small businesses have to be raised above a competitive level.

The manufacturer must cover his cost and show a profit. The result is that the small store has to make up for the loss to the giant and is subsidising big brother.

Professor Swart says that part of the benefit of this bargaining power may be passed on to the consumer but he asks what about the often less-affluent consumer who is not "privileged" to buy from these giant stores? He is, subsidising other consumers, says the professor

RENTAL SPACE

The same happens with rental space in many new shopping centres built at growth points and in densely populated areas

The developers want small businesses and chain stores in their centres. Chain stores draw the crowds and small stores add the variety and excitement.

When it comes to rents, however, some managements charge exorbitant rents to the small business and big stores are offered space at much lower rates.

"Again we find small business subsidising big brother. We have come across cases where the monthly rent to a small business starts at 10 percent of its sales with an annual escalation clause," says Professor Swart

"We are not asking for Government intervention, nor are we advocating that inefficient small businesses be kept artificially alive.

"What we ask for is equal chances and fair treatment for an important part of our economy," he says.

Potchefstroom University calculates that small retailers still handle about three-fifths of total retail-sales volume, although they are losing market share.

They have lost five percent of market share over the past five years, even though the number of small retailers increased.

Professor Swart says, however, that it is not easy to generalise on market share which varies from sector to sector — their share of the grocery trade would be lower than in men's clothing.

Commerce and industry affected

Pensions scheme will place 'unfair R290-m burden'

9/2/80

5 TM

30/180

Business Reporter

Commerce and industry will have to carry an unfair burden of some R290-million in the first year in which legislation on the transferability of pension funds comes into operation

So says pension fund ombudsman Mr Fiachra O Hanrahan, who calculates the R290 million on the basis of the Government's own figures contained in the White Paper on the legislation

Moreover, the funding burden of the industry will be raised by another R200 million by the money which would normally be withdrawn from funds, but would then become "frozen' in terms of the proposals

Combined with increased legal responsibility of employers whose funds will become preferential creditors under the proposed legislation, the increased cost of funding and an economic slow-down would send many funds to the wall, he says

The proposals as they now stand are not reasonable, he says, as they compel employers to make contributions to pay for inflationary salary increases which take place after the employees leave their firms

This imposes a burden on both funds and employees he says

The cost of R290-million to the pension funds to fund retained pensions is calculated at a mere 6 percent a year, which is in any event totally unrealistic in relation to inflation, he says

If it were to be based at 9 or a more realistic 10 or 12 percent, the R290 million becomes a very conservative figure

In a time of boom, most companies can face increased pension fund contributions However, the effect when the boom comes to an end will be serious

Some overseas companies have already indicated that they will modify their local funds' benefits to reduce exposure in S.A. he says.

FACULTY OF ENGINEERING

Corporation Medals

For the best student in each of the 2nd, 3rd and final years.

Second Year (Bronze Medal)

Miss G C Littlewort

Third Year (Silver Medal)

Miss N C Davidson

Fourth Year (Gold Medal)

P M Salmon
T J Cumming
D P Weeks
J H Rens
B F McCleland

Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering Drawing.

L Menegaldo

A E & C I Prize

For the first year student obtaining the highest average mark.

G L Cragg

13/2/81 Star

27 firms give R1-m or more to SBDC

~~96~~ 180

Twenty-seven industrial, commercial and banking groups have subscribed a million rand or more to the capital of the Small Business Development Corporation.

This was revealed in Pretoria yesterday at the first meeting of the corporation's board.

Each group contributing a million rand or more is entitled to appoint a director, and the State has appointed an additional seven

The chairman of the board and of the executive committee is Dr Anton Rupert. Three members who have already been co-opted are Mr Sam Motsuenyane, of the National African Federated Chambers of Commerce, Mr J N Reddy of the New Republic Bank, and Mr Fred Harris, a Cape Town businessman.

The corporation now has a management structure and will get to work immediately guaranteeing loans by banks to small businessmen.

The SBDC has already obtained more then R60-million from the private sector. Its initial capital amounts to R150-million, as the State is contributing on a rnad-for-rand basis.

More subscriptions of capital are expected — Sapa.

Spreading the base

(180) FM 13/2/81

There is something symbolic about the two most recent acquisitions of Anglo-Transvaal Industries In its two largest deals in the past decade, ATI, the industrial arm of mining group Anglovaal, has bought the Durban-based family group Bakers and the dynamic, also family controlled, construction and electronics group Grinaker Holdings The voracious appetite of big business leaves less room for family businesses That is where the symbolism comes in, for Anglovaal is controlled by the Hersov and Menell families Premature though it may be, analysts are now asking just how much longer before the biter is bit

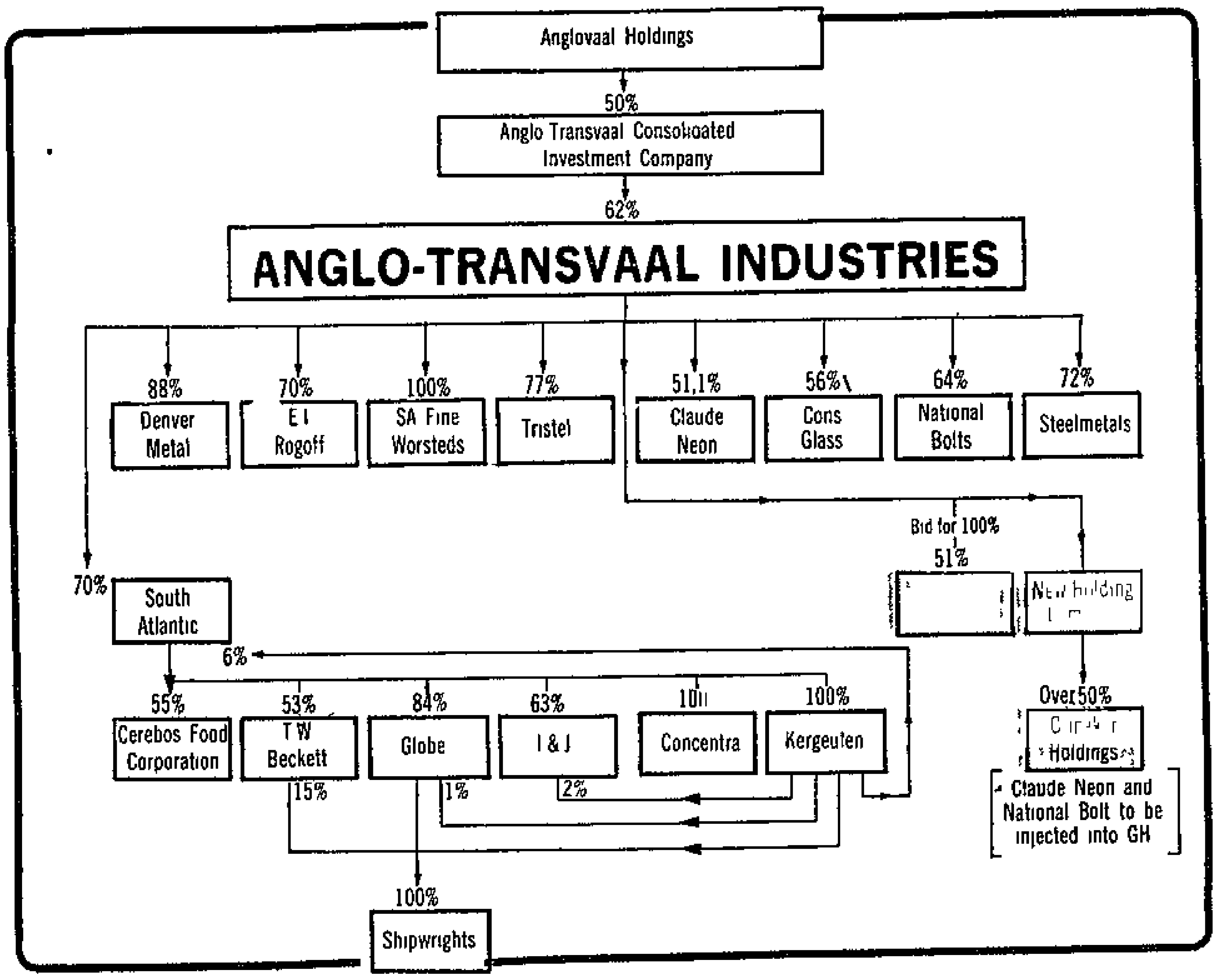
As is often the case in SA, ATI owes its existence to the mining industry. Originally the concept was that Anglovaal would hold controlling interests in the companies which supplied its mines This did not work for too long, running a mining house and an industrial conglomerate require different skills. Thus the formation of ATI, which today has interests as diverse as textiles, glass and plastics, construction, biscuits, tea and coffee, merchandising, fishing and food, engineering and ship repair

Impressive spread

The spread of interests in ATI is not only impressive but also confusing Analysts too often fall into the trap of expertly dissecting the smaller operating companies in the group without grasping the overall picture. And that, the financiers are now saying, is where the big action is going to be. To take control of Anglovaal, its mines and industries, would require an investment of about R193m at today's prices. This leaves, on the list of candidates, names such as Anglo American, Gencor and Barlows Though ATI's industrial interests may be too widespread and not cohesive enough for Barlows' liking, the meshing of an industrial group with mining interests (Barlows) and a mining group with industrial interests (ATI) make sense to some A bid is not likely, but it's not impossible

While that sort of conjecture in the market place may have some foundation, a more fundamental question is what makes ATI worth its market capitalisation of R81m and where is the conglomerate headed?

To some analysts, purists maybe, ATI is a hodge-podge of industrial interests with little cohesion or rationale That view seems to be supported by our table Nor is the cohesion aspect denied by chairman Basil Hersov who, with right-hand man Bob Hamilton, maintains full control over the group's decentralised management. That may sound contradictory, but it exists in practice Overall group policy and financing are head office prerogatives but day-to-day management, with monthly report-backs, is the domain of corporate managers Both Hersov and Hamilton tell the *FM* that because management is completely decentralised no cohesion is need-



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Third Year (Silver Medal)
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Fourth Year (Gold Medal)
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D P Meeks
J H Rens
B F McClelland

Anglovaal's Hersov . . . steady growth, few disappointments, as the build-up continues

ed. Good investments are the objective and if a food processor offers good returns it need not be judged on its ability to mesh in with a steel merchandiser Irritating to some, though, the group is in no way confined by any overall development strategy

The wide range of interests can put strain on head office management, however, and rationalisation in 1972 was designed to rid the group of loss-makers and problem areas Hamilton agrees that head office management is sometimes disproportionately employed by trouble spots. He cites the recent sale of Globe subsidiary James Brown & Hamer Sold to Murray & Roberts' Elgin Holdings, this company is one of the few disappointments recalled by Hersov.

"We hoped for lots from the marine division but the re-opening of Suez upset that, we hoped for lots from Rogoff, our indent export/import group, but import quotas upset that, and we hope for lots from fishing but nature sporadically upsets that "

Corrective action was taken in all these cases before serious group problems arose James Brown & Hamer, though it lost R854 000 in the 1980 financial year, was sold to Elgin at a small profit on Globe's book value of the company E I Rogoff could not be sold but was closed down and is now being wound-up after having lost only R20 000 in 1979 I & J has not lost the group any money but its margins in the food business, particularly fishing, are under severe pressure and the maintenance of profit levels is an achievement It is hoped corrective action in the form of fuel conversion to heavy and light distillates on large trawlers will reduce the impact of higher fuel costs.

Expansion of processed food plants, it is hoped, will release the log-jam caused by unexpectedly high consumer demand

ATI is a holding company whose only income is dividends So, though in the year to June 30 1980 consolidated group profit after tax and minorities was 48% up at R25,8m, the figure shareholders take more interest in is ATI's dividend income On an attributable basis this rose 70% to R7,5m Of this, 63% was paid out in dividends — high cover for a holding company which has high retention build-ups lower down the line But, says Hersov, this cover is needed for expansion if ATI is not to be purely a conduit for dividends

Hersov says each group company follows a financial policy suited to its own needs — not to the cash requirements of parent ATI Still, some analysts believe the drawback with such a structure as ATI's is that, inevitably, cash which could be better distributed remains locked into a low-return, capital intensive subsidiary And vice versa

A characteristic of the ATI stable is that no single company outshines the others as a growth performer In Grinaker and Bakers, however, ATI may have finally found high-growth companies Over the past three years, Grinaker has increased earnings by a compounded 28% a year and Bakers by 43,5% ATI over the same period has increased earnings by 38,5% a year compounded But Grinaker has achieved this growth rate during the end of recession in the construction industry

RIDING HIGH

Latest ABC circulation figures for the *FM* — an average of 26 227 copies an issue for the period July to December 1980 — are the highest in our almost 22-year life

Showing an increase of almost 8% on the same six months of 1979, and nearly 4% on January to June 1980, the steady gain from an already high circulation level is one of the more gratifying aspects of the figures

Over the last 18 months the *FM*'s circulation has risen by 19% During this period the cover price rose from 68c to R1 Advertising support has never been better, with both turnover and profits at record levels

so potential is for growth to increase. Thus both acquisitions should increase group growth over the next few years

What have been ATI's major profit contributors in the past? In financial 1980 little was different to the five-year trend — the divisional contribution to profit was engineering 39%, containers 38%, food 20% and other interests 13%

All subsidiaries declare dividends only once results are audited, so the ATI dividend is based on receipts declared out of profits earned by subsidiaries during the previous financial year So, though 186c a share was earned in 1980 and 34c paid out, the distribution from the 1980 earnings will take place this year and is expected to be not less than 45c a share

Growth this year, Hersov feels, will continue to be steady with strongly improved contributions expected from Grinaker and I & J Most group companies have higher capex commitments over the next year T W Beckett, for example, has just announced that December-half attributable taxed profit was 19% up at R2,7m. But capex has almost trebled to R3,3m. So dividend growth from the subsidiaries could well be restrained this year What will keep the pressure on, to maintain dividend flow to head office, is the high cost of servicing the two most recent acquisitions

The Bakers acquisition is to be mostly financed by the issue of R30m variable rate prefs with an initial yield of 6,25% Servicing this at 6,25% would cost nearly R2m a year, but the rate is linked to the prime overdraft rate so costs could escalate fast

But ATI has more up its sleeve and is asking shareholders to chip in A one-for-three rights offer at 550c, a 5% discount to the current market price, is being made. If all rights are taken up, ATI will raise R25,5m But ATI's issued capital will increase to 18,5m shares and if this year's dividend is to be increased to 45c a share, R8,3m will have to be drawn in from subsidiaries.

This, some analysts, argue, supports the case for investing directly into the operating companies rather than into ATI. The Catch 22 situation here, though, is that few of the subsidiaries are marketable — as the cross holdings in the table show For those institutions and pension funds wanting to make substantial long-term investments, ATI remains the one to go for For the individual, there is merit in going into the subsidiaries

During the past few years, Hersov tells the *FM*, the group re-invested much of its excess cash into its own companies It is unlikely to reduce its holdings in these companies That provides some sort of a floor to any possible fall in share prices. Hersov says the strategy will now be a combination of new investments, and topping up existing holdings when "opportunities arrive "

Ian Muil

CHEMICAL
(Continued)

Malan Chemical Engineering
Medals
For the best student in each of
the following years:-

RDM 14/2/81

Katlehong to get R300 000 complex

343 180

HARRY MASHABELA
Staff Reporter

THE Urban Foundation is establishing a R300 000 industrial complex, the first of its kind on the Reef, at Moshoeshoe Section Katlehong in the East Rand

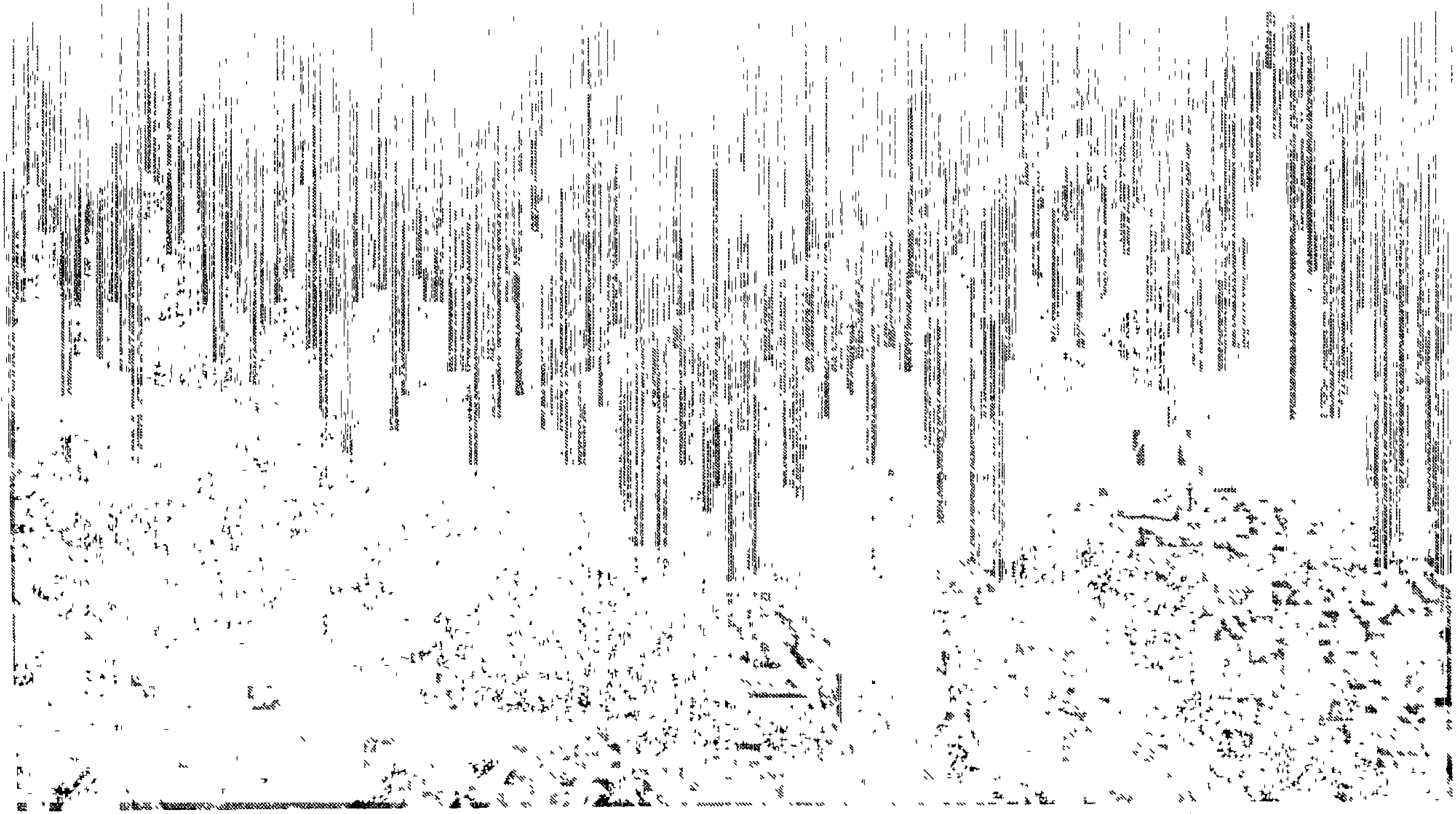
The aim is "to upgrade and extend industrial endeavours in Katlehong within the free enterprise system and to increase employment opportunies

The programme has four major elements — a counselling service, a series of factory flats, financing arrangements and a training programme

A business company consisting of traders resident in Katlehong, where there are already 30 manufacturers, would be formed to act as the vehicle for the programme

An amount of R60 000 would be needed to finance the initial stages of development

The Katlehong Council has already allocated the foundation a 3ha area comprising 51 fully serviced business sites



The timeless beauty of the Oribi Gorge is threatened by plans to build a railway and cement factory

(180) STM 18/2/81

Industry threatens Oribi

By Rob Soutter

Controversy is raging over a proposal to build a R100-million cement factory and railway line near the beautiful Oribi Gorge in southern Natal.

Public opposition is centred on a proposed railway line which would link the factory with Umtentweni near Port Shepstone on the Natal South Coast.

Mr Keith Cooper, director of conservation of the Wildlife Society of southern Africa, said: "The railway is another example of secretive Government planning, showing a disregard for the public."

The Natal Portland Cement Company announced plans for the factory and railway a month ago — but the railway scheme is already being pushed through Parliament.

This move has bypassed the Natal Town and Regional Planning Commission which has a brief to protect the environment from haphazard development.

The proposed railway would cut through a golf course and a residential area in Umtentweni.

Following public criticism the company later announced it would pay for an environmental impact report on the proposed line.

There are, however, fears this will be completed too late, with the line receiving parliamentary approval, rendering the report irrelevant.

Sustained opposition in Parliament last Thursday, forced the Minister of Transport Affairs Mr Schoeman — who introduced the Bill — to admit he had made a "stupid decision" and propose an amendment to allow alternative routes for the railway line.

Some conservationists fear the factory will be too close to the Oribi Gorge and may pollute the Umzimkulu River.

Mr Dennis Rowe, managing director of the company involved said the factory will be modern with little noise and no effluent.

Mr Cooper said: 'Conservationists are not against development — unless there is planning without thought for the environment.

"In this case the factory will be of considerable value to the region, as it will provide job opportunities.

'Furthermore," he said, "there are two other lime quarries in the area already.

But with the railway there has been unnecessary controversy because of secretive planning and disregard for the public interest," Mr Cooper said.

'People are sick of being planned upon. Government departments must make decisions with the public, not over their heads.

'Thumbs up to the cement company for doing the environmental impact report, but this should have been done before the issue went to Parliament, for the railway and the factory site combined, and it should be made public."

Political accent in SA industry intrigues Britons

180 >NOK 24/2/81

A British engineer on a study tour of South Africa, finds it "difficult to divorce politics from industry in this country."

Mr Gordon Anderson is one of a group of seven qualified engineers from Lanchester Polytechnic, in Coventry England, studying the manufacturing industry in South Africa as part of a master of science degree course. Each year a different country is chosen for study

Mr Anderson said: "We only arrived in South Africa on February 9, and 10 days is a very short time in which to make a proper assessment, but everybody — whether in a private or official capacity — relates problems in industry back to political legislation

"With your shortage of qualified workers, the training and teaching system is blamed, and this is then related to legislation," he said

"In South Africa, political aspects obviously have a deeper effect on industry, than in Britain, for example."

SKILL PROBLEM

"What interests me," said another group member, Mr David Baker, "is that in this country, industry is making do with semi-skilled or unskilled workers, filling jobs which would be filled by skilled men in England.

"I presume this is necessitated by your shortage of skilled labour

"But industry does seem to be making strong moves itself to solve the problem," he added.

All the members of the group have a technical background, with management experience at different levels. Two lecturers from the polytechnic are accompanying them.

A feature of their course is that they must set up a model company, which will employ 120 people They have to establish systems for design, costing, production, development and marketing and sell the concept to a group of experts

The "firm" is fed into a computer which can simulate various business situations and their ideas are evaluated.

The group leaves South Africa on February 21, having visited a wide variety of domestic industry, including Sasol 1 and AECI, and the Trade Union Council of South Africa (Tucsa) and Putco.

Factory inspectors

300 Mr H E J RENSBURG asked the Minister of Manpower Utilization

(1) How many posts for factory inspectors (a) are there in the Republic at present and (b) were filled in 1980,

(2) how many (a) White, (b) Coloured, (c) Indian and (d) Black factory inspectors (i) were employed in 1980 and (ii) are being trained at present,

(3) how many (a) White, (b) Coloured, (c) Indian and (d) Black workers were employed in each category of industry in South Africa in 1980

(4) whether there is a shortage of factory inspectors at present, if so what steps are being taken to alleviate the shortage,

(5) what are the salary scales for factory inspectors in respect of (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks?

The MINISTER OF MANPOWER UTILIZATION

(1) (a) 69

(b) 35

(2)

	(a)	(b)	(c)	(d)
(i)	35	nil	nil	nil
(ii)	35	nil	nil	nil

(3) This information is unfortunately not available as yet but will be furnished to the hon member as soon as it becomes available

(4) Yes The vacancies for factory inspectors are advertised continuously The Commission for Administration is presently finalizing its investigation into the organizational structure and career prospects of factory inspectors A better dispensation for these officials could possibly alleviate the shortage

(5) (a) The most recent salary scales and the measures for the application thereof are contained in Public Service Commission Circular No 1 of 1980 dated 1 April 1980, copies of which were last year made available to the leaders of the opposition parties on a confidential basis

(b), (c) and (d) No posts for the other population groups have been created as yet and no salary scales have therefore been determined

SA factory output hits the roof

RDM 27/2/81

(180)

By SIMON WILLSON
Industrial Reporter

CAPACITY use in the manufacturing sector moved up 2,8 percentage points in the 12 months to November last year to an annual average of 88,6%.

And new figures from the Department of Statistics suggest still higher capacity use in manufacturing in the first and second quarters of this year

The department's regular three-monthly survey of the most important producers in each manufacturing category shows that respondents gauged their capacity use at an average of 89,8% last November — the highest estimate of the whole year

The 1979 manufacturing capacity average was 85,8% against the 1978 figure of 84,2%; and the 1980 surge is a further indication of the certainty of a lower national growth rate this year as production, especially in sectors like the motor industry, hits full capacity.

In percentage terms, theoretical full capacity is about 93% of a factory's maximum rate of production The 7% missing from the nominal full-tilt rate is accounted for by natural output wastage (breakages, shopsoilings, samples for testing) and by built-in variations in labour productivity

In South Africa, with its special problems of artificial distortions in the labour supply and lack of highly developed infrastructural links, the effective full capacity rate in the manufacturing sector is about 90%

On the 1980 annual capacity average, the iron and steel industry comes out top with an average for the year of 93,5% — in South African terms, technically at overcapacity.

In 1978 the iron and steel industry's capacity average was 88,3% and in 1979 it was 90,3%

Paper and paper products is the second-ranked manufacturing sector for 1980 capacity use at 93,4%, and footwear comes third with 93,3%

But the significant indicator in the first- and second-ranked industries is that their capacity averages for the whole of 1980 are higher than their figure for November 1980, meaning that demand, or output — or both — were declining at the yearend.

However, in the motor industry — the manufacturing sector whose members are speaking most of hitting capacity ceilings — the position is the reverse.

Although the industry's annualised 1980 capacity average is 86,8%, its yearend figure is more than four percentage points higher The industry started the year from a low capacity base, which dragged its 12-month average down

The February 1980 survey registered the motor industry's capacity at 80,8% This leapt nearly seven percentage points to 87,5% in the May survey and ended the year at 90,9%

On that progression, the next few capacity surveys should show the motor industry in a tight capacity straitjacket

These figures also explain why the latest pronouncements of the motor industry chiefs are swinging increasingly towards a static car market this year

The latest statement of this opinion came this week from the chairman of Toyota, Dr Albert Wessels, when he announced his company's quintupled operating income for the year to last December

Mining-allied manufacturers expanding

U 3b
Simy 1/80

The mining boom continues despite the weak gold price and at least two companies are expanding their mining-equipment facilities

Reed Mining Tools South Africa has approved a substantial expansion of manufacturing facilities at its Benrose plant It has been operating locally for six years and now produces rotary - drilling equipment, for box hole drilling, blast-hole drilling and raise-bore applications

Reed SA expects a substantial growth in demand by the local and export market

Coalequip is to expand its manufacturing and warehouse facilities at a cost of R2,3-million Work is well in hand on a R700 000 extension to the company's Spartan factory which will be completed next month

WAREHOUSE

The biggest extensions this year will be undertaken at its Torque Tension manufacturing plant at Heidelberg where the company's roof supports are made The first two phases of expansion will cost R1 million, and are due for completion at the end of September

The third major investment will take place at Bethal where 5 5 hectares have been bought for a warehouse and office complex This is a multiphase project which will culminate in the establishment of a full-blown service centre

WORKSHOPS

This centre will also have re-conditioning shops and workshops to service the Eastern Transvaal coalfields currently served by Coalequip warehouses based at a number of other towns in the area

It was recently proposed Boart acquire a half stake in Gardner Denver from Cooper Industries of Houston Boart said that the deal is off because of changes made in the Cooper Industries group structure which would have excluded some product lines from the original agreement

BTR (180) FM 6/3/81

Productivity gains

Activities *Manufactures industrial rubber, rubber and plastic sheetings and mouldings, rail fasteners, electrical components, conveyor belting, diesel generators and other mining, electrical and automotive products BTR of the UK holds 62% of the equity and GFSA 16,2%*
Chairman: *A M D Gnodde, deputy chairman O Green, managing director L Dean*
Capital structure: *17,4m ordinaries of 25c Market capitalisation R79,4m*
Financial: *Year to January 2 1981 Borrowings long- and medium-term, R2,1m, net short-term, R19,5m Debt equity ratio 59,6% Current ratio 1,2 Group cash flow R15,2m Capital commitments R2,3m*
Share market. *Price 540c (1980-81 high, 750c, low, 280c, trading volume last quarter, 3 500 shares) Yields 15,0% on earnings, 9,3% on dividend Cover 1,6 PE ratio 6,7*

	'77	'78	†'79	'80
Return on cap %	23,1	30,0	*29,7	34,5
Turnover (Rm)	62,1	69,1	92,8	127,8
Pre-tax profit (Rm)	6,0	7,6	11,9	19,9
Gross margin %	11,4	13,3	15,4	17,3
Earnings (c)	23,7	30,6	49,2	80,7
Dividends (c)	17 5	20	30	50
Net asset value (c)	135	149	162	262

† 13 months * Annualised

The 1980 profit figures from UK-controlled BTR South Africa are again evidence of the great strides the group has made in the field of productivity and asset management In a year of sharply rising corporate profits, BTR's results may not seem out of the ordinary, but the underlying factors show one of the most successful asset utilisation stories on the JSE

BTR's earnings growth came from a 49% turnover increase to R128m and an 81,2% pre-tax profit improvement, indicating another substantial margin improvement This owes as much to tighter production and financial management as to operational gearing

After adjusting profit to exclude the additional R800 000 depreciation arising from a R11,6m fixed asset revaluation, pre-tax profit on a comparable basis actually increased nearly 90%

Equally, the return on capital employed figure in the *FM* table understates the improvement in asset utilisation in 1980 Adjusting for the additional R11,6m in fixed assets and deducting a R2,1m long-term loan, which was brought to account shortly before the books closed, capital employed grew only 13,2% to R48,2m last year But gross profit on a comparable basis rose 76% and the return on capital

BTR's Dean . . . running a tight operation

employed was nearly 46% (29,7%).

Unlike many industrial companies, 1980's asset utilisation picture was not a one-off situation, and the performance ratios from 1977 to 1980 show a continued improvement in asset management Return on capital employed has doubled in the period and is expected to improve further this year, while labour productivity, as measured by profit per employee, rose at a compound 47,5% from R1 487 to R4 770 With turnover growing 27,2% compound between 1977 and 1980, pre-tax profit shot ahead 49,1% producing greatly improved margins Earnings have advanced at an annual compound 43,1% and dividends 41,9%

MD Len Dean attributes BTR's asset management success to continued emphasis on productivity and carefully structured expansion Working capital management has left BTR relatively lightly geared and gross profit cover on interest and leasing payments is a comfortable 9,7 times, despite taking up a further R5,8m borrowings last year

The group has embarked on an expansion phase — this year R10m is to be spent — but Dean has no worries about the source of finance He says BTR is working at about 17% of the borrowing limits as allowed to it as a foreign-controlled company and, if necessary, the UK parent has indicated its willingness to increase its investment in SA

This year's programme includes extensions to Sarmcol's belting and mixing plant (R9m) and expansion of Victor Kent's forklift manufacturing facilities (R1m) Dean is also looking at certain prospects in the engineering sector, so it would not be surprising if acquisitions accounted for as much expansion this year as the additions to capacity

Retiring chairman, Dru Gnodde, who is to be replaced by Nedbank's Gerry Muller, attributes most of BTR's success to development of management structure at operating level and productivity drives But he highlights exports and overseas ventures for special mention BTR is poised to enter the US market for rail fasteners and this — should its product receive final approval — would mean setting up manufacturing facilities in the US

The group offers no profit forecast for 1981 Many companies have indicated slower growth this year, but BTR could well produce advances above market averages With its prime customers the SAR and the mining industry the group looks set to benefit from the large capital programmes instituted in SA Equally, new manufacturing capacity is expected to make immediate earnings contributions through lower production costs And with the prospect of acquisitions the future looks favourable

For this year it would not be surprising for BTR to report earnings of at least 120c, which augurs well for a dividend of around 60c This places the share at 540c on an 11,1% prospective yield It is no wonder the share is often bid but seldom traded

Des Kilalea

DATES TO REMEMBER

Last day to register for dividends:
Friday March 13. Abercom 14c, Ass Eng 30c, Ass Mang 120c, Beares 8c, Bonmore 12c, Cusaf 16c, Danperk 4c, DRG 15c, Edcon 16c, Edgars 205c, French Bank 6,5c, Malbak 8c, Minorco 6c (US currency), Natal Ch 10c, Sasol 9,5c, Tedelex 18c, Truworths 135c, Un Steel 16c, Un Steel 4c (bonus dividend), Wolwrth Ord & A 15c
Meetings.
Monday March 9· Picfin (S) (Cape Town), Sage (S)
Tuesday March 10. Otis
Friday March 13· Bank OVS (S) (Bloemfontein)

All meetings are in Johannesburg unless otherwise stated
S = Special meetings

committee. It is felt by some members of the committee that the first 2 days illnes should be paid for (It isn't at present).

TABLE B

CAPITAL WORKS
1948 - 1985

Period		Amount (R)
1948-1952		00-00
1953-1958		923 000-00
1959-1963		4 791 000-00
1964-1968		I II3 350-00
1969-1977		6 355 000-00
		I3 174 350-00
...ted 1975-1980	+ I6 500 000-00	59 320 000-00
1980-1985		47 160 000-00
		I23 000 000-00

...awn up in 1965 for the Matroosfontein project(I3) ...imated at R6½m, in 1973, the estimate was R24m, ...976, the estimate was R48m. Projects estimated

CAPACITY CEILINGS (180)

Mind your heads

FM 6/3/81

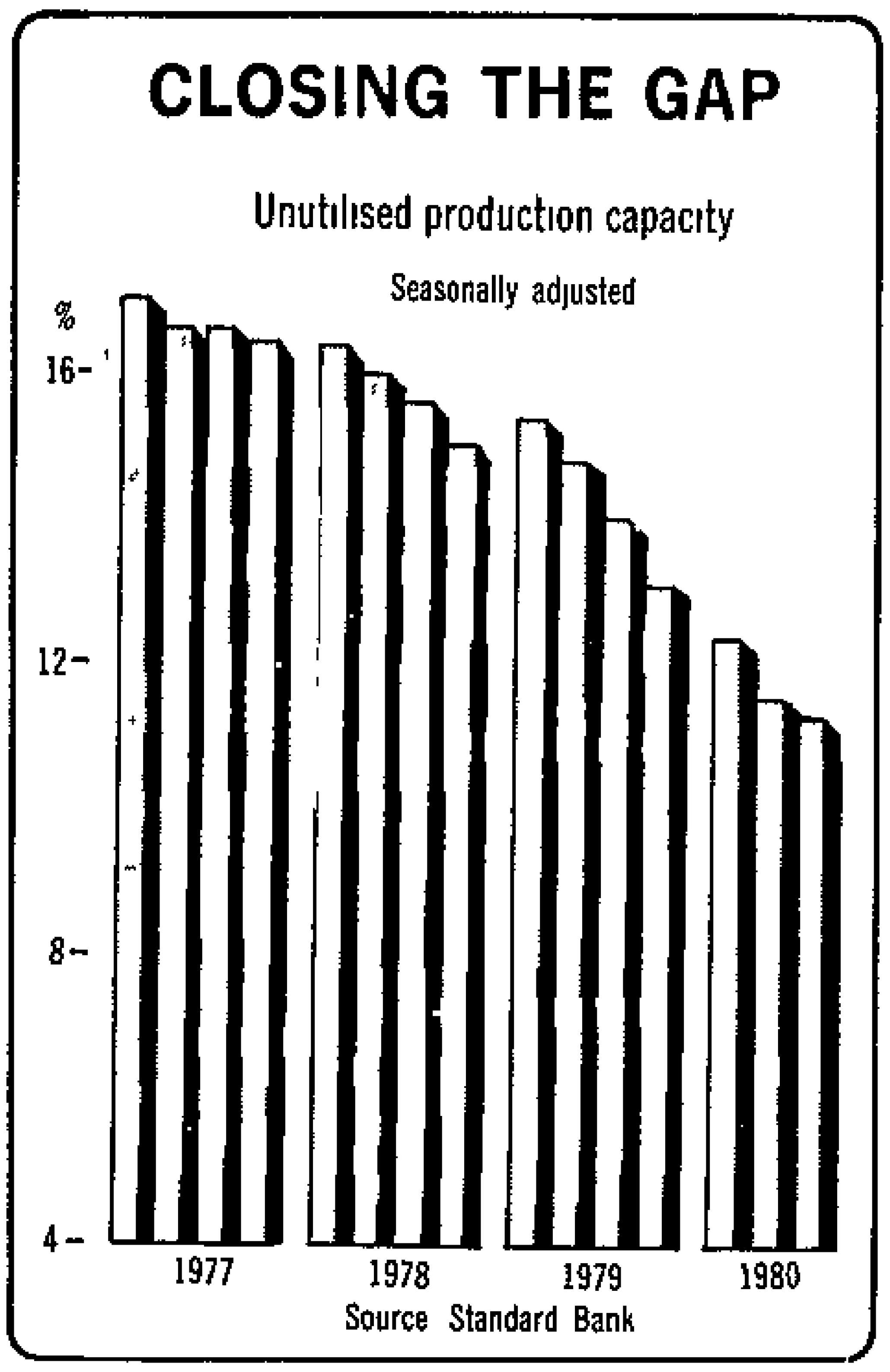
Capacity utilisation in manufacturing industry is climbing steadily towards its practical ceiling By November last year the figure was almost 90%, according to responses to a recent Department of Statistics survey

Ordinarily, a 90% capacity utilisation is thought by economists to represent full capacity utilisation But the department figures are based on estimates furnished by manufacturers of their own relative potentials for increasing production without recourse to fresh investment and without pushing up unit costs This implies an adequate supply of labour and raw materials and no change in normal labour-hour patterns

So the figure of 90% indicates that manufacturers in general believe themselves able to increase production by another 10% before hitting effective ceilings This represents, in theory, a bulwark against demand-inflation But inflationary factors tend to enter at other points of the production line A shortage of raw materials, for instance, is cited by most respondents as an important secondary reason for their being below full capacity

More comforting, the primary reason in every case is that demand itself is insufficient to warrant greater capacity utilisation Shortages of raw materials, as already mentioned, are the prime secondary reasons And only thereafter come labour shortages, and then with weightings which are minimal compared with the first two factors Where labour shortages are cited, skilled labour is generally reckoned to weigh more heavily than unskilled labour as a reason for capacity underutilisation

The manufacturing sector as a whole shows a rise of almost 3% in capacity utilisation in the year to November 1980, and a corresponding decline in the level of under-demand But the various sub-sectors, as demarcated by the department, differ considerably Utilisation of productive capacity in the food industry for instance, has barely increased in the last two years, and in fact was running at higher levels a year ago than it was in November And raw material shortages carry relatively high weightings in this sector Beverage producers, on the other hand, indicate a 4% increase in their use of productive plant in the three months between August and November alone There may, however, be a seasonal factor in the drink-producing industries in the opening months of summer



Source Standard Bank

Sectors running at very high capacity utilisation levels (93% or higher) constitute a miscellany that include footwear, furniture, paper, industrial chemicals, ceramics and glass Glass manufacturers in fact, are operating at over 97% with only a small build-up in demand necessary to take them right to their ceilings

Oddly enough, and given the limitations of the survey, though raw material shortages figure relatively strongly as factors against higher utilisation levels, the industrial raw material sectors like minerals, rubber, and ferrous metals do not appear to be working to capacity It may well be that production factor squeezes, and the inflationary tendencies they imply are partly the result of inefficiency in allocation and distribution

I2. Details of the remaining RI6½m were not available.

Total

. / ...

GRAPH 12 Proportion of total provincial budget consumed by health expenditure

DRG (180) FM 13/3/81

High yielder

Activities: *Manufactures and distributes flexible packaging, plastics and stationery. DRG (UK) owns 70%*
Chairman *DEG Vieler, managing director DM Scott*
Capital structure *12m ordinaries of 25c. Market capitalisation R28,2m*
Financial. *Year to December 31 1980. Borrowings long- and medium-term, R2,5m, net short-term, R7,2m. Debt equity ratio 36,1%. Current ratio 1,8. Group cash flow R7,6m. Capital commitments R10m*
Share market: *Price 235c (1980-81 high, 285c, low, 200c, trading volume last quarter, 231 200 shares). Yields 16,9% on earnings, 9,8% on dividend. Cover 1,7. PE ratio 5,9*

	'78	'79	'80*
Return on cap %	24,9	19,4	21,0
Turnover (Rm)	56,9	71,6	99,4
Pre tax profit (Rm)	6,9	7,6	8,8
Gross margin %	12,2	11,2	9,7
Earnings (c)	—	35,4	39,7
Dividends (c)	—	17	23
Net asset value (c)	—	218	237

* Lifo

DRG has not exactly set the market alight since its listing in November 1979, with the current price of 235c just 15c above the take-up price.

But those who followed the issue on the basis of income potential have nevertheless done quite well — the 15c final for the year to December 31 is the third dividend they have received, and their total income of 34c a share for the period represents an annualised yield of almost 11%.

And this yield will not be difficult to match in the current year. While the five-year 38% compound growth rate in attributable profits might not be repeated, given that the economy is forecast to slow down somewhat, a dividend total of 28c or 29c should be within reach. So the prospective yield, after the share goes ex dividend on Monday, could be as high as 13,2%.

Part of the reason for this rating is undoubtedly the fact that the group divulges very little information about itself. The latest report, while a considerable improvement on its predecessor, still does not give such basic data as turnover or profit breakdowns of the seven operating divisions.

This makes it difficult to assess how profits might be affected in a downturn and all investors have to go on is the very severe (61,5%) drop which occurred in 1975.

In this connection, however, two points need to be borne in mind. Firstly, the company's view is that 1974 was an exceptional year, both with regards abnormally high demand and also the large stock profits which accrued as a result of rapid increases in the prices of major raw materials.

The second point is that the profit base of the group has changed materially since 1975 with the acquisition of Reed Stationery (now DRG Office Supplies) shortly before the listing. At the time this was viewed as an area with significant growth prospects.

The company may therefore be less sensitive to a downturn now than was the case in the past, while as far as stock profits are concerned this problem has been overcome by a switch to lifo.

The changeover reduced pre-tax profits last year by R1,5m, and taxed profits by R900 000. It also reduced gross return on capital employed from 24,6% to 21%, the gross margin on turnover from 11,2% to 9,7%, earnings from 50,8c to 44c, and net asset value from 244c to 237c.

Another effect is an improvement in cash flow, forecast at R1,3m in 1981, which will help the group finance its planned capex of more than R10m. This is sharply up from the R4,4m spent on fixed assets last year. But chairman Douglas Vieler nevertheless expects a continued increase in borrowings and says by the year-end these should total roughly 40% of shareholders funds. This excludes inter-group borrowings which, in 1980, added about three percentage points to Vieler's comparative figure of 33%.

On the profit front, certain bottle-necks should be overcome this year, including teething problems with Sellotape's new multi purpose coating machine, and shortages of supplies of certain grades of paper and aluminium foil. Also, divisions with capacity constraints, such as DRG Plastic Moulders and DRG Flexible Packaging, are being expanded, although full benefits will probably not be felt before 1982.

On balance, therefore, despite prospects of slower economic growth Vieler's forecast of earnings growth ahead of the rate of inflation should not prove a difficult target to beat. And as my dividend projection of 28c or 29c is based on a growth rate of only 22-26%, this looks to be the minimum which the company is likely to achieve.

Brian Thompson

3M

FM 13/3/81

(180)

Creating a pattern

The SA subsidiary of the American multinational giant 3M was started in the Fifties by one man with one other staff member — his wife. Today the firm employs some 1 400 people, has an annual turnover of about R100m and markets a range of products from its well-known Scotch tape to highly sophisticated microfilm equipment.

But what is perhaps the remarkable thing about 3M SA is its elaborate and extensive training programmes for its workers

All multinationals operating in SA are under intense pressure to upgrade conditions for their non-white staff (see leader), epitomised by the famous Sullivan Principles 3M SA, with five factories nationwide producing about 50% of the company's 300 or so locally manufactured products, is no exception

Its parent company, in St Paul, Minnesota, was one of the original 12 signatories in 1977, but 3M SA MD E C "Woody" Woods insists that "we were well on the way to developing these programmes before Reverend Sullivan came into prominence"

Perhaps At any rate, the company has long been non-discriminatory in its pay policies, Woods claims, with personnel manager Barney Bower checking monthly to ensure compliance.

The figures support his claim Workers are placed in job classifications having a corresponding wage scale and are paid according to their grades within that classification In the group representing tool operators and junior clerical staff, for instance, 3M SA's 48 blacks earn an average of R457 a month, while that group's 43 whites earn an average of R416 Bower says that "this illustrates pay according to merit" The minimum salary for any worker is R240

The company also has a works council, with 10 white and 10 non-white members elected by their peers. The racial breakdown reflects the make-up of the firm's 50% white, 50% black employees The council can negotiate over wages and working conditions.

The concept of work councils, or liaison committees has been criticised by black trade unionists, but the company says it has not been approached by organisers, partly because its manufacturing processes are so varied

3m SA operates jobsite training schemes, designed to increase an employee's work and earning potential.

One black man's record, while perhaps not the norm is certainly instructive

Simon Seema began his working life as a caddy at a Johannesburg golf course and was first employed by 3M SA as a driver Through on-the-job training, he was eventually promoted to fleet manager. He now oversees the company s 300 vehicles at its five plants nationwide, earning over R12 000 a year

But the most impressive aspect of the firm's programmes involves its adoption of the "Plato" computerised teaching system in its educational centre — the first SA company to do so

Every employee, regardless of race, at the flagship Elandsfontein complex is allowed to take two hours a day with pay to work in the centre, upgrading his or her skills For some, this means concentrating on the basics of languages and maths. Others are studying advanced calculus and accounting

Woods estimates that the company has spent over R250 000 in the last three years to develop the centre

Ben Mokoatle, the educational and training manager, heads a staff of six who last year worked regularly with 137 black and 130 white workers, out of the approximately 700 employed at the Elandsfontein site

At present, 24 black workers are receiving basic literacy education.

Mokoatle, who has been at the centre since its inception in mid-1979, says that "when I started here, it wasn't easy for many of the whites to accept that a black man could run a programme like this Now the attitude is very positive "

Dependants of employees are also encouraged to use the centre which remains open until midnight five nights a week On a recent afternoon, a 12-year-old white girl with a learning disability (a manager's daughter) was being tutored by a staff member using the Plato system

Mokoatle hopes to launch a programme "within two years" that will allow staff to write matric while at work He says he is also preparing to extend his schemes to the company's other sites in SA

Part of the Sullivan Principles require that signatories 'adopt a black school 3M SA has undertaken to support the Tembisa High School and Woods says he expects to spend "tens of thousands of rands in the next few years" on the project The company's skilled artisans have volunteered to upgrade the school's premises

For Woods, the growth of 3M has not only brought personal and corporate prosperity but a chance to put into practice certain convictions

Some executives may resent international pressure, but 61-year-old Woods appears completely sincere in his approach

The former World War 2 bomber pilot is actively involved in helping SA's retarded children, having personally donated "do-it-yourself" plane construction kits to a number of institutions. The idea is to provide both the retarded with a meaningful excerise and the institutions with needed money when the completed planes are sold

"We all have a need to contribute. When I get up in the morning, I have to know that I'm doing something that helps," he says "It's not so unusual "

That may be, but the extent of 3M SA's programmes underscores Woods' beliefs.

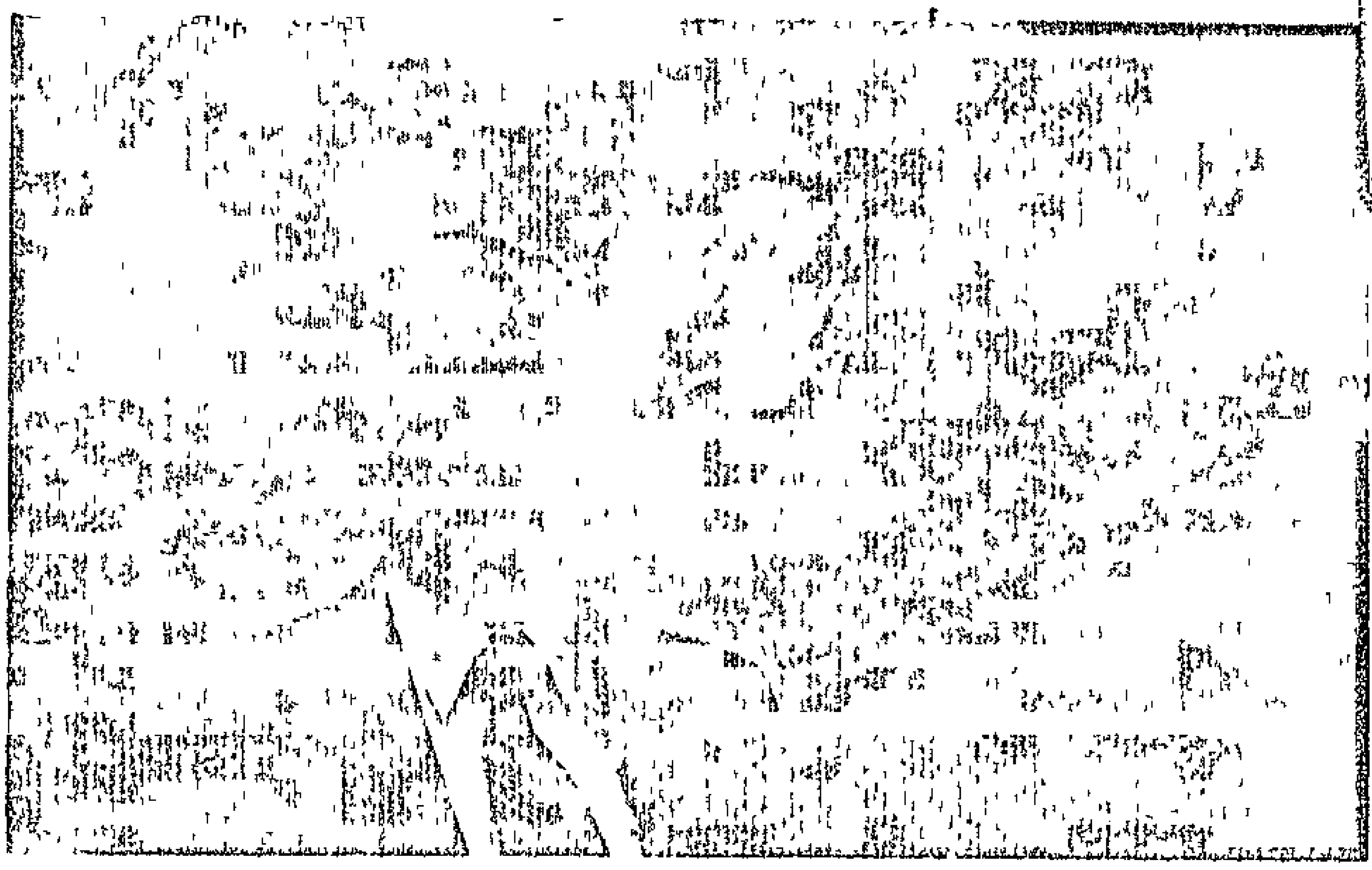
Yet another example, the company operates a recreation programme for its workers The Elandsfontein complex has soccer fields, tennis and squash courts, and sponsors a league for teams from neighbouring firms The only stipulation for use is that every team be multiracial

"We don't care if it's 10 blacks and one white, as long as it's mixed We've actually turned away single race teams Woods says 'But it s been worthwhile More prejudices are broken down on those fields than anywhere else "

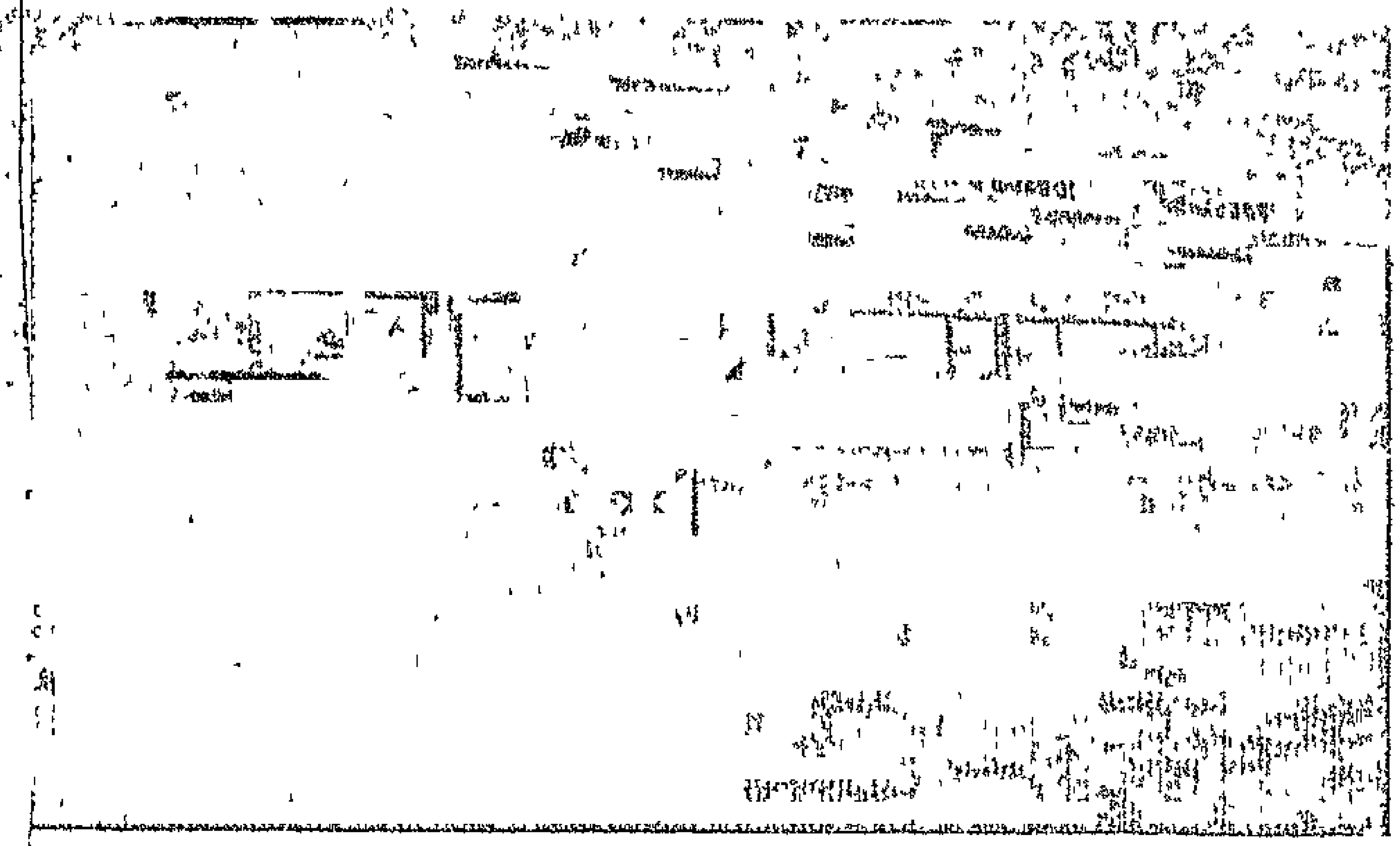
But how do all these schemes affect 3M SA s profitability?

Woods explains "If we hope to reach our goals as a company, it is absolutely critical to help our non-white employees advance My parent company realises it s part of the cost of doing business in this country

"We are trying to create a pattern for other companies to follow If we don't do it, who will?"



Woods . . "helping employees is to help the company"



3M's Mokoatle . . . "attitudes have become more positive'

180 FM 13/3/81

LONRHO

Record dividends

Activities *UK-based multinational with main interests in agricultural equipment, general trade, export finance and insurance, engineering, manufacturing, wines and spirits and mining Other interests include printing and publishing, hotels, textiles and agriculture About 69% of pre-tax profit is derived from African operations (63%) and 21% (37%) from the UK Various Arab interests hold some 20% of the equity, while chief executive Tiny Rowland holds around 17%*
Chairman: *Lord Duncan Sandys, managing director R W Rowland*
Capital structure *260,8m ordinaries of 25p each fully paid and 171 250 5p paid Market capitalisation (JSE) R612,9m*
Financial *Year to December 31 1980 Borrowings long- and medium-term, £249,8m, net short-term, £110,9m Debt equity ratio 76,4% Current ratio 1,25 Group cash flow £90,9m Capital commitments £69,3m*
Share market *Price 235c (1980-81 high, 325c, low, 185c, trading volume last quarter, 191 000 shares) Yields 12,6% on earnings, 7,7% on dividend Cover 1,6 PE ratio 7,9*

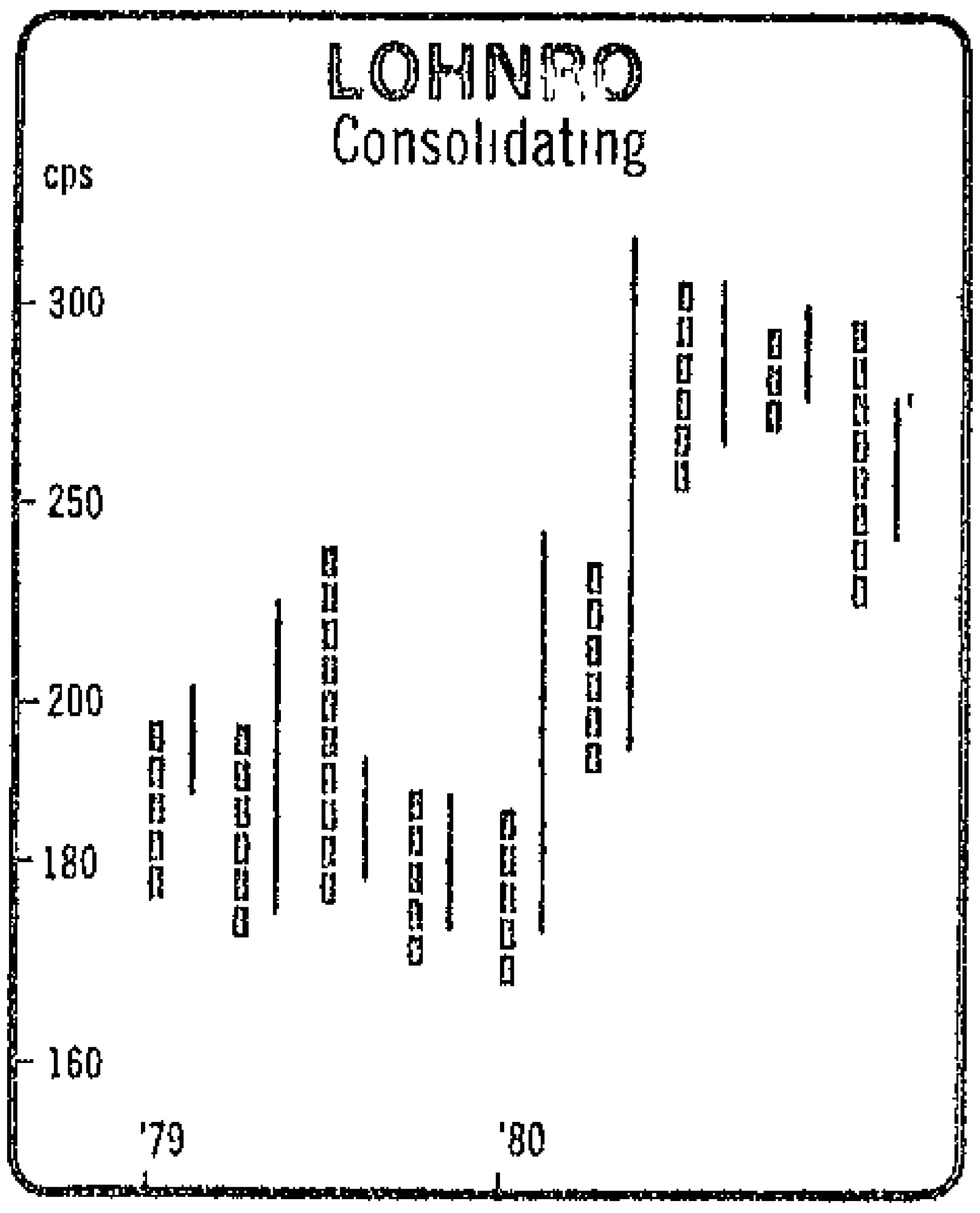
	'77	'78	'79	'80
Turnover (£m)	1 257	1 491	1 565	2 101
Pre-tax profit (£m)	90 2	93 6	78 2	119 1
Earnings* (c)	35 1	36 1	28 5	29 7
Dividends* (c)	9 9	11 4	13 3	18 0
Net asset value* (c)	243	305	328	319

*Currency converted at rates ruling at year end

In a record profit year, Lonrho benefited greatly from its mining, hotel and agricultural divisions, which were largely unaffected by recession in the UK Pre-tax profit increased 53% to £119m (£78m) but, after tax and some dilution resulting from the rights issue during the year, earnings rose a more modest 21% to 19,2p (16,1p) Dividends of 10p (7,3p) were covered 1,9 (2,2) times by earnings

Mining was by far the greatest income source in 1980, with the pre-tax profit contribution more than doubling to £63,3m (£26,1m). This was a result of the sharp rises in precious metal prices, higher production and cost control, says chairman Tiny Rowland

Total gold production was 367 000 oz (358 000 oz) An important development for the mining division was the taking up by SA subsidiary Duiker of a 36% interest in Anglo's Eastern Gold Holdings, the umbrella under which the Erfdeel/Dankbaarheid prospects will be developed This project is scheduled to produce 350 000 oz of gold a year, starting around 1985



Western Platinum also had a record year The market price of the metal followed gold and hit a record $1 047 before declining to current levels Expansion planned at the mine includes exploitation of the UG2 reef, which became viable during the year as a result of work done by Wesplat and the National Institute for Metallurgy Some R25m has been earmarked to bring this reef to production, raising the mine's capacity to 245 000 oz from the present 135 000 oz of PGM Rowland reckons at current prices this could mean group profit rising by some £10m a year

Coal interests are also being expanded this year, including Duiker's new anthracite project in the Piet Retief district

Hotel profits last year benefited from the inclusion of Lonrho's 50% stake in Princess Properties US, which reported a 180% profit increase Agricultural income was boosted by record world sugar prices, including the contribution from subsidiary Lonrho Sugar in Swaziland

LONRHO'S GEOGRAPHY

	Pre-tax profit 1979 %	1980 %
UK	36,7	21,5
East and Central Africa	32,0	30,4
Southern Africa	24,3	25,1
West Africa	6,3	13,6
Europe and other	(0,2)	0,2
North and Central America	0,9	9,2
	100	100

Lonrho ended the year more liquid, with cash on hand nearly doubled at £108,1m (£56,7m) — in part a reflection of the rights issue Total borrowings, which have in the past been one area of the group financial picture that has been criticised, were £468m (£308m) at the year-end — equivalent to 76,4% (66,5%) of equity However, with the substantial cash holdings, the quick ratio has improved and a large part of the group stocks are fast moving

As usual, Lonrho remains in the news with its 150p bid for the balance of House of Fraser (presently 30%-owned) running into some opposition, while the claim against Shell and BP is on appeal Recently, the group bought the *Observer* newspaper for R11m in shares from Atlantic Richfield, but in view of the publication's recent history, a net profit contribution in the short term is unlikely A similar situation would probably emerge if the House of Fraser takeover is successful — the profit picture in this sector is not particularly bright either, as reflected in Harrods' earnings drop in the first half to £1m (£7,8m)

On the other hand, with the world sugar price still high, sugar earnings seem set to rise again In the half-year to September, Lonrho Sugar paid a 20c (14c) dividend from 33c (25c) earnings And with a new casino chain and expansion at the hotels, the group is looking to enhanced leisure profits In the UK, some improvement is expected in the textiles division

Near-term prospects for the group's large mining interests are not that good, with the platinum price less than half its 1980 high and gold battling between $450 and $500

The group's diverse interests in the mining industry and its agricultural and hotel divisions have been solid performers, while liquidity remains sound Even after paying the £22,2m in dividends there is still some £86m cash in the balance sheet to finance acquisitions like the House of Fraser and some of the expansions planned

As is often the case, an investment in Lonrho is a statement of faith in Rowland and his penchant for paying relatively big dividends Assessing prospects is made more difficult by the controversial nature of the group and some of its politically-sensitive investments in Africa New ventures are on the cards in Zimbabwe, but whether this would mean greatly increased dividend flows is impossible to determine at this stage These uncertainties, when combined with quality assets in 64 countries, are reflected in the 235c price and the high 7,7% historic yield

Des Kilalea

SA Industrial WK 10/3/81 (180) (74)

Exports cut-back 'harming manufacturers'

THE hard-earned reputation South African manufacturers had built for themselves in overseas markets during the past few years has been tarnished by large numbers of exporters cutting back on export orders in favour of the high domestic demand

Christopher Moerdyk, an independent Johannesburg export marketing consultant, told Industrial Week that numerous manufacturers of both industrial and consumer products tend to regard exporting as a source of additional revenue when domestic demand is low and simply to be cut off when local demand increases

"Foreign customers can accept problems such as the high value of the rand and increased shipping costs but they lose confidence very quickly when they realise that continuation of supply is suspect"

Moerdyk says quality and reliability of supply are of utmost importance to foreign buyers and this is one of the most important factors that has led to South Africa breaking into many overseas markets initially.

"The boom-recession cycle is speeding up in South Africa to the point where the trial-and-error system just won't work any more. Manufacturers must place their export operation on a permanent basis

"By allocating sufficient production to exports to help them during periods of low domestic demand yet at the same time ensuring that they are not placing too much emphasis on exports and thereby harming their local markets during a boom situation, they will not end up overcommitting themselves," he says

Moerdyk says some manufacturers have realised the necessity for better organised export policies and this is evident by the increasing number of companies that are requesting him to help them devise local and export marketing policies.

It is obvious, he says, that with the impending slowing down of domestic demand exporting is going to become important to those same manufacturers who a few months ago turned their backs on it

"It is never too early to start planning a balanced export/domestic market ratio for the future. Whilst the authorities might continually dwell on the importance of foreign exchange earnings private enterprise will realise that in these modern times exporting is becoming more and more an essential part of business"

of adequate wages, nutrition, general education etc, is mentioned. Periodic medical examinations, antenatal care, infant welfare clinics, immunizations, health-education, school and workers health services, are listed under preventive services.

The Commission also realised the tremendous importance of a proper relationship between promotive, preventive, curative and rehabilitative services:

"Today in short, advanced medical thought everywhere has come to realise that there should be no sharp division, even in administration and still less in presentation to the people, between promotive, preventive, curative and rehabilitative health services. Al should be integrated in a comprehensive planned health service. Such a service would aim to secure not only the absence of disease, but also the maximum degree of physiological and mental efficiency."

The chapter ends with the following vision:

"The ultimate aim of our recommendations is to bring these services within reach of all sections of the population, according to their need, and without regard to race, colour, means or station in life."

./...

The services are NOT 'in conformity with modern conception of Health - for they are mainly directed not to promotion and safeguarding of health, but to the cure of ill health.

The services are NOT 'available to all sections of the people of the Union of South Africa' - they are distributed mainly among the wealthier sections who, on account of their economic potentialities should need them least: and are but poorly supplied to the under-privileged sections who require them most.

Moreover, existing 'administrative legislative and financial measures' are NOT adequate to provide, by any mere process of expansion a national health service of the range and quality demanded by our terms of reference."

Part III of the Commission's Report dealt with the <u>fundamental question of whether a National Health Service would be the best solution</u> for the health needs of the people. The answer of the Commission was affirmative in order to ensure unified direction, a redistribution of health resources and to make the best use of the limited economic resources available.

It was realised that massive ill health means decreased economic productivity and an increased expenditure on curative health

./...

UNISEC 180 FM 20/3/81

Asset values

Activities: *Investment holding company Main interests are L Suzman (wholesale tobacco and confectionery distribution), Unidev (property), Metboard, Berg River Textiles, transport and international trading*
Chairman: *Dr A S Pienaar*
Capital structure: *42m ordinaries of 20c, 566 481 6% red prefs of R2 4,1m 9,25% red prefs of R1, and 14,6m variable rate red prefs Market capitalisation, R124m*
Financial: *Year to December 31 1980 Net cash R43,3m Current ratio 5,2*
Share market· *Price 295c (1980-81 high, 300c, low, 180c, trading volume last quarter, 1,6m shares) Yields 9,7% on earnings, 6,8% on dividend Cover 1,4 PE ratio 10 3.*

	'77	'78	'79	'80
Earnings (c)	12 7	14,6	17 3	28,7
Dividends (c)	10,5	11 25	14	20*
Net asset value (c)	173	191	267	304*

* Excludes 10c bonus dividend

If Sage's bid has in anyway been responsible for the improvement in reporting standards in Unisec's annual report, then the offer — whatever the outcome — will at least have had some positive results The group has traditionally been difficult to evaluate because of its mixture of investment trust and trading activities, but the revised format of the report gives a far clearer picture as to the relative importance of the different activities

Whether it goes far enough to allow shareholders to make a full assessment of the pro and con arguments about the offer, however, is another matter For one thing, it would be helpful if the company would disclose how its real net asset value of over 400c — 96c more than the balance sheet value — is arrived at

Directors Peter Thomas and Quentin Buckland explain that individual board members each prepared their own valuations on different bases, and that each of these produced values of over 400c But one would have thought that, having completed this exercise, it would have been possible to sit down and discuss which was the best method, and to present this as a corporate view

In the event, the annual report discloses that an internal valuation at Unidev indicated a current value of R148m for the property portfolio, based on capitalisation yields of not less than 10% This is a surplus of R76m on book value, increasing net worth per Unidev share from 184c to 521c

The excess attributable to Unisec is equivalent to 96c per Unisec share, which would bring December 31 net worth up from 304c (with investments at market/directors' value at that date) to 400c

But I gather from previous discussions with management that this was not the method used to value Unisec The impression is that Unidev was included at not more than 400c per Unidev share, implying a valuation of R120m of its portfolio and increasing the year-end net worth of Unisec by 60c to 364c The remaining 40c or so would then be accounted for by increasing the values of Unisec's holdings in its other trading subsidiaries — Suzman, Berg River Textiles and the new transport services and international trading divisions — presently included either at historic book net asset value or at cost

However, whichever price one takes for Unidev, 521c or 400c, it may be significant that Unisec itself was apparently not prepared to pay anywhere near these prices when it was negotiating to take out Unidev minorities last year This aspect receives no mention

Unisec has never revealed what it was willing to pay for the balance of its property subsidiary, but the market at the time was talking in terms of 300c, and Unisec chairman Dr Andre Pienaar led the *FM* to believe that this would be an outside limit This was because Unisec would not want the money it was raising through a twin-series issue of pref shares invested in a way which would dilute equity earnings And with Unidev having earned 21,4c a share in 1980 the net return at 300c would have been just over 7%, compared with the average 8,5% cost of the prefs

The contradiction is resolved to some extent by Thomas' view that the price for control is considerably higher than a price for a minority interest But this in turn could be seen to be in conflict with the Unisec directors' statement that where Unisec itself has strategic minority interests, such as those in Hesperus (30,3%) and Williams Hunt (27,9%), "the market value is not necessarily a fair indication of their value to Unisec"

One would have thought that if the same consideration had been applied to the combined holding of around 30% of Unidev's three founder shareholders, some compromise could have been found in four months of negotiation All Thomas will admit is that Unisec tried to buy Unidev cheaply

The other consideration that shareholders will have to make up their minds about is Sage's argument that Unisec's earnings of 38,1c, including 9,4c attributable to the underlying earnings of its investment portfolio, are not sufficient to justify a 400c valuation

In this connection, Pienaar comments in his annual statement that the group has started the new year in an exceptionally strong financial position and that all its major operating companies are forecasting higher profits It will also receive bigger dividends from investments, and should start seeing the benefits of its expansion programme

He does not quantify what this is likely to mean in terms of dividends, but my guess, especially in view of the offer, is that the company will equal 1980's 43% growth in normal distribution (excluding the bonus payment) and will therefore pay out between 28c and 29c

Brian Thompson

rehabilitation' schemes for injured men, the mines and the Bureau pay little or no attention to men whose certificates are withdrawn or leave the mines when partially incapacitated. They receive no advice on alternative careers, and there are no rehabilitation schemes for them; nor are alternative or less strenuous surface jobs found for them on the mines.(265)

While the problem of silicosis in gold mining has to a very large extent been solved – the Chamber of Mines spends R70 000 000 per annum alone on ventilation(266) – chronic obstructive lung disease (COLD) is now of growing concern to the authorities and doctors. When COLD was originally introduced as a separate compensable act, it was thought that its incidence was caused by long-term dust exposure and was therefore common to miners of long service. It was, therefore, also believed to be 'relatively uncommon' amongst Africans.(267) It is a disease difficult to diagnose by clinical examination or x-rays, and has to be performed by lung function tests, the equipment for which is of an excellent standard both on the mines and at the Bureau.(268)

However, since its introduction as a compensatable disease, preliminary epidemiological tests have been performed by the National Research Institute for Occupational Diseases. Doubt exists as to whether it results from dust exposure; and it is now believed that it is probably caused by underground atmospheric pollution.(269) Also there is growing concern about its incidence amongst young African males. Its prevalence was discovered by post mortem examinations of these young Africans who had died from accidental causes, but who had expressed no discomfort of it whilst alive, and in whom on examination no clinical symptoms had been found.(270)

Control of this disease will now have to become an important research area for dust control engineers, pathologists, epidemiologists and experts in the field of environmental pollution.

Abbreviations used in footnotes and text

BRA	Barlow Rand Archives*
CHA	Corner House Archives*
COM	(Transvaal) Chamber of Mines
H.E.	Hermann Eckstein
ILOSC 1930	International Labour Organisation Silicosis Conference
J.X.M.	John X. Merriman
MIC 1897	Mining Industry Commission
MPA	Miners' Phthisis Act
NRIOD	National Research Institute for Occupational Diseases
par/para	paragraph/paragraphs
q./qq.	question/questions
RMBOD	Report of the Medical Bureau for Occupational Diseases ... 1 April ... 31 March
SATJ	South African Typographical Journal
TMA	Transvaal Miners' Association
WLF	White Labour File
WNLA	Witwatersrand Native Labour Association
*RMPC 1903	Report

*Much information was ... was taken over by Barl... yet available for rese... using Corner House Arc... latter.

(1) International Lab... Conference: Joha... 1930) Henceforth...

(2) Hurwitz, op. cit. ... of Radiology in th...

(3) Glasser, O., Willi... Rontgen Rays (Lond...

(4) Information suppli...

(5) RMPC 1903, p. 56, ...

(6) Hurwitz, op. cit., ...

(7) Watt, A.H., 'Personal Experiences of Miners' Phthisis on the Rand from 1903 to 1916,' in ILOSC 1930, op. cit., No. 14, p. 5.

(8) U.G. 19, 1912, p. 11, par. 17.

(9) Hurwitz, op. cit., p. 2.

(10) Fraser, D. and Irvine, L.G. 'Statistical Account of the Incidence and Progression of Silicosis amongst the Gold Miners on the Witwatersrand, in ILOSC, 1930, op. cit., No. 17, p. 15.

(11) Gray, M.W., A Long Trek: Memoirs of Mary W. Tyler Gray ([Johannesburg?], [1948?]), p. 37.

(12) Payne, A.E., Pirow, H., and Roberts, F.G.A., 'Historical Review of Mining Conditions on the Witwatersrand which have taken place since the Early Days of the Fields', in ILOSC 1930, op. cit., No. 1, p. 4; Irvine, L.G., Mavrogordato A., and Pirow, H., 'A Review of the History of Silicosis on the Witwatersrand Goldfields', in ILOSC 1930, op. cit., No. 6, p. 6. Historians who have made this statement include Grey, P.C., 'The Development of the Gold Mining

Small firms multiplied

S. Mus 22/3/81 (18(1))

By Elizabeth Rouse

THE number of new small companies blossomed in South Africa's boom conditions last year, in contrast to the disappearance of small enterprise in the recession-ridden Western world

A total of 11 613 companies were registered over the past year with a total nominal capital of R93,5 million, an average capital of almost R8 031 per company, according to Department of Statistics figures

This compares with 7 440 companies registered in 1979 with a total nominal capital of R153,159 million, or R20 560 per company and 5 050 companies with a nominal capital of R130,011 million, or R25 750 per company, in 1978

In spite of the economic boom, the number of liquidations rose — hopefully the new companies were not among the victims. Companies which went under totalled 1 441 against 1 291 in 1979 and 1 343 in 1978

S.A. Industrial Week 31/3/81

180

Drop obstructive laws, says chamber

By James Lodge

LEGISLATION that is obstructive to business should be reviewed and where necessary scrapped

This suggestion has been put forward by the Cape Town Chamber of Commerce as a necessary step in the campaign to encourage the development of small businesses

"The whole question of the legality of businesses in terms of statutes, ordinances and bylaws should be reviewed," it says in its latest information circular

The chamber has also appealed for established companies to give active support to what it calls "informal sector business men" with orders

It says some companies in the Transvaal are already doing this and the principle ought to be extended

It suggests that the Small Business Development Corporation should act as an agent in the promotion of the products and services of small businesses

"Chamber of commerce and industries could be invited to assist by publishing lists of products and services available from informal sector producers"

In another recommendation, the chamber says "Because small businesses rarely make a taxable profit, there would be merit in applying a tax concession in respect of interest on business loans to small enterprises, allowing a double deduction of loan interest paid."

SUNDAY TIMES, Business Times, March 29, 1981

Industry: tracking star sectors

S.Tms 29/3/81

(180)

By Elizabeth Rouse

MANUFACTURING SECTOR CLIMBED 24% TO R36 064-m

SALES of South Africa's manufacturing industries climbed by almost 24% to over R36 064-million last year from 1979's R29 171-million on a 10% increase in physical volume of production

Star of the manufacturing sector was the car and car parts industry, which scored a 42,8% rise in sales to R2 508-million from R1 756-million in 1979 on a 23,8% expansion in production volume.

The sole laggard was the leather and leather product sector, whose sales declined from R721,385-million in 1979 to just under R151-million last year, according to latest figures published by the Department of Statistics.

Sasol's expansion has made the chemical products sector the largest single sales generator in South Africa at R4 856-million against more than R3 753-million in 1979 This represents a rise of more than 29% on an 8,5% increase in physical volume of production

Food production was virtually static — up a mere 2,5% on 1979 — while value of sales rose by 25,3% to R4 848-million from R3 870-million because of price hikes

As food ranks third in the sales league, the vast discrepancy between sales and volume of production increases shows what hurt the consumer most in last year's battle against inflation

Iron and basic steel industries rank fourth, but here the sales increase was relatively mild at just below R3 833-million from 1979's R3 273-million It is in the nature of the steel industry to gear up before other industries.

Sales of metal products also did not rise as fast as those of consumer-oriented industries, but at R2 413-million (1979 R1 934-million) metal products are one of the top industry earners

Machinery and electrical machinery chalked up sales of R1 701-million (R1 420-million) and R1 693-million (R1 308-million) respectively, which is good going considering the size of South Africa's imports last year

Paper and paper products also constitute a giant sector in the country's industrial set-up, accounting for R1 274-million sales last year against R1 029-million in 1979.

The textile industry had a record year with sales up at R1 701-million from R1 367-million, leaving the clothing industry in the shade with sales of R859,575-million (R721,385-million).

Department of Statistics figures show that most industrial sectors are now experiencing a decline in unfulfilled orders Still on the upturn in December were yarn, blankets, carpets and other textiles, pulp, paper and board; glass and glass products, iron and steel; primary non-ferrous metal products, electrical industrial machinery; electrical appliances and cars, which have a long way to go to satisfy demand.

Unfulfilled orders for cars were up from R93,371-million to R116,646-million partly because of a slight cut in output because of the holiday season.

Chairman's review

AMIC

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED

FM 3/4/81

(180)

Group earnings rise by 51 per cent to R151,5 million

Evolving labour dispensations have thrown the country into a development phase which cannot be reversed — MR G W H RELLY

The Amic group benefited in 1980 from the high level of economic activity which prevailed in the country and earnings increased by 51,3 per cent to R151,5 million, while earnings per share rose by a similar percentage from 371,1 cents to 561,6 cents per share In line with the trend in international accounting practice, in its 1980 financial year Amic adopted a policy of equity accounting for companies in which the Amic group has an effective equity interest of between 20 and 50 per cent, and earnings are stated on this basis For comparative purposes the 1979 figures have been restated accordingly

The final dividend was increased by 25 cents to 97,5 cents per share, to give a 33 per cent increase in the total dividend from 105 cents to 140 cents per share

Amic's major operating subsidiaries once again achieved substantially higher profits The group's exports, however, were affected by weak overseas markets and a strong South African currency and declined from R230 million in 1979 to R197 million in 1980 In most cases the additional productive capacity which became available as a result of declining exports was more than taken up by higher demand from local markets and plants generally operated at a high level of capacity utilisation

1980 was a year of significant expansion for the Amic group, both internally and through the acquisition of three important interests at a cost of approximately R87 million Scaw Metals acquired, for R53 million, a 36,2 per cent effective interest in Haggie Limited, the major South African producer of wire and wire ropes and a manufacturer of a wide range of other products, Amic's expansion into the electrical engineering and electronics industries was initiated through the purchase of a 46,3 per cent equity interest, costing R27 million, in Asea Electric South Africa Limited, an important South African manufacturer of transformers and other electrical equipment, and by the acquisition of an 80 per cent equity interest, costing R6,7 million, in Control Logic (Proprietary) Limited, a manufacturer of electronic control systems and equipment In addition, capital expenditure by the operating subsidiaries totalled R161,4 million and major capital projects made excellent progress

The market value of the group's listed associated companies and investments at December 31 1980 was R229,3 million, reflecting a 111 per cent appreciation over carrying or book value of R108,7 million, while the group's unlisted associated companies and investments, with a carrying or book value of R62,0 million, were valued by the directors at R80 5 million at December 31 1980

Economic review

In 1980, the rate of economic growth in South Africa exceeded the most optimistic expectations Current information suggests an increase in GDP of the order of eight per cent – an exceptional outcome in the world context and a marked contrast with South Africa's growth performance in the second half of the seventies

The strong and growing impetus in economic activity throughout the year stemmed mainly from a vigorous expansion in domestic demand Substantial tax reductions in the March 1980 budget, rising employment and an environment which was generally conducive to high average wage settlements, resulted in a sharp increase in real disposable personal income As a result, consumer spending was particularly buoyant, with sales of durable goods benefiting most

With regard to the current year, it is clear that a further surge in demand of the magnitude of that which occurred last year is unlikely, although it should be borne in mind that real gross domestic expenditure only recently exceeded the 1975 level Nevertheless, existing constraints on the country's productive capacity have been brought sharply into focus and a period of consolidation is necessary Unfortunately, the adverse effects of certain inflationary bottlenecks – notably the shortage of skills and also of goods for intermediate and final consumption in some spheres – are already with us The containment of inflation has thus become a top priority A more disciplined monetary environment, necessitating a relatively high level of interest rates, is seen as the principal pre-requisite if the balance between aggregate supply and demand is to be established more effectively

Seen in conjunction with a further deterioration in export markets for a wider range of products, these circumstances must serve to moderate the rate of economic growth and industrial production However, the overall balance of payments situation remains satisfactory in relation to the present phase of the business cycle, despite the recent weakness in the gold price Continued import replacement and an apparently permanent increase in demand for some of the country's major export commodities have had a lasting impact in this respect A strong curtailment of domestic expenditure does not, therefore, seem to be necessary and fiscal policy in the year ahead will probably be relatively neutral The employment generating investment cycle will continue to run its course, while the skills shortage is likely to ensure that average wage and salary settlements remain relatively high, helping to sustain consumer demand, albeit with inflationary consequences Finally, improved conditions of employment in some spheres of the public sector are likely to be introduced Despite the eroding effect of inflation, these influences should ensure further growth for manufacturers catering to internal demand, but obviously at a slower rate than that experienced in 1980

Group highlights

	*1980	*1979
Total assets† – R000	1 210 991	857 059
Ordinary shareholders' funds – R000	511 706	405 509
Turnover – R000	971 185	736 364
Net earnings for Amic shareholders – R000	151 452	100 072
Ordinary dividends – R000	37 758	28 280
Earnings per share		
– including share of retained profits of associated companies – cents	561,6	371,1
– excluding share of retained profits of associated companies – cents	431,1	317,2
Dividends per share – cents	140,0	105,0
Net asset value per share† – cents	2 254	1 747
Number of shares in issue – 000	26 970	26 965
Number of employees	35 700	34 000

* The policy of equity accounting for associated companies was introduced in 1980 For comparative purposes the 1979 financial results have been restated accordingly

† Associated companies and investments at market or directors valuations

It is now common cause that alleviation of the balance of payments constraint in recent years has provided South Africa with the basis for a period of sustained growth, even allowing for the inevitable cyclical slowdown and an environment of higher interest rates already mentioned. However, it is abundantly clear that growth rates more in keeping with our potential can no longer be sustained without greatly accelerating the participation of all population groups in the economic process in the widest sense. Increasing employment at the lowest level remains an important means of spreading the benefits of economic growth, but heightened awareness of manpower limitations and the evolving labour dispensations have thrown employer, employee and the country into a development phase which cannot be reversed.

Labour and productivity

Attention was drawn in my review last year to the constraints on economic growth imposed by South Africa's critical shortage of skilled labour. Since then, there has been some progress and a milestone in enabling legislation has opened up the formal apprenticeship system to all race groups.

To date the numbers of new apprenticeship applications from blacks remain small, totalling only 200 of approximately 10 000 contracts registered annually. Obviously it will take a number of years before blacks enter industry on any scale as skilled artisans and many industries, including those in which Amic's companies are active, have had to resort to the overseas recruitment of artisans and other skilled labour. If, in the future, we are to meet our skilled labour requirements from the local labour market, there can be no doubt that the present training efforts of South African companies will have to be vastly improved. In this regard the government's extension of the tax rebates applicable to training and the creation of the National Training Board to co-ordinate all forms of industrial training are very much to be welcomed.

1980 has witnessed the registration of 12 new unions catering for blacks, as well as the accession of four of these unions to industrial councils, while further legislation is expected in the second half of 1981 which will extend to trade unions freedom to determine their own multiracial or uniracial status.

A number of employers have expressed concern at the delays involved in the registration process for new black trade unions, which inhibits involvement of these unions in the industrial council collective bargaining system. This system has the important feature of allowing for unitary collective bargaining at an industry level, even where a number of trade unions are active in the industry. Another disturbing feature of 1980 has been the tendency of unregistered black unions to gain recognition from particular companies and to engage in collective bargaining directly with these companies. This trend is likely to continue unless black unions can gain relatively rapid access to industrial council-based collective bargaining and it is imperative that administrative procedures should be streamlined to facilitate this process.

However, under difficult circumstances radical and important developments have taken place in the industrial relations field. In the short run South African industry will no doubt experience problems in adjusting as will the trade unions. For the longer term a sound basis for development appears to have been laid.

Outlook for 1981

I have already commented that it is unlikely that the rate of economic growth achieved in 1980 can be maintained in the coming year. Possible lower gold price levels, coupled with rising imports and higher interest rates, are likely to prove inhibiting factors, while the authorities are devoting increasing attention to ways and means of curbing the rate of inflation. The Amic group is of course budgeting for increased earnings, but it is unlikely to achieve the same rate of profit growth in 1981 as in the past two years.

The operating subsidiaries have budgeted for further major capital expenditure in 1981, and capital of R111,6 million had been committed for this purpose by December 31 1980. Work is proceeding on Scaw's new bar and section mill, costing R27 million, and Mondi's fifth paper machine, pulping plant and new boiler complex are scheduled for completion during the year at a total cost of R88 million. Boart has planned to spend R31,5 million of which approximately 50 per cent is marked for new developments and expansion of its local and international operations. Bruynzeel Holdings expects to spend R17,5 million on modernising and increasing capacity at various operations and on the installation of a medium-density fibreboard plant. The group's financial position is sound and it is expected that this planned high level of capital expenditure can be financed from profit retentions and the group's banking facilities.

The annual report and chairman's review may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, 2001. The annual general meeting of members will be held at 44 Main Street, Johannesburg, on Wednesday April 22 at 11h30.

amic

ABERDARE CABLES (180)

Buoyant outlook

FM 3/4/81

Activities. *Manufactures and sells power and telecommunications cables and plastic compounds Ultimate holding company is N V Philips Gloeilampenfabrieken of Holland*

Chairman: *C B van de Panne, deputy chairman R E Owen*

Capital structure: *7,5m ordinaries of 50c 100 000 5,5% cum prefs of R2 Market capitalisation R43,5m.*

Financial. *Year to December 31 1980 Borrowings Net short-term, R1,1m Debt equity ratio 3,7% Current ratio 3,3 Group cash flow R10,2m Capital commitments R522 000*

Share market: *Price 580c (1980-81. high, 675c, low, 525c, trading volume last quarter, 10 500 shares) Yields 20,3% on earnings, 6,9% on dividend Cover. 2,9 PE ratio 4,9.*

	'77	'78	'79	'80
Return on cap %	16,8	32,2	33,0	38,9
Turnover (Rm)	36,2	35,6	49,5	78 2
Pre-tax profit (Rm)	4,7	7,4	10 8	14,9
Gross margin %	12,9	20 8	21,9	19 2
Earnings (c)	37,9	63 5	85 1	117,8
Dividends (c)	20	30	32 5*	40
Net asset value (c)	359	398	398	477

* Excludes 50c extraordinary dividend

After a pedestrian first half and a lacklustre forecast for the second six months, Aberdare Cables ended 1981 with record earnings and a record normal dividend At this stage, though the forecast is not precise, it looks as if profit growth will continue strongly However, as with most other cable manufacturers, management is concerned about falling margins in a competitive industry

In 1980 the gross profit margin fell to 19,2% (21,9%) as turnover rose 58% and gross profit advanced only 43% A reason for this decline in profitability — a feature of the other cable manufacturers' results as well — is that the higher volume of sales came mostly in low margin products In addition, local manufacturers are concerned about the growing market share going to low-priced imported products These imports are believed to account for some 12% of the total market, compared with around 10% a year ago Hence, the industry recently applied to government for protection

In Aberdare's case, accelerating sales

Aberdare . . benefiting from Escom spending

came mostly from increased overhead conductor cables as Escom expands its national electricity grid And judging from the budget of the corporation, demand from this source should remain strong in coming years

The financial ratios of most cable companies have been sound since the profit slump in 1977, when all were caught with low order books and expanded capacity Aberdare improved further in 1980 with enhanced liquidity and a low 3,7% debt equity ratio The only indebtedness was a R1,1m bank overdraft, while cash and short-term investments total R2,9m.

The extent to which Aberdare is undergeared is seen in a group cash flow which covers total borrowings 9,6 times, while the annual interest/leasing bill is less than 2% of gross profit

The future for the cable industry looks assured The oil crisis has spurred moves to heavier reliance on electricity as a power source, while electrification schemes like that presently underway in Soweto promise to keep order books comfortable Aberdare has started 1981 with satisfactory orders, though in the industry most manufacturers complain that orders are somewhat on the shortend

But while the industry outlook is sound, there is definitely scope for rationalisation Relatively substantial capital investments have to be made by manufacturers in order to keep up-to-date in the market and they remain vulnerable to low-priced imports At present, however, no such rationalisation moves are in sight, though rumours surface from time to time concerning a change of control in one of the three foreign-owned companies

At 580c, Aberdare appears to be discounting a dividend of around 50c this year, which, given market outlook, does not seem overly optimistic Against the income attractions, however, is the fact that the share trades in a limited market

Des Kilalea

Cash-flush Diroyal set for further takeovers

CT 3/4/81

180

By PAUL DOLD

CAPE-BASED Diroyal — the industrial holding group with interests in the motor sector, ship supply services, the manufacture of steel based products and furniture stores — has R3,5m available for investment, and is preparing for further acquisitions in the manufacturing and trading sectors, the chairman, Mr A D P Ovenstone, says in the annual report.

The cash inflow is due to the sale of the Repfin factoring group to Bankorp for R3,9m and Diroyal has also sold its entire share portfolio for R880 000. The deal with Bankorp released some R4,3m of working capital.

Net asset value per share is now 109c as against 72c — a 51 percent rise. The profit outlook will hinge to some extent on how these funds are invested but Mr Ovenstone says that the dividend will not be less than last year's 7c covered between 2,5 and 3 times. It is a group objective to maintain cover between 2,5 and 3.

Last year taxed profits were up 62 percent and the dividend was increased by 40 percent.

The fields in which the group operates are buoyant and he expects another successful year with the motor division maintaining a high level of activity and the manufacturing arm increasing its profitability.

However, the ship supply trade is currently experiencing a slowdown and if these conditions continue the contribution from this division will be affected.

The major stakes in the group are held by Ovenstone Investments (24 percent) and K[illegible] Kunene 17,9 percent.

The annual report is a vast improvement on the previous one and must rank among the best produced in the Cape thus far this year. It includes a value added statement, share ownership analysis, a shareholders diary and sets out the group objectives.

In the light of overlapping legislation and deficiencies pointed out to it, the Commission considers it important to consider what organisations should be established with regard to industrial health and how it would remove existing ... and supply existing needs. 'Almost all responsible bodies and persons

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SOWETAN 10/4/81

New body for industrialists

By CHARLES MALOKO

ALL TEMBISA industrialists and backyard operators have been invited to join a newly formed association.

"We, the association, have acquainted ourselves with the problems of the backyard industrialists, who have now made progress, and we can assist them to come into the open and continue to serve the community," said Mr S M Namane, general secretary of the organisation.

He said the association will help home industries financially and in any other way possible.

In the meantime, the association needs more support from the public. Mr Namane said his association will plough back its profits to the Tembisa community, if the community can give the association support.

"We shall render services for Tembisa and produce commodities. We shall be glad for people to approach us to have a look at our reasonable prices and compare the prices with those of our neighbouring industrialists outside Tembisa," he said.

SHOW

There will soon be a show of industrial commodities and the association would like to highlight the occasion. It hopes to organise all people who can produce commodities with their hands and put them publicly at the show. Interested people should contact Mr Namane before May 10.

Mr Namane said: "If industrialists come together, it is better to co-ordinate their activities and promote industry. We need to devote attention to industry in Tembisa as a way to derive some revenue," he said. He added that there are problems ahead that face all industrialists who will be practising at Mqantsa Section in Tembisa, where they were given sites.

Long time industrialists around Tembisa have promised to land a hand to the Tembisa industrialists association if it is organised and some general problems have been submitted to these industrialists in time for them to inject an industrial spirit and help industry to get going.

Mr Namane can be reached at Number 94, Tsepo Section, or at 924-1249. Other members of the association are Mr J Nkomo (chairman), Mr N G Khoza (vice chairman), Mr M B Mahlangu (vice secretary) and Mr G T Nkabinde (treasurer).

ruling them out, that the Department of Health should be assigned.

Chapter XV. Industrial Health - Department of Health.

The Commission recommends that the Department of Health be made a central controlling organisation in industrial health matters. This is because health is "its fundamental responsibility and because it wou be difficult to divorce a person's state of health in his world situation from that outside that situation." (p.54) Thus, community health and industrial health are essentially complementary.

The Department of Health has an advantage over any other body in this respect, by virtue of its structure and organisation. The Department changed its structure in I969 and its authorised establishment consists of 5 branches viz: Environmental Health Services, Personal Health Services, Health Laboratory Services, Strategic Planning and Co-ordination and Adminiatration. There is a Head Office and various regional offices.

The Department is responsible for the promotion of public health; the prevention, limitation and suppression of infectious and preventible diseases; the prevention of injury to health from food, cosmetics, etc; the prevention of injury to health through environmental factors; the control of TB, leprosy, mental hospitals and institutions etc. They act as an agent for the Department of Bantu Administration and Development (now Plural Relations) by virtue of their health services to the homelands - major functions of some more important branches:

I) Environmental Health Services Branch - its main function is preventive and promotive with respect to effect on health of environment. It consists of a:

a) Pollution Control Services Division - functions to prevent noxious pollution of the atmosphere etc. - 2 sub-divisions:
   i) Water and Surface Pollution Sub-division and ii) Industrial Health Sub-division.

The Industrial Health Sub-division is concerned with the health of the industrial worker and his working environment, and the health of the 'general public'. They give medical advice on the prevention of diseases arising from pollution.

The Department has no statutary powers in connection with the work environment, but there exists an agreement with the Department of Labo in relation to this.

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MANUFACTURING (18c)

Capacity remains

FM 10/4/81

There is still spare capacity in the manufacturing sector despite forecasts that the first quarter of 1981 would see full capacity

And in any event, there are factors which might make it impossible for industry to achieve full capacity

One is the fear that Escom will be unable to meet the required load this winter Another is the skills shortage, which in certain industries, particularly the engineering and construction industries, has become a crucial inhibiting factor

Errol Drummond, director of the Steel and Engineering Industries Federation, goes so far as to say that in some export sensitive industries, like iron and steel and ferro alloy industries, new manufacturing equipment has been 'mothballed' because of thin demand from abroad

The effect of the soft world market on these industries has been aggravated by the strength of the rand in recent years, which makes SA products less competitive in world markets

However local demand is holding up — Drummond describes it as "semi buoyant but not strong enough to bring manufacturers to full capacity

He points out that new investment in the steel and allied industries is not so much to increase capacity but to comply with environmental controls

The motor components manufacturers have not saturated their capacity, but have reached an all time high in response to the increase in motor car production

According to a spokesman from the Federated Chamber of Industries, the continued high level of machinery and equipment imports indicates there is spare capacity because it is continually being expanded He points out that investment in equipment rose by 25% in 1980 and that these machines are now being installed

According to Drummond, the construction industry is not at optimum production levels partly because it has over-capacity and it is suffering with a chronic shortage of skills

Consumer durables, particularly white goods like household electrical equipment have had a run of good demand and come close to full capacity But they are finding competition from imported goods a problem

ESCOM FLYING HIGH

A banking source reports that Senbank (now in the market for Escom's loan issue) has had a "good response" to its invitation for sub-underwriters The issue has two tranches — a 12-year loan at an all-in rate of 12,94% (coupon rate 12,80%) and a 25-year loan at an all-in rate of 13,07% (coupon rate 12,95%)

There is "lots of cash" at the short end of the market and this cash is now looking for longer dates Could the market be looking to a levelling off in interest rates?

Although the rate of 13,07% for the longer-dated stock was initially said to be "fine," the issues have been fully sub-underwritten

Individuals, not invited to participate in the sub-underwriting, have nevertheless submitted many enquiries for stock ahead of the issue date of April 10 — at the rate of 13,00% for the longer-dated stock and 12,86% for the shorter-dated

AMIC FM 10/4/81

More to come 180

Activities *Industrial holding company in the Anglo group Owns Boart International, Scaw Metals, Bruynzeel Holdings, African products (all 100%) and Mondi (62,7%) Investments include De Beers Industrial, Haggie, Asea, LTA, McCarthy, and Sigma Anglo holds 49% of the equity*

Chairman *G W H Relly*

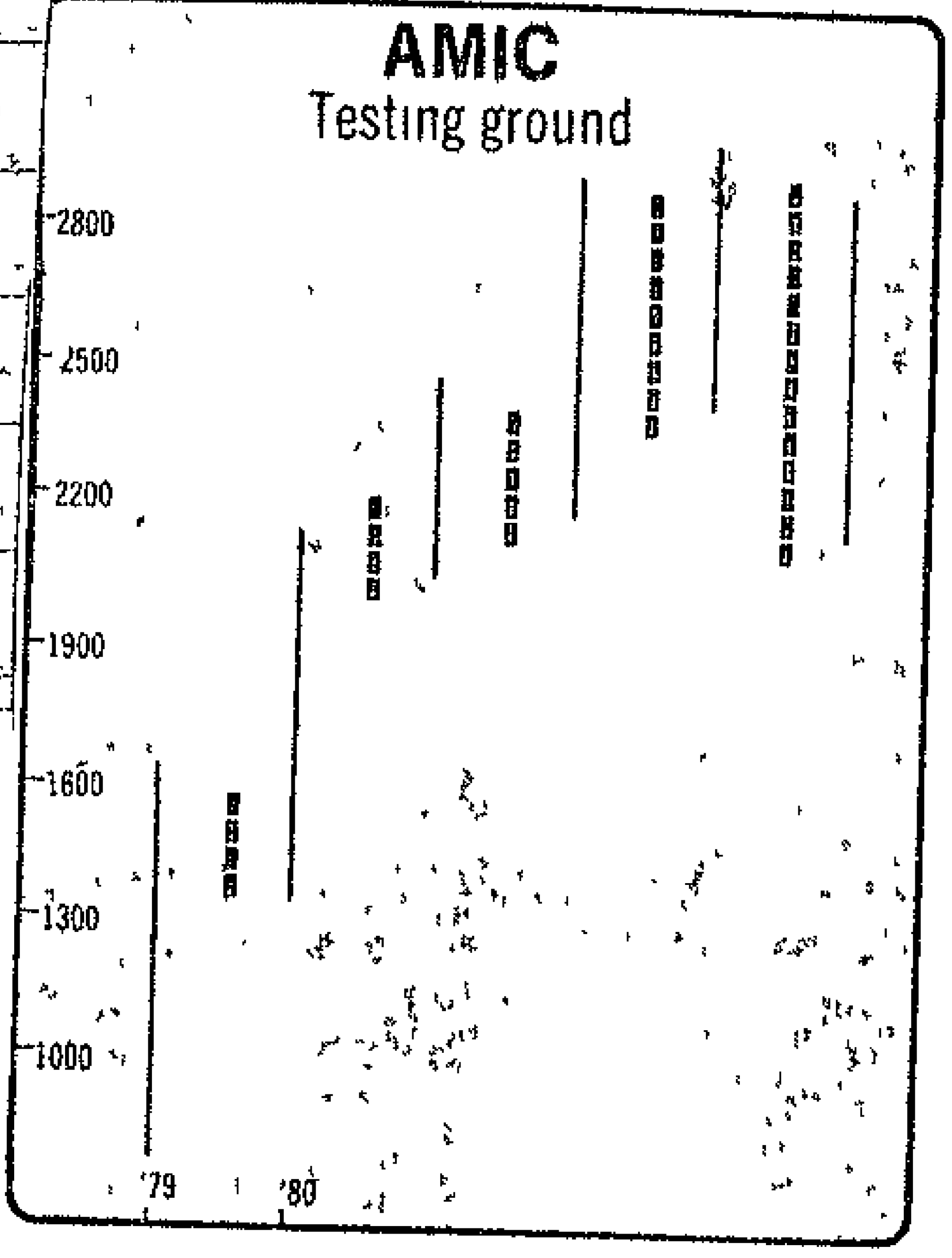
Capital structure *27m ordinaries of R1 Market capitalisation R682m*

Financial *Year to December 31 1980 Borrowings long- and medium-term, R112m, net short-term, R84,3m Debt equity ratio 32,4% Current ratio 1 3 Group cash flow R167m Capital commitments R112m*

Share market *Price 2 525c (1980-81 high, 2 950c, low, 1 950c, trading volume last quarter, 96 600 shares) Yields 22,3% on earnings, 5,5% on dividend Cover 3,1 PE ratio 4,5%*

	'77	'78	†'79	†'80
Return on cap %	18 2	19 5	24 9	22 6
Turnover (Rm)	327	491	736	971
Pre-tax profit (Rm)	58 8	84 2	154 0	197 5
Gross margin %	19 4	18 8	22 2	22,1
Earnings (c)	141	195	391	562
Dividends (c)	70	80	105	140
Net asset value (c)	1 160	1 320	1 747	2 123

† Equity accounting basis



Despite a busy year, with major acquisitions and capital expansion, Amic rewarded shareholders with a dividend increase which was double the annual rate of inflation Chairman Gavin Relly warns, however, than a similar 44% earnings advance is unlikely this year, which is not particularly surprising after a two-year period in which attributable profit more than doubled from an already large base

Amic changed its basis of accounting for associates in 1980 to the equity method which boosted stated eps by 131c a share to 562c On a comparable basis the strong expansion moves since 1976, coupled with internal growth and growing demand, increased earnings by an annual compound 28,1% In the same period, dividends grew 21,1% compound despite gradually increasing retentions to finance expansion

Since 1977, dividend cover on the group's own earnings has increased from two to three times Relly says funding needs point to Amic continuing to pay out 33% of earnings for the time being This takes into account capital commitments so far this year of R112m, most of which is for subsidiaries Scaw, Boart and Bruply

In 1980 capital expenditure was R161m, while acquisitions cost a further R87m These acquisitions included Scaw's purchase of 36,2% of Haggie and Amic's 46 3% interest in Asea Also 80% of Control Logic was acquired for R6,7m

With few exceptions, all subsidiaries and associates turned in better results in 1980 The best performing subsidiary was Bruply which reported an earnings advance of 131% to R13m as residential housing demand accelerated and exports rose significantly Another improvement is expected in 1981

The largest individual profit contributor, however, is still Scaw Metals which reported a 41,5% earnings increase to R35,6m Last year this subsidiary installed a grinding media plant, and R27m has been earmarked this year for a bar and section mill

Last year s earnings were boosted by the equity accounted share of Haggie s 1980 profit In view of activity in the mining industry and Haggie's acquisition of Macdem last week Scaw s R53m interest should pay handsomely medium-term

Other major subsidiaries including, Boart, African Products and Mondi, also performed well, with earnings increases ranging between 21% for Boart and 63% for Mondi In all cases 1981 is expected to produce higher profits

Investment income and income from associates including the interest in Asea acquired during the year, totalled R18m (R11,7m) which gives a yield on the book value of these assets of 8,4% (11,7%) The decline represents the late acquisition of certain investments

Amic's total portfolio of listed an unlisted shares, comprising both investments and holdings in associates, had a market/directors' value of R309,8m (R195 6m) at end-December With the general market tone the portfolio has since depreciated marginally

Amic's strength lies in a broad spread of investments and the strong market penetration of its subsidiaries In addition, the group is operating well within its financial capacity as cash management is emphasised to ensure there is no strain from expansion With a low debt equity ratio of 32,4% and gross profit cover on annual interest and leasing commitments of 12,6 times, further significant expansion is on the cards

One area which seems to offer considerable potential is the electronics sector Before the acquisition of Asea, Amic had only one small subsidiary in this sector On the basis of the growth rates expected in electronics, further acquisitions or expansion cannot be far behind Perhaps the first such move will be the acquisition from Asea AB of Sweden of its remaining stake in the local company

It would appear from the current 2 525c share price that the market expects Amic to pay a dividend of 180c-plus this year putting the share on a 7,1% prospective yield Not only is the yield a good lock-up return, but there is a chance performance could be even better

Des Kilalea

CONTRIBUTION TO EARNINGS

	'79 %	'80
Boart	24 6	19 6
Scaw	25 2	18,0
Mondi	14 2	15,2
Bruply	5 6	8,6
Afprod	5,3	4,9
Control Logic	—	0,5
	74 9	66 8
Associates and investments	10,8	10,0
Retained earnings of associates	14,3	23 2
	100	100

HLH

Changing emphasis

180 FM 10/4/81

Since its listing on the JSE in November 1978, family-controlled Hunt Leuchars & Hepburn has been something of an investment favourite as its major divisions produced strong profit growth Performance was above market expectations, despite problems in the engineering division, an achievement recognised by the JSE which rates the share on a relatively low 5,7% historic dividend yield.

It is, however, likely that a new corporate structure and changes in the group's direction will further impress the market For the past two years, HLH has moved away from its long history as an unlisted family-controlled conglomerate With the appointment of MD Chris Perry as deputy chairman and chief executive, and the board's decision to nominate him as the first non-family chairman in the group's 131-year history when Ian Hepburn retires next April, the signs point to group aims being more in line with those of longer-term investors

HLH's board has agreed with Perry that the longer-term objectives should be more economically based and productivity orientated, which for a start means the disposal of the ailing engineering division.

HLH has five major operating divisions, the two largest being the distribution of steel and the supply of timber to the mining industry The other areas are transport control instruments and building products distribution and engineering With the exception of engineering, all operating arms have been profitable and growing since the listing.

The last published results for the six months to end-August showed continuing progress After thumping most pre-listing expectations, HLH turned in a 57% earnings improvement to 47c (30c) a share in the first half of the financial year From this, a 33% higher 12c (9c) interim dividend was declared

These record profits stemmed from strong improvements in the steel, timber and building products divisions as the economy gained momentum and productivity programmes paid off But behind the good performers was a continuing loss in the Natal arm of the engineering division, which was still suffering the effects of low margin contracts written during the 1975-77 recession. As a whole, the engineering division made no contribution to earnings

Since Perry joined HLH as MD in 1973 (when group turnover was some R36m), his aim has been to streamline it and run it along public company lines This meant a decision to maintain the operating base of the group in real terms, while at the same time ensuring its future direction was not clouded by concentration on relatively minor activities

Hence the board decision to dispose of the engineering division which, though it has been a part of HLH since 1925, did not fit in, and concentrate all management's efforts on the chosen paths "The recent losses in the engineering division were obviously a factor in the decision to get out But more important, we do not want HLH to be too diversified," says Perry

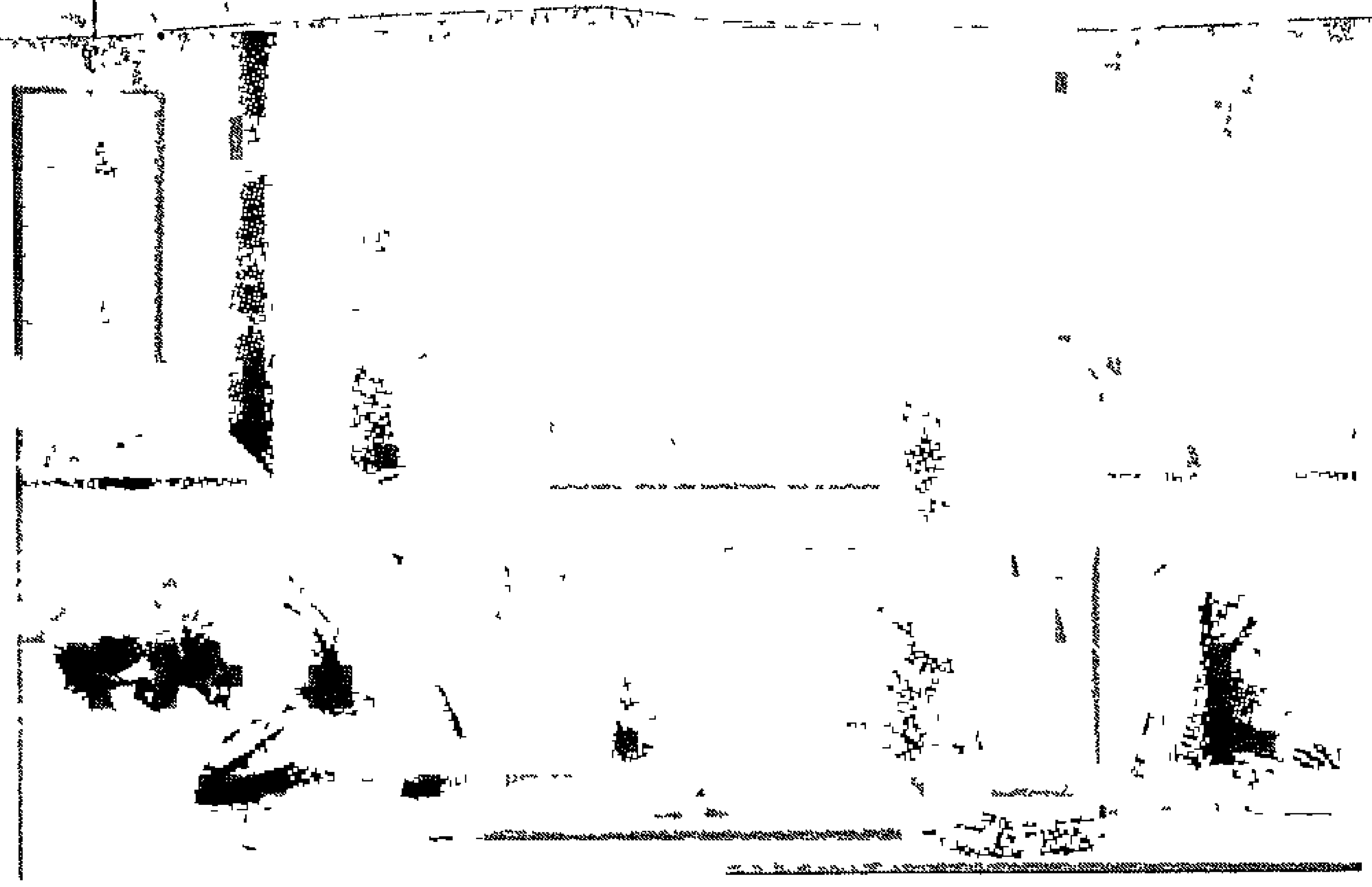
His attitude as chief executive is that the returns or potential returns must be good enough to justify being in any operation in the longer term To help improve productivity and give these returns, HLH has introduced a new management structure to gain thrust in those areas which the group sees as its longer-term bread and butter This new structure is a commitment to decentralisation — a further move away from the more insular and potentially suffocating management which operates in many family-orientated companies

The range of operations has been split into four divisions — steel, timber, industrial and international — each of which has its own chief executive with wide responsibilities for both marketing and finance

Perry says that having defined the areas in which "our future lies, our first priority is to consolidate market share Divisional teams will give the major thrust in the market, but to stay in the running, we have to put a lot of money down" The first such investment is the expansion of HLH's extensive timber plantations with the purchase of large tracts of forested land for R8m, which further consolidates its position in the mine timber supply market

The building products division has spent R8m on new branches at Welkom, Potchefstroom, Paarl, Bellville and Kroonstad Similar expansion has taken place in the steel division, where R5m has been invested in a cut-to-length plant in Natal, and R1,5m in a cold-sawing line in the Transvaal

These investments are just a start. As the needs arise, HLH will not hesitate to commit more funds to its chosen areas of expertise and is gearing its financial



Chairman Hepburn and chief exec Perry . . . on course for the future

structure accordingly

In choosing the areas on which to concentrate, says Perry, HLH took into account that, as a developing country, SA needs large quantities of steel and timber. Thus he sees that the largest division, steel, operates in a long-term growth market. Steel demand should on average grow at least in line with the economy with the vast expansion planned in building and construction.

In addition, as a supplier of steel to the capital goods industries, HLH has carved out a place for itself in a definite growth market. And while the steel industry is price controlled, Perry says HLH can benefit by becoming more efficient. Thus aiming for and confident of achieving the title of being the most efficient steel distributor, HLH plans to beat the averages in the price-controlled industry.

Equally, growth in the mining timber supply market seems assured. SA is heavily dependent on its mining sector and with the huge capital expenditure plans of the industry, demand should remain strong. "Short-term weakness in the price is not a worry," says Perry. Longer-term, the picture looks rosy. Timber is a scarce resource, but HLH is ensuring it has continuity of supply. In addition, heavy expenditure on R & D into other mine supports, such as the HLH stick props and flame retardant for timber, promises to keep the group ahead in the market place.

The other areas on which HLH is concentrating its efforts are also growth points. Housing needs dictate that building supplies is a sound sector, while with the high cost of fuel, transport control instruments are regarded optimistically.

Unlike many local companies, HLH has maintained its export markets throughout the current boom and has no intention of being fickle by merely supplying local demand at present because margins are better. "Building up international markets to the point where some 7% of the past year's sales are abroad is a situation we intend to maintain. The investment in establishing the market will not be wasted."

Having laid plans for its market sectors and committed itself to investing in the future, HLH must now look ever closer to keeping its financial structure intact. Perry is one of a growing band of chief executives embracing the policy that it is in shareholders' interests to maintain the capital base of the group — even if this means slower dividend growth. He has stated that dividend cover will float upwards so HLH can fund its working capital needs. "There is no point in retaining funds in the business, if the return on assets managed is not at least matching the annual rate of inflation."

Perry's dictum is that HLH's future growth depends on the efforts it can make in the field of productivity. Asset turns and returns on sales — in short, asset management — will decide the group's ability to withstand the rigours of inflation. He has set as his gearing target a total liabilities to shareholders' funds ceiling of 120:100 — or a debt:equity ratio of 70:100 — with interest and lease commitments covered five times by gross profit.

Currently, HLH's return on equity is in the region of 18%. Perry sees as a satisfactory longer-term target a yield of 25%, which will allow sufficient self-financing within his debt parameters and the payment of dividends — provided inflation does not increase rapidly. "The new structure," he says, "brings these goals much closer."

Since the listing, Perry has revised his return targets upwards as HLH moved onto a higher return path. Given that new investment should enhance returns on funds employed, and the cash-draining engineering sector is cast off with a cash inflow of R4,5m, the future looks sound.

Decentralised management in the hands of experienced operators has proved a winner for many diversified companies on the JSE and there is no apparent reason why this should not prove the case with HLH. Its range of activities may not be in wild growth markets, but they are secure in the longer-term. This much was recognised by Blue Circle when it put the case for a 50:50 merger of the groups on an operational and management level in 1980. Those negotiations stumbled, apparently because of certain family shareholders.

Such a divergence between what is good for some shareholders and what is good for all will not occur again. Having decided to go it alone, HLH is committed to invest heavily in its future, which should pay shareholders handsomely in the future.

Des Kilalea

Conclusions.

It is hoped that these few pointers will initiate discussion concerning the relative expenses, those of running costs, as against purchase price/ capital costs for, the argument, to me, seems very much similar to that of the buying of a jet engine.

It is not so much the purchase price of a turbine engine but what do you intend doing with it? If to drive a jet aeroplane, then it is the best, the most economically efficient even if initially expensive, if it is to drive a bulldozer, it is uselessly expensive both in cost and in the running.

True evaluation must consider all relative items.

In this vein it is hoped that far more knowledgeable speakers will be provoked to supply more accurate and detailed information than comes from my contribution, for I can only assume that my name was put forward in the hope that an "Irishman" will argue about anything.

J.O. Pearson

Dr. J.O. Pearson, Tb. Control M.O.,
The Divisional Council of the Cape.
18 - Aug. - 1978.

Purchase Cost of Drugs.

The following purchase prices are being used in this discussion.

Isoniazid, INH, (H)	100mgm.	11 cents per 100.
	300mgm.	26 cents per 100.
Streptomycin, Strep. (S).		

... per patient are:

H (400mgm./day)	0,37c.
S (1gm/day)	7,77
R (450mgm/day)	109,71c (R1,10)
E (1 200mgm/day)	16,86c
Et (Igm/day)	4,48c
I.N.A.T. (300/150)	1,04c

Call to promote small businesses

CT 11/4/81 ~~120~~ 180

Staff Reporter

A CALL for the promotion of small businessmen as a defence against communism was made yesterday by Dr S W van der Merwe, vice-chairman of the President's Council

Promotion of the small business sector would enable other race groups to feel they were sharing in the benefits of free enterprise, Dr Van der Merwe told the Junior Rapportryers of Goodwood at a dinner in Table View

He said small entrepreneurs with an interest in an orderly and peaceful country also had the potential to create thousands of jobs

Dr Van der Merwe called for the removal of obstacles hampering the development of the small business sector

The small business enterprise was capable in the short term of creating more work opportunities with given capital than big business could do with the same capital

He pointed out that between 1970 and 1977 the American economy created 9-million job opportunities of which 5,5-million were created by small business enterprises

Various initiatives — "which have nothing to do with political parties, ideologies or the domination urge" — had been launched during the past 18 months, he said This was the "constellation initiative" of the Prime Minister, Mr P W Botha

The programme to stimulate small business started with the founding of a Small Business Development Corporation in February, which aims to promote all small business enterprise irrespective of race

The programme had been given further impetus by the creation of a Programme Advice Board consisting of nine people from the public and private sectors and representing all race groups The third leg of the programme was provided by the Advice Service given by the private sector throughout the country greater price sensitivity enable the large buyers to maintain low prices. It may thus be in the interests of the patient to set up a central marketing board to buy and distribute drugs as well as to disseminate information to doctors.

But we must bear in mind the incentives that face the firm. For if these are disturbed, the firms may cut their research efforts and reduce vital innovations. It appears, though, that it would be possible to leave the entire process except marketing to doctors in the hands of firms. They would merely produce and market for tender work. Profits would still be able to be earned, but the excessive expenditures on promotion could be curbed. And such expenditures are, in the main, incurred only to counter competition and are unnecessary from the point of view of the firms as a group.

This proposal seems to have some merit, but assessment of it can only be made after some of the other issues facing the industry have been considered.

SECTION 6: THE INFLUENCE OF PRESCRIBING BY BRAND OR GENERIC NAME ON PRICES:

Drugs are referred to either by their international non-proprietary (i.e. "generic") names or by their specific brand names. If a prescription is made out in terms of a generic name, the chemist is free to fill it with any of the drugs on the market with the same formulation of the active ingredient (i.e. a generic equivalent) while a prescription made out in terms of a brand name must be filled by that manufacturer's drug only.

The drug firm thus has in incentive to ensure that doctors specify its brand for this would allow it to charge a premium price.(1) It is, however, a matter of some debate as to whether such a price differential can be justified in terms of patient welfare.(2)

(6.1) The Brand/Generic Debate:

Before an assessment of the problem can be made, the debate must be examined.

(6.1.1) The Case for generic name prescribing:

Proponents of generic name prescribing stress the savings that could be generated as well as the simplification of prescription filling that would result.

The reason for the dual price structure of branded (high priced) and generic (low priced) drugs is ascribed to the fact that larger firms are able to spend the sums on promotion necessary to establish brand loyalty. Given the low price and high subst[illegible] facturer m[illegible] market sh[illegible] such pract[illegible] prices.

The sec[illegible] is that t[illegible] fied. Ph[illegible] large sto[illegible]

The bra[illegible] Africa, a[illegible] name, but rarely de[illegible] the use [illegible]

(6.1.2) [illegible]

Those i[illegible] ning "equ[illegible]

In conn[illegible] called equivalent drugs, the W.H.O. has stated, "Different formulations of the same drug may vary in their bioavailability to a clinically relevant extent, drugs from different sources should, therefore, be considered as distinct products."(4) The medical profession generally accepts this, but there is

Tardy tariff protection

RDM 14/4/81

180

MR LANDAU criticises the system of getting tariff protection He describes the mechanism as slow and cumbersome

While welcoming the intention of the authorities to move away progressively from import control to tariff protection, he says it is essential that tariff adjustments and anti-dumping duties be rapidly applied if the current system of permit control is to be abolished

"This is particularly true where major overseas producers in depressed areas are prepared to dispose of excess stocks by dumping them on to any available market

"The current tariff protection system offers little or no protection to South African industry

"By way of example, coated paper products enjoy no duty protecton whatsoever and Sappi, therefore has to compete with international supliers who sometimes supply these products to South Africa at prices below the domestic prices in their countries of origin

"Sappi s application for tariff protection on these commodities, which has been outstanding for nearly two years, has still not been granted

"If local industries are to be encouraged to invest in future development, this situation will have to be corrected without further delay"

Tiger Oats and National Milling Company Limited

S. Times 19/4/81 180

(Incorporated in the Republic of South Africa)

Ch...
The foll... and Nat... together the past...

Having regard to the wide and diverse nature of the group's activities in the food and pharmaceutical industries, it has been decided to change the format of our annual report by limiting the Chairman's statement to matters which concern the group as a whole, and to report separately on our divisional activities in the accompanying divisional review.

Financial results 1980

I have pleasure in reporting that, for the first time in the group's history, total turnover exceeded R1 000-million, whilst sales of associated companies, in which we hold 30% to 50% of the equity, also exceeded that figure.

Group trading profit for the year, before taxation, amounted to R72 990 000 compared with the previous year's figure of R61 249 000. After deducting taxation and deferred taxation of R25 681 000 (R21 521 000 for the previous year), profits of R7 281 000 (R7 118 000) attributable to outside shareholders in subsidiaries, and preference dividends totalling R3 421 000 (R3 344 000), the consolidated net profit of the company and its subsidiaries attributable to ordinary shareholders amounted to R36 607 000 (R29 266 000). These profits represent earnings of 324 cents per ordinary share – 24% up on the previous year's earnings of 266 cents.

The above results do not embrace the operations of associated companies except to the extent of dividends received and credited in the income statement. As will be seen from the relevant information contained on page 33 of this report, the group's share of the taxed profits of associated companies, in which at least 30% of the share capital is held, totalled, according to the latest financial statements of the companies concerned, R11 010 000, compared with the previous year's figure of R8 585 000, whilst the dividends received from this source during the year amounted to R3 167 000 compared with R1 977 000 received in the previous year. If the retained profits of these companies for their respective financial years are taken into account, the above group earnings of 324 cents per share would amount to 392 cents against 321 cents for 1979.

L I F O

With a view to counteracting to some extent the adverse effects of inflation, certain subsidiary companies adopted the "L I F O" (last-in, first-out) method of stock valuation in 1980. It is anticipated that this change will result in on-going cash flow benefits and which, for 1980, will amount to approximately R3-million. The group profits reported above have, however, not been affected as provision, in a like amount, has been made for deferred taxation.

Dividends and appropriations

In August 1980 your board declared an increased interim dividend of 35 cents per share which, together with the increased final dividend of 48 cents per share declared in March 1981, makes a total distribution for the year of 83 cents per share, an increase of almost 26% over the previous year's distribution of 66 cents.

Although the above increased distribution has slightly reduced our dividend cover it would be appropriate to draw attention to certain important factors militating against any substantial change in the group's existing dividend policy. Chief amongst these is the influence of inflation on the working capital we require to finance stock and debtors, especially with food prices outstripping the general inflation rate. Equally important is the ever-increasing cost of replacing our plant and equipment and large distribution fleet, bearing in mind that the historical depreciation provided in respect of these assets is inadequate to ensure that funds will be available for their replacement.

An amount of R9 000 000 has been transferred to general reserve, which has been increased from R37-million to R46-million whilst, during the year, group capital and non-distributable reserves increased from R51 429 000 to R57 609 000. Details of the net increment of R6 180 000 are given in the financial statements.

Capital expenditure

During the year under review our net capital expenditure totalled R33-million. Although this total is somewhat below the annual average spent under this heading in recent years, the actual outlay nevertheless remained substantial and is in conformity with your board's long-standing policy of continuously upgrading the group's production facilities and, where necessary, increasing capacity to meet the anticipated steady increase in the consumer demand for all our products. Further reference to this subject is made in the divisional review.

Acquisitions and disposals

During the past year our shareholding in The Imperial Cold Storage and Supply Company Limited was further increased and now represents nearly 18% of that company's issued ordinary share capital.

Subsequent to our financial year-end, Metro Cash and Carry Holdings Limited increased its issued share capital following the acquisition of a controlling interest in the Russels furniture group and, to maintain our equity stake of just over 30% in Metro, we acquired additional shares in that company.

With effect from the 31st July 1980, we disposed of our controlling interest in Mafeking Creamery Limited on satisfactory terms. The operations of this creamery, which formed part of the original Stein Bros. group, were not complimentary to our main-stream activities in this particular field and were capable of being more satisfactorily integrated with those of the purchaser.

Trading conditions

The principal factors which influenced the group's results during the past year are mentioned in the accompanying divisional review. In summary however, apart from edible oils and derivatives and fishing operations, turnover and profits in all divisions showed a satisfactory improvement, particularly so in the case of the maize and wheat milling, and animal feeds and agri-business divisions. The bulk handling and shipping divisions also had good years and again made valuable contributions towards the country's on-going export drive. The pharmaceutical division, too, reported excellent results and now makes a significant contribution to the group's overall earnings.

The two salient features of the South African economy during the year under review were the achievement of an exceptional real growth rate of approximately 8% coupled with an unprecedented average rise in consumer prices of almost 14% over the year.

Unfortunately the average annual percentage increase of about 19% in food prices during the past year exceeded the abovementioned rise in the consumer price index by a considerable margin due, in the main, to exceptionally high increases in the administered prices of the country's principal agricultural commodities. In the latter connection the most notable example has been maize, the cost of which has increased by almost 50% over the two seasons ending on the 30th April 1981. An increase of this magnitude has inevitably affected the cost not only of red meat – the price of which rose by nearly 60% over the 12 months – but also the cost of production of pork, poultry, eggs and all dairy products. At the time of writing, the internal consumer price of maize is well above the world price, and this imbalance recently gave rise to the abnormal circumstance of the Government allowing the importation of broiler chickens and eggs – both of which commodities can now be produced in certain Western countries more cheaply than in South Africa – at a time when maize exports are being heavily subsidised. Whilst the importations in question undoubtedly helped to alleviate temporary shortages following an unexpected increase in demand due to exceptionally high red meat prices, the fact that the importations were economically possible, throws into sharp relief a clearly untenable situation, particularly when it is borne in mind that the cost of feed represents over 70% of the total production costs of both broilers and eggs.

In my opinion, the exceptional increases in the maize price in recent years also underline the fact that, in our prevailing socio-economic structure, it is absolutely essential to continue and, where necessary, increase the level of subsidisation of staple foods. In this regard I submit that if the Government, for strategic or other reasons, considers it necessary to further increase the producers' price of maize in the forthcoming season by anything other than a nominal percentage, it would be equally essential for the maize subsidy to be substantially increased. Whilst the maize producer is undoubtedly entitled to a fair return on his capital it must be evident that, in the case of such a basic foodstuff as maize, subsidisation is the only basis on which the payment to local producers of a price in excess of world values can be justified on both social and economic grounds.

Directors

In November last, Mr. W.H. Neate, the Chairman of The Imperial Cold Storage and Supply Company Limited, accepted an invitation to join the board of your company. Having regard to our long-standing association with the company of which he is Chairman, I have great pleasure in welcoming Mr. Neate as an additional director and am confident that he will make a valuable contribution to the board's deliberations.

Manpower

The most important single restraining factor during the current period of sustained economic growth has been, and will doubtless continue to be, the severe shortage of skilled manpower of every category. Whilst the recent revival in immigration to the Republic of skilled professional and artisan classes has been most welcome, and has helped considerably to alleviate this problem, all competent authorities are agreed that the Republic's economic future and, accordingly, the well-being of all its inhabitants, will primarily depend on the success of the continuing efforts being made to improve the productivity of the indigenous population, especially that of the Blacks. The lead in this respect has been given by the Government following the release of the reports of the Riekert and Wiehahn Commissions and the duty of tackling this most formidable task now rests squarely on the shoulders of the private sector. With this object in view, efforts are continuously being made throughout your group to make greater use of, and to improve the skills of, our non-white employees and it is my earnest hope that the positive approach which is now being adopted will accelerate rapidly in all operating divisions.

At the beginning of 1970, the group had 5 800 employees and an annual payroll of just over R7-million. In this early part of the 1980's we have over 20 000 employees who, between them, earn over R79-million per annum, inclusive of the cost of retirement benefits. Whilst the increase in the actual numbers employed mirrors the growth of the group itself, much more impressive, I believe, has been our achievement in narrowing the wage gap between the lower-paid and higher-paid employees, without affecting the living standards of the latter. Needless to say, this comment does not refer to your group alone but is indicative of the progress achieved by the country as a whole and augurs well for the future.

Tiger Oats share incentive scheme

On the 15th January 1981 shareholders approved a new share incentive scheme to enable selected senior employees, including executive directors of the company and its wholly-owned subsidiaries, who play a key role in the management of the group, to purchase newly-created 8% redeemable convertible preference shares of R1 each in the capital of the company and which are convertible into ordinary shares after specified period of time. In terms of this scheme, the funds required to pay for the shares will be advanced by subsidiaries in the group to a trust set up pursuant to the provisions of the Companies Act. The maximum number of shares which may be acquired by any one participant has been fixed at 10 000, whilst the aggregate number of shares available under the new share purchase scheme, together with outstanding options under the previous share option scheme, is limited to 5% of the issued ordinary share capital of the company.

Staff welfare

The abnormal increases in salaries and wages which have been granted in the Republic over the past few years have placed considerable strain on the pension fund movement in general. To ensure the financial soundness of the various funds in operation in the group, your board and the boards of our quoted subsidiary companies have, in recent years, voted additional sums for this purpose and, where deemed necessary, for the purpose of improving the benefits payable.

Prospects

Although the exceptional real growth rate of 8% attained in the Republic last year is unlikely to be repeated during 1981, it is nevertheless anticipated that a real growth rate of about 5% will be achieved in the current year. Such a real rate of growth would still compare extremely favourably with the depressed conditions prevailing in most of the industrialised world and would undoubtedly help to underpin the rapid improvement we are presently witnessing in the living standards of our lower income groups.

Against the above background, it is pleasing to report that locally the existing buoyant trading conditions are expected to continue, although export markets are likely to remain extremely competitive and difficult. Notwithstanding the latter consideration, overall profitability since the beginning of the current year has been satisfactory and will hopefully remain so throughout the year.

Appreciation

The good results we achieved during the past year were in large measure due to the efforts of the executives and employees throughout the group who, as I have so often said in the past, represent our main asset. Their enthusiasm and hard work enabled us to meet the steady growth in the demand for all our products whilst, at the same time, maintaining a high standard of service to our manifold customers throughout the Republic and overseas. On behalf of the board, I thank them most sincerely for all their efforts.

I also thank the officials of the various Control Boards and other Government departments with whom we have regular dealings, as well as the Railways Administration, for their continued co-operation and courtesy.

In conclusion, I should like to thank my fellow directors for their support and ready guidance which I value very highly.

R.L. FRANKEL
Chairman

27th March, 1981

DIVISIONAL REVIEW

Maize, Wheat and Oat Milling

The principal production units in this division are strategically sited at Randfontein, Delmas and Lichtenburg in the Transvaal, in Durban and Richards Bay in Natal, at Hennenman, Welkom, Bethlehem and Bloemfontein in the Orange Free State, and at Cape Town, East London, Queenstown and King William's Town in the Cape Province.

Maize Milling:

Due to exceptional increases totalling almost 50% in maize prices over the past two seasons (ending on the 30th April 1981), the demand for maize products for human consumption remained relatively static during the year under review. Furthermore, there was a distinct shift in demand from the higher to the lower – and accordingly cheaper – grades of product.

During the period January to April of last year, the national consumption of maize products increased marginally over the corresponding period of the previous year but from May onwards consumption declined noticeably in the face of the new season's price increases. This, coupled with considerable under-utilised capacity, undermined the relatively stable conditions previously prevailing and triggered off a price war in maize products which escalated steadily during the remainder of the year and which inevitably affected profitability. Fortunately, our group retained its share of the overall market on the strength of the brand image of our leading lines.

With little volume growth anticipated in the consumption of maize products in the immediate future, the outlook for the current year will depend on efforts presently being made to stabilise prices at a level which will, without endangering volume sales, at least leave millers with a reasonable margin after covering their continuously increasing costs.

The maize crop which is now being harvested is estimated at an all-time record of over 13-million tonnes which will give the country an export surplus of at least 6-million tonnes. Although these exports will need to be heavily subsidised in the light of ruling world prices for maize, the overall surplus will nevertheless make a timely and substantial contribution to the country's foreign exchange earnings.

Wheat Milling:

Notwithstanding the growth in bread sales referred to in the bakeries' review below, the actual volume of wheat milled during the year only showed nominal growth due to a switch by consumers to brown bread, the flour for which is less refined and is accordingly produced at a lower offal extraction rate. Nevertheless, profitability in our wheat milling division during the past year was satisfactory due, in the main, to the rationalisation and re-organisation programme we were able to implement following our acquisition of Bremer Mills (Pty) Limited in Hennenman in the Orange Free State. This acquisition, which included numerous bakeries, materially increased the group's share of the wheat milling industry in the Republic and added approximately 50% to our actual wheat milling capacity.

Due to the drought in both the South-Western districts in the Cape and in the Orange Free State, last season's winter and summer wheat crops fell short of expectations and, for the first time in thirteen years, the Republic is in the process of importing over 200 000 tonnes of wheat from the United States of America. These importations will be allocated mainly to coastal mills and will accordingly benefit our coastal companies who will save much of the railage normally incurred when drawing supplies from local growing areas.

Oat Milling:

In contrast to the previous year, the past season's local oat crop was sufficient to meet the requirements of the industry and, due mainly to an improvement in the quality of raw oats, the milling efficiency achieved in our oat milling division was significantly better.

Despite the disruption caused by a site rehabilitation programme following the transfer to Maitland in the Cape of our erstwhile Moorreesburg activities, the oat milling division succeeded in reporting record sales and improved earnings in 1980. A revised marketing and development programme for Jungle Oats was highly successful and very satisfactory volume growth was achieved in the face of intense price competition throughout the year.

The soup products business, which falls into our oat milling division, was adversely affected by a shortage of peas and the import permits granted were insufficient to meet the demand. The industry as a whole has taken steps to safeguard, as far as possible, its supplies in the future and it is hoped that similar problems will not recur.

Bakeries

The group's bakery division comprises 47 bakeries and 49 retail outlets spread throughout the Republic, both in the main centres and smaller towns.

Due to the high subsidy on brown (government) bread, coupled with the recent exceptional rises in the prices of maize products, the consumption of bread in most areas of the Republic has increased substantially. To cater for this increased demand the bakery division has continued with its modernisation programme and substantial capital expenditure was incurred during the year on both plant and buildings.

The relatively modest margins allowed to the baking industry make it essential to ensure that a high standard of efficiency is maintained to contain both production and distribution costs. For this reason it was decided to erect a large bakery in Germiston on the Witwatersrand to absorb the production of two existing older units and to increase the capacity available to us in this important consumption area. Although this project will involve a considerable capital outlay, it is confidently felt that the expenditure will prove to be more than justified in the long-term and is unavoidable if the group is to maintain and increase its share of the market.

Apart from the above project, considerable capital expenditure was also incurred during the year on various bakeries throughout the group in terms of a phased modernisation programme aimed at improving productivity, up-grading the quality of our products and providing additional capacity to meet the anticipated increase in the demand for bread.

Edible Oils and Derivatives

This division comprises four major manufacturing facilities at Randfontein in the Transvaal; at Maitland and Simonstown in the Cape; and at Durban in Natal.

The division's activities embrace the crushing of all categories of vegetable oil seeds and the production of vegetable oils, the manufacture of margarine, fats, peanut butter, soap and various fatty acids and other by-products. The group's soya protein products are also manufactured in the edible oils division and comprise a wide and sophisticated range of texturised vegetable proteins sold in both the conventional consumer and industrial markets.

Due to steep rises in recent years in the prices paid to producers of local oil seeds, vegetable oil prices have escalated considerably and there was virtually no volume growth in the consumption of the industry's products on the local market during 1980. This in turn affected gross margins which were reduced as a result of heavy competition at a time when export markets were also depressed. In the case of margarine, increased competition between the producing companies also affected profitability as is evidenced by the fact that, in spite of an increase of about 20% in oil seed prices in 1980, the maximum price of margarine was only increased by 15%.

As a result of heavy capital expenditure in recent years, this division has ample spare capacity to crush all surplus seed which otherwise would be exported in its unprocessed state, thereby increasing the Republic's foreign exchange earnings and, at the same time, providing employment opportunities to the local work-force. An added advantage flowing from the beneficiation of oil seeds prior to export is that the resultant lower unit cost of production benefits the local consumers of all the products manufactured by this division.

Agri-Business

Animal Feeds:

The group's animal feeds mills are situated at Randfontein and Delmas in the Transvaal, at Pietermaritzburg in Natal, at

irman's statement

g is the statement by the Chairman of Tiger Oats l Milling Company Limited, Mr R L Frankel, i a divisional review of the group's activities for ncial year.

Welkom in the Orange Free State; and at Paarl, East London and Port Elizabeth in the Cape Province. The operations of these feed mills are allied to the group's maize and wheat milling activities and to the edible oils division, all of which supply the main raw materials used in the manufacture of "Meadow" balanced rations.

The sharp increase in the price of red meat during 1980 led to strong consumer reaction which resulted in an upsurge in the demand for broilers and eggs This in turn increased the demand for the balanced rations used in the production of these two important protein products whilst the severe drought which affected grazing in many areas of the Republic also resulted in an increased demand for beef, sheep and dairy feeds.

The volume increase in national balanced feed sales in the Republic during 1980 was in the region of 6% and it is pleasing to report that the "Meadow" division increased its market share at satisfactory margins. The improved profitability nevertheless remained modest in relation to the substantial capital expenditure incurred by the group in the establishment of new feed manufacturing facilities and the modernisation of existing plants.

In the technical field, Meadow made very satisfactory progress especially in the dairy feeds sector which resulted in the launch of an advanced feeding programme known as the "maxi-milk" system This system of feeding of milk cows is aimed at the record-conscious farmer and in some instances has resulted in an exceptional increase in milk yields, thus indicating that our national dairy herds have a production potential well in excess of existing norms.

Table Eggs:

The group's interests in this sector comprise a 100% shareholding in Steinbro Eggs Limited and a direct and indirect shareholding totalling 75% in Golden Lay Farm (Pty) Limited. Steinbro operates numerous laying farms and packing stations in the Transvaal, in Natal and in the Eastern Province, whilst the Golden Lay operations are centred in the South-Western Cape and embrace a number of wholly and partly-owned laying farms supported by a modern pack station and hatchery.

Following a period of heavy over-production which resulted in substantial losses being incurred by most of its members, profitability in the egg industry improved considerably during the year under review following an upsurge in the demand for table eggs due to the realtively high cost of red meat Despite surplus production in other areas, particularly in the Cape Province, and the issue of additional permits in the Transvaal and Orange Free State, a shortage of eggs developed throughout the Republic in the last quarter of 1980.

During the year Steinbro embarked on the development of new pullet-rearing facilities which will considerably increase the group's pullet production capacity In the second half of last year, a commercial hatchery was also purchased to cope with the increased demand for day-old "Amber-link" pullets. These new facilities will enable Steinbro to continue servicing its customers' demands for top quality products.

In the South-Western Cape, Golden Lay has developed a new breeding farm in an area which enjoys ideal climatic conditions and which is completely isolated from other poultry flocks. The Golden Lay "Amber-link" Division continues to service the Western and Eastern Cape with day-old chicks and point-of-lay pullets, whilst its ultra-modern temperature conditioned pack station, embracing highly sophisticated grading equipment, handles the division's egg production and also serves certain independent producers

Broiler Chickens:

The Group's interest in the broiler industry consists of a 50% shareholding in County Fair Foods (Pty) Limited in the South-Western Cape, where "County Fair" chickens, an acknowledged market leader, are produced on numerous growing farms, with the backing of ultra-modern hatchery and abatoir facilities.

As a result of the buoyant economy and the sharp increase in red meat prices referred to above, the demand for poultry products in the Republic increased by about 12% in volume during 1980. Because of the heavy demand for broilers on the local market, the industry's exports were reduced substantially during the year.

Holding as it does the major share of the fresh chicken market in the Western Cape, County Fair's volume increase in sales exceeded the national average by a substantial margin, particularly in the case of fresh portions which showed exceptional growth. The increase in demand, as well as higher costs of production, caused chicken prices to rise substantially, especially over the Christmas period Prices have now dropped considerably, however, due to the normal post-Christmas build-up of stock and are again running at sub-economic levels. This anomaly should, however, correct itself once excess stocks have been fully absorbed

Following a lengthy period of over-production and intense price cutting, the County Fair group reported a satisfactory profit for 1980, and is now planning to increase existing production capacity. With red meat prices likely to remain high in the foreseeable future, consumer demand for broilers, even at the recent enhanced prices, is likely to grow steadily as chicken represents a relatively cheap protein source Nevertheless, in accordance with past experience, production capacity in the industry will probably once again be increased beyond reasonable levels which in turn will result in a fall in realisation prices to sub-economic levels. Overall, however, the future of the broiler industry in the Republic appears to be on a sounder footing than it has been for quite some time.

Spray Drying Factories:

The group operates two modern spray drying factories situated at Bethlehem and Koppies in the Orange Free State, in the heart of the dairy farming area. Apart from their main spray drying activities, both factories are engaged in the transportation of fresh and industrial milk, whilst Bethlehem also produces butter and, at a subsidiary in Slabberts, gouda cheese.

The pressure of rising costs of production coupled with a relatively low realisation price for their products resulted in a number of dairy farmers reducing capacity which caused a shortage of industrial milk for spray drying. Management was nevertheless highly successful in obtaining alternative contracts and both factories showed good results for the year under review.

The Koppies factory continued to develop its expertise in spray drying products for coffee creamers and milk extenders whilst the Bethlehem factory continued to spray dry large quantities of eggs during the first half year, before supplies became scarce, and milk, where normal supplies were supplemented by purchase of fresh milk surpluses and diversions from cheese production During the year, the Koppies factory also obtained its first spray drying contract for baby food, which requires very high standards of hygiene

Mushrooms:

Our mushroom growing operations comprise four growing farms supported by highly mechanised composting and canning facilities and a spawn growing laboratory In addition to the canning of mushrooms for both local and overseas consumption, fresh mushrooms are widely distributed in the Republic

Mushroom consumption continues to increase rapidly, especially in the case of fresh mushrooms, and this division, after a lengthy period of development, is now earning a reasonable return on capital invested and at the same time increasing its market share.

Edible Nuts

Two edible nut factories are operated by the group at Johannesburg and at Cape Town

Both edible nut factories achieved excellent results during the year due, in no small measure, to our policy of closely liaising and co-operating with the trade with the object of supplying high-grade products in the forms and packings desired by the consumer

Bulk Handling and Shipping

The group's bulk handling facility at Island View in Durban, which operates in close association with our shipping division, earned a satisfactory profit in what was otherwise a difficult year. Although the tonnage of cargo handled was maintained at an acceptable level, lack of capacity on the main Natal railway line prevented the division from handling considerably higher volumes of cargo embracing agricultural exports and a wide range of ores and other minerals, including coal. The shipping division in particular had to contend with unexpected problems, not the least of which was the dramatic increase in bunker prices following the political disturbances in the Middle East This in turn led to highly volatile marketing conditions and widely fluctuating chartering rates

Proprietary Brands

In line with the buoyant economy, 1980 proved to be a good year for most of our proprietary lines

The year under review saw the culmination of the successful rationalisation of our maize products from a large number of regional brands to two national brands – "Ace" and "Induna". The results more than justified the investment in advertising and consumer promotions to establish both these brands in strong leadership positions.

"Jungle Oats" remains South Africa's champion energy breakfast food. Sales reached record levels in spite of severe competition from over 90 other breakfast foods

Our "Black Cat" brand of pure peanut butter further entrenched itself as the dominant product in the market Our "Ronel" brand also fared well, as did the house-brands we pack on behalf of the major chain stores.

"Golden Cloud" and "Silver Cloud" wheaten products as well as "Black Cat" and "Somol" edible oils maintained satisfactory levels of sales

"Sunshine D" and "Golden Spread", our two brands of yellow margarine, more than matched the 8% growth achieved by the margarine industry as a whole. Sunshine 'D' has become the largest selling yellow margarine in the "pats" sector and we have also achieved brand leadership in the white margarine market.

In the case of dairy products "Tulip" and "Orangia" choice grades of butter and our gouda cheese remain as popular as ever.

During 1980 the dry pet food market grew appreciably and it is pleasing to report that our brands "Dogmor" and "Catmor" increased their market shares within this rapidly expanding segment of the market

"Silverstream" canned and fresh mushrooms continued to show a healthy growth in sales and our distribution has been widespread to cater for the rapid expansion in the consumption of this product.

Our "Star" and "P C P " brands of edible nuts have further entrenched themselves as market favourites whilst the product range has been considerably widened

The success achieved by all the above major national brands rests on strict quality control at the factories coupled with effective advertising support. Consumer promotions and a major effort to strengthen our sales force through management development and training programmes also played an important role The latter will be consistently sustained in the future to ensure that the group is well placed in the highly competitive branded lines sector of the food manufacturing industry.

We are also mindful of the need to offer the retail and wholesale trade a high level of service to ensure the ready availability of our products. With this object in view, we have further increased the group's extensive distribution network to ensure that the majority of our customers throughout Southern Africa are serviced by road from one of our 56 strategically sited distribution centres.

The group's branded lines enjoy leading positions in their respective markets. We are determined to maintain the strong consumer loyalty towards all our products through aggressive and comprehensive marketing and, above all else, by maintaining, and wherever possible, improving the quality and presentation of our products.

Fishing Operations

The group's fishing operations are conducted through the Oceana Group of Fishing Companies comprising three quoted companies, namely United Oceana Holdings Limited in which we own 96% of the equity, Lamberts Bay Holdings Limited ("Lamberts Bay"), in which 69% of the equity is held by United Oceana Holdings Limited, and Sea Products (S.W.A.) Limited ("Seaswas") 53% of whose equity is owned by Lamberts Bay in addition to the said Company's entire issued preference share capital

Apart from its interest in Seaswas, Lamberts Bay's operations are confined to South Africa and embrace pelagic and rock lobster fishing along the entire West Coast of the Republic.

Seaswas operates in South West Africa/Namibia where it owns 30% of the equity of United Fishing Enterprises (Pty.) Limited – one of the territory's leading producers of fishmeal and fish body oil and, depending on the availability of pilchards, canned fish – and a rock lobster fleet and processing facility at Luderitz

In South West Africa/Namibia the maximum allowable catch in respect of the 1980 pelagic fishing season for the industry as a whole was initially fixed at 150 000 tonnes for the zone between Palgrave Point and Luderitz and which was subsequently increased to 220 000 tonnes In the light of greatly reduced landings, however, the season was closed on the 10th August 1980 by which date the industry had landed approximately 211 000 tonnes of raw fish, compared with about 325 000 tonnes caught in 1979.

At Luderitz, the industry's rock lobster quota remained unchanged at 2 330 tonnes whole weight of which Seaswas' share was approximately 778 tonnes Bad weather conditions once again made it extremely difficult for the fishermen to operate at their optimum potential with the result that catches were well below the improved levels of the previous year

It will be appreciated from the foregoing that the 1980 fishing season in South West Africa/Namibia was not very satisfactory and resulted in Seaswas reporting earnings of 33 cents per ordinary share against 70 cents made in the previous year

The 1981 season in South West Africa/Namibia commenced on the 23rd March 1981 with an initial quota of 150 000 tonnes exclusive of maasbanker and mackerel which will remain quota-free. No area restrictions will apply during the current season but pilchards are only being allowed as a by-catch whilst canning is totally prohibited

At this early stage it is not possible to comment on the prospects for the new season but, in the light of the above remarks, it would be unrealistic to anticipate an early turnaround in the fortunes of the pelagic fishing industry in South West Africa/Namibia

Turning to the Republic, the pelagic quota for 1980 remained unchanged at 380 000 tonnes and was completed before the end of June The catch comprised mainly anchovy of satisfactory quality but with a lower oil content than that of the previous year

In the case of West Coast rock lobster, the quotas for the 1979/1980 season also remained unchanged and the fishing pattern conformed substantially with that set over the last few years The group's rock lobster packing quotas were completed well before the end of the season which officially extended from the 1st November 1979 to the 30th June 1980

Numerous factors affected Lamberts Bay's profitability in 1980, namely, lower earnings from Seaswas as reported above, lower oil yields compared with the previous year; lower rock lobster realisation prices due to the appreciation of the South African rand against the U S. dollar; the continuous increase in production costs and overhead expenses, and the adverse results reported by Blue Continent's deep-sea trawling subsidiary In the result, Lamberts Bay reported reduced earnings of 50 cents per share for 1980, against 71 cents made in 1979.

The pelagic fish quota in the Republic for the current season remains unchanged at 380 000 tonnes for the industry as a whole and catches to date have been well above last year's levels in all areas. Furthermore the oil yields so far have also been higher than those achieved last year

The rock lobster quotas in the Republic for the 1980/1981 season which commenced on the 1st November 1980 were reduced by 15% and catches to date have been below the level of the previous season. Hopefully, however, the fishing pattern will improve and enable the group to land its total quota before the official season closes on the 30th June next.

At this stage it is not possible to comment with any certainty in regard to Lamberts Bay's prospects for 1981 as much will depend on rock lobster catches during the rest of the season and on the results of the Blue Continent group of companies, apart from the normal vagaries associated with the exploitation of a natural resource.

Pharmaceuticals

The group's pharmaceutical interests are held through Adcock-Ingram Limited ("Adcock"), a quoted company in which we own 68% of the equity. Adcock is acknowledged to be one of the leading groups in the pharmaceutical industry in the Republic with widespread interests in the fields of ethical pharmaceuticals, medical and hospital supplies, home products and wholesale and retail chemists.

During the past year Adcock reported exceptionally good results, turnover having increased by 22% over the previous year whilst equity earnings rose by 25% Particularly gratifying was the fact that profitability improved in all divisions and that further efficiencies were achieved in the group's production and distribution activities following the rationalisation and staff training development programmes commenced in the previous year

Throughout the year under review Adcock maintained close links and strengthened its ties with its overseas principals in respect of those products manufactured under licence whilst at the same time developing and rationalising its own range of ethical pharmaceutical and other medical and consumer products In line with this policy, the momentum of the group's capital expenditure and expansion programme was maintained throughout the year, especially at Aeroton where the manufacturing and warehousing facilities are being considerably extended and where additional land has been acquired With an eye to future development, the group has also acquired a large strategically placed site at Halfway House between Johannesburg and Pretoria

Not surprisingly, the Adcock product range is extensive and it is therefore only possible to make brief reference in this review to certain products which are market leaders in their respective fields. "Stopayne" undoubtedly remains one of the leading analgesics in the Republic; "Colcaps" continues to be extremely popular for the treatment of colds and 'flu; "Debrisan" is rapidly being accepted as an advanced wound cleaning agent, whilst "Bioplus" and "Bidomak" have held their ranking as leading tonics. Referring to home products, "Ingrams Camphor Cream" and "Lanolene Milk" remain household words for skin care, and products such as "Gill", a medicated health soap and "Steri-Nappi" have a firm following In the case of medical and hospital supplies the "Baxter Travenol" range of therapeutic hospital care products is acknowledged to be the world leader in that particular field, whilst surgical products marketed under the "Lapro" brand are also amongst the best available, both locally and overseas. In the retail pharmaceutical trade, the growth of the "Family Circle" chain of pharmacies has more than justified Adcock's substantial investment in this concept in the shape of time, energy and money

A feature of Adcock's operations continues to be the special attention paid to the recruitment and intensive training of sales, marketing and other supervisory staff in all the group's divisions. Personnel policies and procedures are continuously reviewed and updated to ensure continued growth of the group on an innovative and sound commercial basis.

Associated Companies

Without exception all our associated companies performed well during the past year, some exceptionally so.

In sharp contrast to the general business scene in the United Kingdom, ***J. Bibby & Sons Limited,*** in which we own 30% of the equity, reported satisfactory growth in its pre-tax earnings for 1980 but, due to a higher tax charge, taxed profits were more or less in line with those of the previous year In view of the serious economic problems presently being experienced in the United Kingdom, this performance was most meritorious and emphasises the inherent strength of the Bibby Group and of its management.

Cont

W.G. Brown Investments Limited, where we also have a 30% equity participation, and which is the principal Spar and Savemor franchise holder in South Africa, continued to report excellent results In addition to its franchise activities, the company operates a non-food wholesaling division; cash and carry warehouses in Natal; supermarkets in Durban, Pietermaritzburg, Pretoria and Johannesburg; and a number of retail trading stores

Diamond Shamrock Africa (Pty.) Limited, which we own jointly with the Diamond Shamrock Corporation of the United States of America, and which produces a range of manufacturers' processing aids mainly for the textile, paint and pulp and paper industries, is progressing well and continues to grow in line with the economy generally

Through Frasers Consolidated Limited, we own approximately 10% of the equity of the old-established wholesale and retail group, ***Frasers Limited.*** The company reported excellent profit growth in respect of its past financial year and is in the process of expanding its wholesale division in all provinces to cater for the growing demand for this service. With its lengthy record of service to the small trader, the future of the company should be bright, particularly in view of the encouragement presently being given to the growth of small business enterprises.

Despite difficult trading conditions in certain divisions of its business, and especially in the meat sector, ***The Imperial Cold Storage and Supply Company Limited,*** in which we now own approximately 18% of the equity, continued to perform well As a leading distributor of meat and dairy products and other perishable foodstuffs in the Republic, the I C S group, like your company, is faced with the problem of having to bear continuous increases in operating and distribution costs whilst at the same time working on extremely narrow margins. It has accordingly done well in maintaining a satisfactory profit growth in a highly sensitive and difficult trading environment

King Food Corporation (Pty.) Limited, in which we have a 50% shareholding, had an excellent year The company's main products, "King Korn" high grade malt and "Kings Brew" instant beer powder, remain the leading brands in the Republic.

In Lesotho, the ***Lesotho Milling Company (Pty.) Limited*** had a successful year We own 50% of this company and are most satisfied with its progress

Metro Cash and Carry Holdings Limited, in which we hold fractionally in excess of 30% of the equity, continued to enjoy exceptional growth in its traditional "cash and carry" operations Since the close of the year, Metro has purchased a 30% interest in Dion's Discount Stores, which operates 17 discount stores in the Transvaal dealing in consumer durables, and, through its subsidiary, Coki Corporation, it has also acquired a controlling interest in the well-known Russells furniture group.

In Zimbabwe, we own 16% of the issued share capital of ***National Foods Holdings Limited.*** The group has maintained its growth record and has embarked on a major capital expansion programme to ensure that it will have the production capacity to meet the demand for its staple foodstuffs which must inevitably increase in a country with one of the highest population growth rates in the world.

Petz Products (Pty.) Limited where, jointly with County Fair Foods (Pty.) Limited, we own 50% of the equity in partnership with the Reckitt & Colman group, continued to improve on its excellent track record by posting improved sales and earnings in 1980 All of the company's petfood brands maintained or improved their market share whilst exceptional performances were achieved by the leading canned dogfood, "Husky", and the gourmet catfood "Pamper".

The annual general meeting of the company will be held at 44 Main Street, Johannesburg, on Friday, 8th May, 1981 at 12h00

Five banks to channel aid for small businesses

By Tom Hood

25/4/81 (180)

EFFORTS to help small business ventures with cash and know-how will receive a boost next month when five major banks link up with the new Small Business Development Corporation.

Once agreement is reached, the 3 500 branches of the banks will be able to bring financial aid direct to the 'small man.'

This will speed up the approval of loans to people who apply to the corporation.

Local bank managers are to get power to grant loans which the corporation will guarantee up to 80 percent.

Large amounts, however, will still need the sanction of the SBDC.

The corporation, formed on February 3, has already given more than R1-million in loans to small businessmen of all races. It has received well over 200 applications and is processing as many as five a week.

SPORTING CHANCE

'If a venture has a sporting chance we will support it but we are not giving away money', says Mr I J Oosthuizen, a member of the SBDC and a director of Rembrandt Group. 'We are helping those who want to help others.'

So far the private sector is committed to invest R65-million in SBDC shares and the Government has invested another R10-million.

The corporation is building three industrial areas in Soweto for small businesses. The first is to be ready on August 1.

WHOLE SPECTRUM

Requests for aid come from the whole spectrum of the population.

'But I am surprised at the large number of applications coming in from small villages throughout the country. Nafcoc has played an important part in getting the word across.'

SBDC has already financed an advocate, a fast-food partnership and a variety of industrialists to get started.

It will also run a professional advice service and act as consultant when anyone has difficulties about handling bookkeeping, purchasing, debtors, creditors and other matters.

Romatex profit leaps 58pc

NM 8|4|81

(180)

Mercury Correspondent

JOHANNESBURG—Romatex, Barlows' textile giant, reports a 58 percent leap in first-half earnings but facing some tough numbers in the second half, cautions that growth in the second half will be 'much lower'.

Although it has already felt a softening in demand for carpets, the company says second-half earnings will be better than the 61,2c now being reported for the first six months to end-March

They will also be better than the 57,7c earned last second half, suggesting 120c for the year at the very least

With demand for all products running at a 'high level', pre-tax profit in the six months to end March rose 45 percent to R24 152 000

Tax rate

Thanks to the strong rand and lower inflation in countries from which Romatex imports, stock inflation ran at lower levels in the period and the Lifo stock adjustment fell 57 percent to R718 000 (R1 684 000)

The tax rate declined marginally to 37,8 percent (38,4%), so taxed attributable profit was 58 percent better at R14 573 000 (1980 R9 203 000) Earnings a share rose in line to 61,2c (38,6c)

An interim dividend of 22c has been declared

Last year's interim was 24c but the company says the new year-end has changed the dividend pattern and emphasises that last year's interim is not comparable

Textiles

If last year had been a normal year, Romatex says, it would have paid about 42c in the year to end September, of which about 17c would have been paid at the interim

Executive chairman, Mr Jack Ward told me Romatex would stick to its policy of covering the annual dividend 2,3 times by Lifo earnings

Mr Ward said the buoyant vehicle, furniture, clothing and building industries made for 'very good trading' in all sections, but particularly in the carpet, worsted textiles and automotive divisions

A softening in carpets was now being felt as interest rates rose and retailers became jittery with large stocks ahead of a consumer slowdown

The textile division experienced increasing competition from cheap imports from the East but Romatex expects its diversification to offset this The group would also start to reap the benefits of some heavy capital investment soon

Romatex spent more than R15-million in the 18 months to end-September 1980 and has earmarked another R8-million of capital expenditure in non-carpet divisions

COMMENT. The 120c earnings minimum suggested above implies only 25 percent earnings growth With 61,2c of earnings already in the bag, this is far too low

The company provides a clue to its own expectations by mentioning what a normal 1980 interim dividend might have been The current 22c is a 30 percent improvement on the suggeted 17c

Romatex's average annual compound earnings growth rate over the past four years has been 32 percent

I'd say 30 percent should be easy this year, suggesting earnings of 125c and, assuming cover constant, a dividend of 54c

This would put the share on an attractive prospective yield of 8,4 percent

ECONOMIC POLICY

FM 1/5/81

Limiting self-sufficiency

(180)

South Africans pay a premium of up to 100% on hundreds of different products — from hair clips to motorcars — in order to protect local manufacturers against foreign competition This price penalty is imposed by government, presumably to develop local self-sufficiency and create jobs

The cost is enormous It can be determined by simple arithmetic and it runs to billions a year But the benefits are not as easy to quantify or to justify

Self-sufficiency in all products is not a prerequisite for prosperity Yet in SA, the authorities are currently considering — or developing — local production facilities for high quality ball bearings, high pressure steam turbines and enriched uranium There are less than a dozen countries in the western world which produce these items

The authorities are also considering higher local content for motor cars, while in Germany, for example one manufacturer imports components from at least three other countries

The SA case is unique, we are told SA faces a "total onslaught" from the world at large — a campaign aimed at breaking it economically, politically and militarily. We must be self-sufficient to survive.

But those who advance this argument are also the first to say how easy it is to bust sanctions. And they fail to acknowledge that the more we trade with the world, the less easy it is to boycott us.

When sanctions against SA were first proposed during the early Sixties, SA accounted for more than 50% of Britain's trade with Africa The figure is now lower and the determination behind Britain's expected veto in the current UN Security Council debate is probably correspondingly lessened

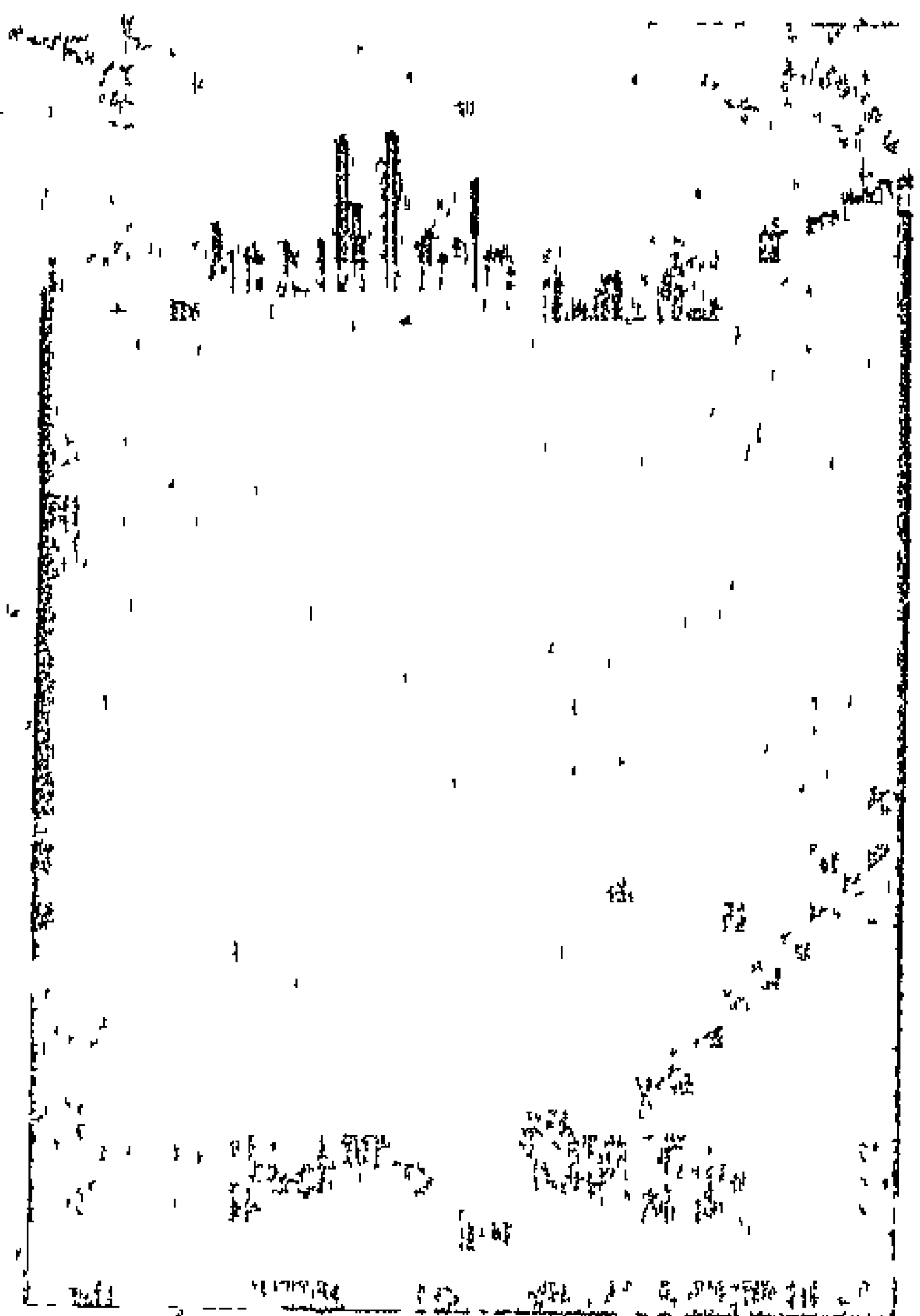
As the country approaches self-sufficiency, it becomes more easy to isolate and cut the jugular which carries the few items we must still import For example, there is so far no sign that SA will make diesel engine fuel injectors If these items were denied us, the heavy investment in the local diesel engine plant and the resulting high truck prices would have been in vain

Self-sufficiency is a form of self-imposed isolation. As was clear on a limited scale in Zimbabwe, it provides jobs and prosperity in the short term, but stagnation in the long term If a country is to thrive, it must have access to the best bargains and the best markets in the world. If it protects its industries against international competition, it misses the bargains and prices itself out of the markets.

The drive for self-sufficiency has undoubtedly paid off in some areas. The most notable are armaments production and energy The UN arms embargo has meant that it is cheaper to produce certain weapons locally than to buy them under the counter abroad And the Sasol project is now all but economically viable But when it was first mooted, few believed that it was an economic proposition and fewer still foresaw the energy crisis

This is borne out by the belated removal of restrictions on local coal mining. For, even now, SA can mine and export only a fraction of its potential coal production to an energy-hungry world

Uranium enrichment is another area where the current massive investment may well pay off one day Military considerations apart, local uranium enrichment



Sasol . . . where self-sufficiency is indeed paying off

facilities cannot be economically justified if their purpose is to supply fuel to the Koeberg power station only But SA could become a major exporter of enriched uranium to countries which are at present prevented by anti-nuke lobbies from developing their own facilities

Political realities do dictate that SA be self-sufficient in some areas, whatever the cost. It is therefore a question which must be decided in the middle ground between the conflicting requirements of politics and economics So far, government has tended to promote self-sufficiency mainly for political reasons with scant regard for cost

For one thing, there has been the need to satisfy nationalist sentiments which require that the world be shown that we can do whatever can be done abroad For another, government has been under pressure to favour local businesses by restricting imports The profiteering by the privileged few television manufacturers after the switch on of TV is a good example of this More recently, strategic considerations have been the main justification for protecting local industry

Government lacks criteria for objectively assessing which industries to encourage and protect And its decisions are not entrusted to one body that follows a consistent policy This should, presumably, be the job of the Board of Trade and Industries (BTI) which investigates protection applications and recommends tariffs to government. But some of the most important decisions on local manufacture have been made at Cabinet level without reference to the board.

Local manufacture of heavy truck components was one programme which emanated from the Cabinet The anomalies and almost daily changes in policy and timing in this programme have demonstrated that the office of the Industries and Commerce Minister is not equipped to administer a problem of such complexity It is therefore small wonder that the programme is unlikely to solve a strategic problem even though it will cost the country dear

The BTI's own methods are not beyond reproach And some of its arguments for the economic benefits of local manufacture have so far proved less than accurate For example, in its report on Phase V local manufacture of motor cars, which was accepted by government, it says that the programme will facilitate standardisation in the industry This has not yet happened.

The report also says that higher local content will increase the gdp, improve the balance of payments and lead to the importation of less foreign inflation These statements are indisputable, but the cost of increasing the gdp and improving the balance of payments does not justify the benefits It means that the economy is functioning below its potential.

Local manufacture has locked us into our own inflationary trends For local inflation is now higher than in the countries of most of our potential suppliers. Local manufacture has substantially contributed to inflation

Few would dispute that there are strategic considerations which warrant a degree of self-sufficiency But events have shown that government is far too influenced by special pleading The formulation of guidelines after wide consultation should be a matter of urgency For the country cannot afford the waste with which so much of our self-sufficiency efforts have so far been crowned

Billions to be raised for smaller businesses

S. Times 3/5/81 180

PIET LIEBENBERG . . . SCHEME WILL FILL A GLARING GAP IN CAPITAL MARKET

New concept with R45 000-m market

By John Spira

WITH a target market worth an estimated R45 000-million, Finansbank is to launch a revolutionary concept with far-reaching ramifications.

The new initiative aims to provide huge capital sums and financial know-how to the country's 15 000 medium-sized companies

Source of the funds will be the country's major financial institutions

Finansbank managing director Piet Liebenberg says the concept, termed Finansgroei, will fill a glaring gap in the South African capital market, will help to create countless new jobs and will provide a major boost to the economy as a whole

He adds "The Small Business Development Corporation has been established to assist small businesses, while the large corporations have ready access to capital via the stock exchange

"However, those many companies falling between the two — companies which are the backbone of the South African economy — have no ready access to permanent capital funds This is where Finansgroei comes in"

Mr Liebenberg points out that a plan as ambitious as Finansgroei is obviously beyond the financial scope of one institution

He has accordingly approached several of the country's major institutions with a view to obtaining their commitment to provide funds on a syndicated basis

Medium-sized companies — those capitalised at between R3-million and R12-million — requiring capital may approach Finansbank and, if all the figures jell, Finansgroei will take a 15% to 40% stake in the company and provide the necessary capital and financial expertise

It is envisaged that, once the companies assisted no longer require the commodities supplied by Finansgroei, the new company will dispose of its equity (at a profit) and use the funds to finance similar new ventures

Mr Liebenberg stresses that Finansgroei will assist only established businesses which are running profitably and have a sound infrastructure, but which for a variety of reasons require capital and financial expertise

"We are not interested in turnround situations Too many similar concepts have failed because the provider of capital was hoping to get in on the ground floor, only to find that the building had dozens of basements

"We shall be happy to get in on the fourth floor and get out at the 15th"

He says that Finansbank has been investigating this concept for the past several years — a procedure which included close studies of similar operations abroad and more importantly, the practical involvement of Finansbank itself in ventures which duplicate the proposed Finansgroei operation

Finansbank is currently involved in two such ventures, both of which according to Mr Liebenberg, have been highly successful

Premier profit well ahead as earnings grow 45%

RDM 6/5/81 (180)

By DAVID CARTE
Deputy Financial Editor

STERLING performances in milling, baking, feeds, eggs, poultry, records, books and pharmaceuticals lifted Premier Group to sales of a more than a billion rand and 45% earnings growth in the year to end March.

In what was a "record" year in more than one sense, Premier maintained a cracking first half pace, lifting sales R259-million to R1 204 712 000, and pre-tax profit 56% to R67 652 000

Taxed attributable profit was 45% better at R41 029 000, while earnings a share rose in line to 159c (1980 110c)

A final dividend of 29c has been declared, making 51c (39c) for the year — a 31% improvement

At the interim Premier was showing sales growth of 26,5%, pre-tax profit growth of 57%, and earnings growth of 43%, so the pace actually quickened marginally in the second half

The directors warn, however, that although "the outlook is good", interest rates are rising and competition is intensifying Nevertheless, they say "the group has budgeted to exceed its long-term financial objective of 20% growth in earnings a share"

These results put Premier neck-and-neck with Tiger Oats in the race for "Number One" in food in South Africa

Premier's sales lead Tiger's by about R100-million but Tiger reported pre-tax profit of nearly R73-million — a lead of about R6-million on Premier

Because of smaller minorities, Premier's taxed attributable profit was R41-million compared to Tiger's R37-million odd Had Tiger equity accounted associates, its earnings would have been about R44-million

After lagging in earlier years, Premier's earnings have outpaced Tiger's for the past two years

A feature of these results is that, thanks to low rates, interest charges rose only 7,7% to R16 645 000 This explains a rise of 56% in pre-tax profit, compared to a rise of only 43% in pre-interest trading profit

The chairman, Mr Tony Bloom, told me the forecast for next year assumed interest costs would rise between R4-million and R5-million

Assessed losses in the poultry and egg divisions, which recently returned to profitability, were the main reason for the fall in the tax rate to 31,8% (33,3%)

Mr Bloom said these would be used up in the current year but allowances on planned investment should hold the rate to about 32,5%

Most of the R27 600 000 of new investment planned would be in the milling and baking divisions, whose capacity was now fully utilised

Increased throughput in these divisions was a major reason for improved profitability last year

Mr Bloom said higher wheat and maize prices had been negative for Premier, as they tended to reduce consumption and increase working capital needs

Also, higher maize prices lifted the costs of most other food products

Greater throughput had more than compensated for higher prices last year Mr Bloom was relieved at the recent moderate maize price increase

He said the baking division had had a particularly good year as bread was currently subsidised to the tune of R240-million and therefore represented excellent comparative value to consumers, many of whom had switched from maize products to bread

Mr Bloom said the outlook for eggs and poultry was "reasonable" in the year ahead, as these products continued to enjoy a price advantage over red meat He felt returns in these divisions were too low in view of their cyclicality The egg and poultry divisions were working at capacity Expansion depended on Government permits

Animal feeds had boomed on the strength of better chicken, beef and dairy prices

The only disappointing division was the oil division. There was vast oversupply and vicious competition in the vegetable oil industry and prices were uneconomic.

Mr Bloom was bullish for records, books and pharmaceuticals in the current year, pointing out that high-flying Gallo was included for only nine months in 1981

Mr Bloom said higher dividend cover — up from 2,8 to 3,1 — was necessary in view of inflation and the group's need for working and expansion capital

But he did not expect cover to rise further

COMMENT: These profits were conservatively stated and nearly all divisions look set to improve in the current year With Gallo in for a full year, 20% earnings and dividend growth should be easy.

Assuming only this is achieved, Premier will pay 61c, which puts the share, at 1 120c on a minimum prospective yield of 5,5%.

[illegible] (80) 8/5/81
High Cover

activities [illegible] to the engineering, [illegible] and [illegible] industries, and manufactures pipe tubes and electrical transformers. [illegible] Oppenheimer of the UK owns 52 [illegible] of the equity

Chairman *J Levison, managing direc-*

[illegible]

Capital structure [illegible] ordinaries of [illegible] and 275 000 cum prefs of R2 Market capitalisation R22,8m

Financial *Year to December 31 1980 Borrowings net short-term, R3,5m Debt equity ratio, 12,5% Current ratio, 2,1 Group cash flow R5,4m*

Share market *Price 380c (1980-81 high, 400c, low, 260c, trading volume last quarter, 65 000 shares) Yields 21,8% on earnings, 7,4% on dividend Cover 3 PE ratio 4,6.*

In addition to an earnings growth of [illegible]% last year, National Trading also managed to strengthen its financial structure materially. Despite these achievements, however, shareholders may well question whether the increase in dividend cover from 2,5 to three times was absolutely necessary, given the group's strong cash flow and lack of capital commitments.

	'77	'78	'79	'80
Return on cap %	20,1	15,0	15,4	27,1
Turnover (Rm)	68,7	64,9	87,7	113,4
Pre-tax profit (Rm)	4,1	3,6	4,3	8,[illegible]
Gross margin %	6,9	6,0	5,8	7,8
Earnings (c)	44,2	40,5	60,2	82,9
Dividends (c)	14	16	20	28
Net asset value (c)	311	347	365	476

On the other hand, the increase should be seen against the background of the lean 1975-78 period when, despite declining earnings, distribution continued to increase. Cover consequently reduced from 4,1 to 2,6. So the directors [illegible] the current buoyant economy as an opportunity to restore what amounts to a dividend reserve.

Fixed assets declined sharply from R[illegible],7m to [illegible] during the year with the sale of properties in Prospecton and Springs. The capital profit from these [illegible] amounted to R[illegible],8m which was transferred to non-distributable reserve. The R3,5m received was used to reduce debt, with the result that short-term borrowings were down substantially from R9,1m to R3,5m. And long-term loans amounting to R250 000 were eliminated.

With the cut in borrowings and the boost to equity funds, the debt equity ratio dropped to 12,5% from its previous level of 39,5%, which in itself was not excessive for this type of company. Return on capital employed recovered to a satisfactory 27,1% from 15,4% in 1979, so the balance sheet is now looking under-geared.

Turnover rose 29,3% during the year to R113,4m (R87,7m) and, with better margins, pre-tax profits were up 87% to R8,1m (R4,3m). Stock increased 19,3% to R25,6m, while debtors were up 26,7% and creditors 60,4% higher. The net additional investment in working capital was R1,9m (9%).

If this year's dividend growth does no more than keep pace with expected industrial market averages, a payout of at least 35c looks possible. This places the share on a prospective yield of 9,2%. Marketability may, however, be a limiting factor in any price advance.

Chris Wilson

On the lookout

Activities Industrial holding company with interests in aviation and manufacture and marketing of fastener and industrial rubber products. Greenfield and, ultimately, Hanning Associated Industries of the UK, owns 75% of the equity

Chairman: *Dr L P McCrystal*

Capital structure *4,2m ordinaries of 1c* *Market capitalisation R3m*

Financial. *Year to December 31 1980 Borrowings, long- and medium-term, R885 000, net short-term, R677 000 Debt equity ratio 42,7% Current ratio 1,5 Net cash flow R1 2m Capital commitments R257 000*

Share market *Price 72c (1980-81 high, 110c, low, 40c, trading volume last quarter 64 500 shares) Yields 34,7% on earnings, 9,7% on dividend Cover 3,6 PE ratio 2,9*

	*'77	*'78	*'79	'80
Return on cap %	26,7	14,5	12,9	24,3
Turnover (Rm)	8,2	11,1	10,4	11,1
Pre-tax profit (Rm)	1,2	0,8	0,7	1,1
Gross margin %	15,6	10,4	10,3	13,5
Earnings (c)	17,6	10,8	11,3	26,0
Dividends (c)	6	6	6	7
Net asset value (c)	70	75	83	98

* Adjusted for sale of Zimbabwe assets

During the year, the group sold off its Zimbabwean interests This was not done because of poor returns from that investment, but because the directors and Field's UK parent believe both operations will perform better separated from each other at the corporate level, given the current southern African political climate

Shareholders of Field were, in the end, the buyers of the Zimbabwe operation. Field SA shareholders were offered either two Field Zimbabwe shares or 60c cash for every Field SA share This necessitated a reconstruction of share capital The 4,2m ordinary 25c shares were subdivided into 4,2m 1c ords and 4,2m redeemable prefs of 24c each The prefs were immediately redeemed at par in specie by the transfer to shareholders of the Zimbabwe assets So the effect on the balance sheet was a reduction of over R1m in equity funds and an equal increase in non distributable reserves

Chairman Dr Lawrence McCrystal makes no reference to the reasons for the sale, but the offer document made it clear that the structure of the deal would leave Field little changed on an earnings and net worth basis In 1980 Field took only the Zimbabwe dividend into account and, though it was 12% of group pre-tax income there was little change on 1979 in the amount received

This year, of course, Field will not be receiving anything from Zimbabwe, but the SA operations look set for a period of profitable consolidation

Firstly, the aviation servicing division has expanded and its penetration in a growing industry is well established and likely to improve further Secondly, the industrial interests may now be over the worst of the teething problems which have, until now, restricted profit contributions

Aviation contributed 38% to turnover but 68% to profit It is likely that, while the directors will want to expand the aviation division as far as possible, a better balance between manufacturing (only 4% of income) will be aimed for

McCrystal is optimistic about improved profit from the rivet and rivet tools division and for a turnaround in the problematic rubber repair materials division Industrial rubber manufacture continues to worry management but steps taken this year could see a recovery

One of the problems is that depth of management up to executive level on the board, is thin The tone of McCrystal's report suggests, however, that a consolidation period could correct this

No fireworks from existing operations can be expected this year The 9,7% dividend yield reflects this

What is food for thought however is the possibility that the UK parent may sell a portion of its stake to a local operation thus allowing an expansion of the industrial interests The appointment of ex-SA Breweries executive director Colin Hall could also point to a period of acquisitive growth for the company

Marketability is poor but for the small investor this is a not too risky speculation

Ian Hunt

Barlows blighted by tax bite

RDM 15/5/81

180

By HOWARD PREECE
Financial Editor

BARLOWS increased gross pre-tax profit by 37% to R288-million in the six months to March 31. Turnover was 41% higher at nearly R2 100-million.

But a combination of a much higher tax incidence and a big rise in the amount attributable to outside shareholders reduced the growth in earnings a share to 17,2%.

The interim dividend has been raised from 18c to 21c out of earnings of 86,7c (74c)

Basically the South African industrial interests did very well, but the international recession brought grief to the ferroalloy and stainless-steel divisions and a small loss was incurred by the overseas subsidiaries

Tax soared by 56% from R70-million to R109-million and the claims of outside shareholders from R50-million to R69-million

Net profit atributable to ordinary shareholders was up by 20,8% from R90 367 000 to R109 155 000, but this was diluted slightly by an increase in the issued shares

Turnover for the half-year rose to R2 094-million from R1 483-million

The South African industrial interests — earthmoving equipment, household appliances and building materials particularly, aided by paint and motors — did exceptionally well

Their share of net profit jumped by 47% to R59 167 000 from R40 385 000.

The separate contribution from C G Smith was up by 64% from R12-million to nearly R20-million

C G Smith in its enlarged form was effective only from October 1 last year and the comparison is from the calculation of what the group would have contributed in the previous interim.

It was, of course, the consolidation of the restructured C G Smith, which controls C G Smith Sugar, Romatex and Nampak, that was the main reason for the hefty increase in profit attributable to outside shareholders

Investment income, primarily gold dividends, rose from R11 223 000 to R14 376 000, but the net take from mining and exploration was down fractionally from R13 085 000 to R12 989 000

Net profit from the ferroalloy and stainless-steel operations fell from R12 447 000 to R4 009 000 and the overseas arm turned a R1 206 000 profit into a loss of R1 067 000

The tax rise — the rate bounded up from 33,3% to ,9% — was the result of p rises in the effective at C G Smith and in the and lime divisions A ling away of investment llowances was the main eason

The directors say "The African economy continto grow but not at the rate achieved in 1980

This could be further affected by higher interest rates and the lower gold price

"It is unlikely that economic conditions in the United States, Europe and the United Kingdom will show any significant recovery before 1982

"Middelburg Steel & Alloys and the base mineral operations of the mining division face another difficult six months, as do our subsidiaries overseas

"In view of the impetus in those sectors of the South African economy in which the group operates it is anticipated that the growth of the first six months will be maintained for the year"

COMMENT. The bottom line figure of Barlows, the 17,2% rise in earnings, is certainly well below what the stock market was generally expecting.

After inflation it is a virtual standstill.

However, the market can take comfort from the 47% net profit rise from the South African manufacturing divisions.

This is a reminder that although the economy is on the down cycle there are a lot of handsome company profit rises that will come pouring in over the next months.

There is apparently unlikely to be any easing for Barlows of the tax incidence or the proportional payment to minorities over the second half of its financial year.

Gold dividends will also be lower, and no immediate relief is seen in adverse overseas conditions.

That would seem to point to some lack-lustre figures by Barlows for the full year.

It would, however, be quite in keeping with the group's record if the bad news has been disproportionately pushed into the interim results.

The total dividend last year was 58c from earnings of 176c.

I would still expect the total this year to be at least 70c which, at 1 050c, puts the share on a prospective yield of around 6,7%. Solid enough.

Looking to 1982 Barlows should have a lower tax rate again as capital allowances pick up and the overseas position should be better, helped by a lower rand exchange rate.

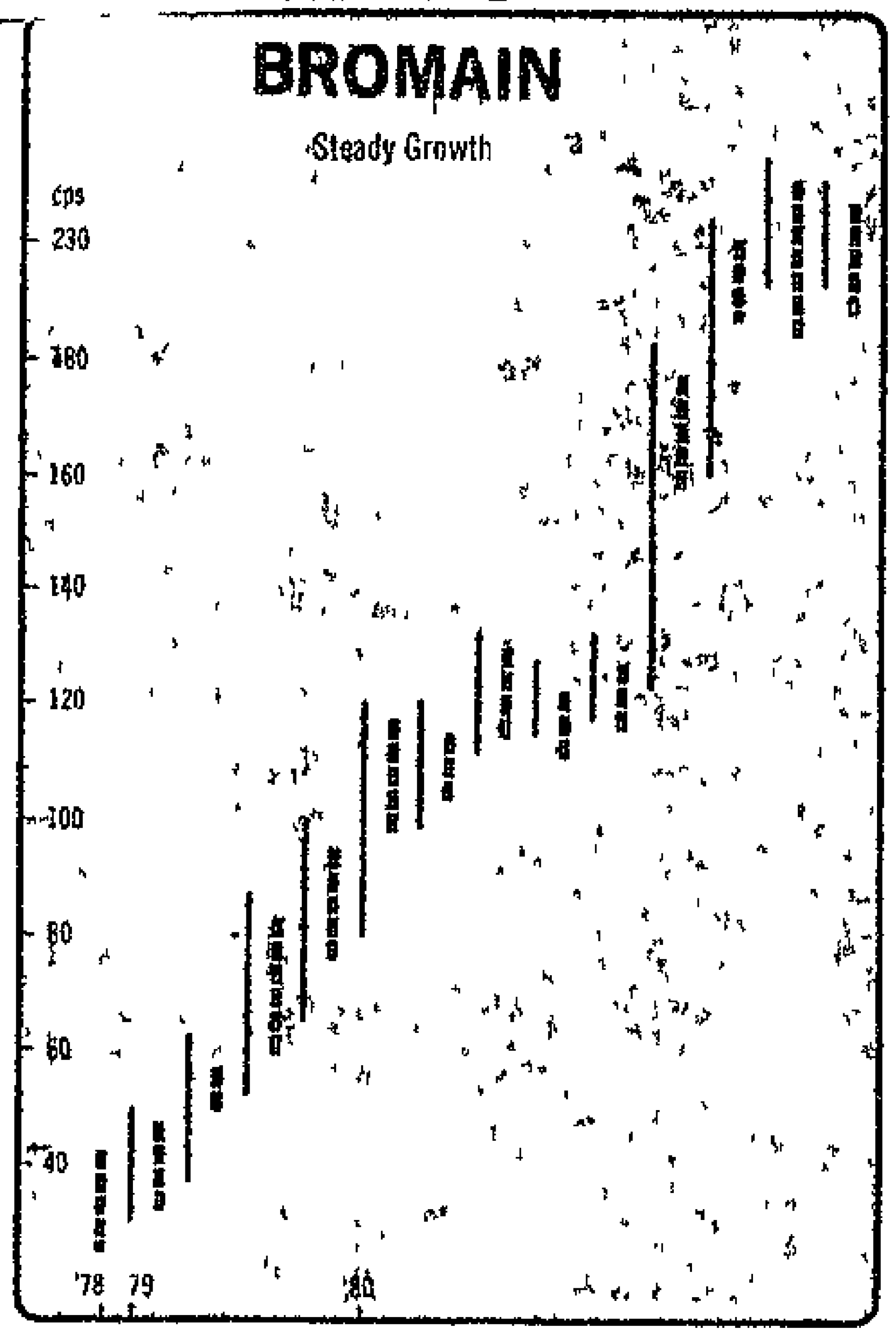
However, the South African industrial divisions must be caught in the general economic slowing.

Barlows remains a prime blue-chip, but the share price is unlikely to roar ahead.

BROMAIN HOLDINGS 180

Better quality FM 22/5/81

Activities: *Industrial holding company, with subsidiaries in electronics, domestic appliances, business machines, furniture and motor vehicles*
Chairman and managing director *M S Brozin*
Capital structure: *6,5m ordinaries of 50c, and 100 000 6% cum prefs of R2 Market capitalisation R14,1m*
Financial *Year to February 28 1981 Borrowings long- and medium-term, R5,8m, net short-term, R5,7m Debt equity ratio 82,3% Current ratio 1,6 Group cash flow R4,7m Capital commitments R144 000*
Share market. *Price 217c (1980-81 high, 260c, low, 90c, trading volume last quarter, 264 000 shares) Yields 31,8% on earnings, 10,1% on dividend Cover 3,1 PE ratio 3,1*



Bromain's share price has dropped nearly 17% to 217c in the month or so since the preliminary report, putting it on a prospective yield of 12,9% Given the enhanced quality of the group's earnings base now, compared with a couple of years ago, the counter looks cheap

Certainly, its previous problem area, Teltron has swung back into profitability with a vengeance The electronics and appliance distributor turned in a loss in 1979, but has now been reorganised and contributed an unchanged 58% or R4,1m (R1,6m) of attributable earnings in the year to February 28

The directors say the group wants to lessen its dependence on consumer durables to some extent, so Telron has started up a new professional electronics division to broaden its base

	'78	'79	'80	'81
Return on cap %	4 1	11 2	20 0	28 8
Turnover (Rm)	61 7	69 7	72 6	113 3
Pre-tax profit (Rm)	(1 7)	0 1	2 8	7 0
Gross margin %	—	3 6	6 9	7,2
Earnings (c)	—	1 5	28 5	69 1
Dividends (c)	—	1 5	9	22
Net asset value (c)	171	154	169	225

The divisional contribution from retail furniture chain Tip Top was slightly higher at 18% or R1,3m (17% or R485 000), and the operation is now trading out of 32 stores compared with 19 at the end of the previous financial year

Chairman Max Brozin sees this division as being especially well placed to take advantage of the expected upswing in black consumer spending which should result from township electrification With some of the new stores in operation for the full year, he adds, a further earnings improvement is expected

Car sales accounted for an unchanged 21% of earnings last year or R1 5m, compared with R588 000 in 1980 Eastvaal Motors now operates its Ford franchise from nine outlets, and also sells Yamaha motorcycles and Sprite caravans in certain areas Three used car outlets have also been opened

Financial ratios have not changed much over the past year Though the group's debt position increased fairly markedly, with the taking up of a R3m medium-term loan (repayable late in 1983), the debt equity ratio has increased only slightly to 82,3% (80,8%) Short-term debt was marginally higher but stocks and accounts receivable advanced in line with the 56% hike in sales

Brozin sees the new financial year as being characterised by keen competition, low margins and high interest rates However, with internal reorganisation coming to fruition and consumer demand continuing at reasonable levels, he expects a 20% earnings advance Cover is unlikely to change from last year's 3 1 times but I think Brozin may be conservative

A 28c payout should not be too difficult to achieve and the stronger base of this conglomerate makes it an attractive addition to a portfolio on both income and capital growth considerations *Scott Hawker*

Wesgro may get R50 000 from City

CT 29/5/81

180

Municipal Reporter

THE City Council yesterday agreed to contribute R50 000 towards the formation of Wesgro — the Association for the Promotion of the Western Cape's Economic Growth — on condition that financial support be obtained from surrounding local authorities (R80 000) and commerce and industry (R50 000)

In the only dissenting vote, the Housing Committee chairman, Mrs Eulalie Stott, said a qualified person on the City Engineer's staff could rather be appointed to advise industrialists who wished to establish themselves in the Western Cape

Mrs Bronnie Harding believed industrialists had been attracted to Atlantis as they were well served with information on that area, while entrepreneurs were discouraged from coming to Cape Town by lack of data and stringent building and other regulations

Mrs Joan Kantey said Wesgro faced ideological constraints on labour and housing

Mr Emil Riese, chairman of the Health and Amenities Committee, said Atlantis and Mitchells Plain had been thrust on the Western Cape by the government and industry had gone to Atlantis because "it is the nearest thing to border industry with tax and other concessions"

Soweto's small manufacturers receive boost

STAR 28/5/81

180

By John Bentley

The first of three industrial parks for manufacturers being constructed in Soweto will be ready in August this year, says Mr M J (Tienie) Oosthuizen, a director of the Small Business Development Corporation.

Speaking at the opening of an exhibition for local black industrialists at Milner Park this week, he said the parks, which were being developed by his corporation, would each be capable of housing 40 manufacturing businesses

Depending on the success of the Soweto project, similar schemes would be undertaken later in other black areas providing small industrialists with sorely-needed facilities

Providing an infrastructure for small business was just one of the objectives of the Small Business Development Corporation, Mr Oosthuizen said

The corporation, a joint undertaking by the Government and the private sector but managed by the private sector, also aimed to provide financial assistance to small businessmen of all races, to provide management training, and to assist in identifying factors which inhibited the growth of small businesses

It had a nominal capital of R135-million, half supplied by the private sector and half by the Government, and was launched in February this year

Banks throughout South Africa would be the "front office" of the corporation, Mr Oosthuizen said "We felt there was a need to reach out to the small man rather than for him to come looking for us"

Financing small businesses involved higher risks for the banks The corporation would guarantee 80 percent of any losses incurred by the banks as the result of default by a small businessman participating in the scheme.

But the problem was not only financial, he said Counselling and training facilities were badly needed Plans to incorporate bodies such as the Development and Finance Corporation in the Small Business Development Corporation would bring the necessary experience and staff to provide such services, he said

More strikes predicted as production losses grow

(180) S. Times, 3/5/81

By Jan de Beer

INDUSTRIAL strikes by black workers are costing South Africa an astronomical sum.

In 1979 at least 68 individual production years were lost because of work stoppages by blacks, and the total this year promises to rise to the highest level yet recorded.

Industrial relations experts voiced strong concern this week that the period from the June 16 anniversary of the Soweto riots to the current Republic Festival period could result in the present strikes continuing for at least another two weeks.

And they predicted there is the likelihood of more strikes to follow during this period.

It is seen as an ideal time for more militant trade unions to compete for membership of the seven out of 10 blacks who do not belong to trade unions.

Meanwhile the bill to industry is growing to alarming proportions. Ford's Cortina plant, where 1 500 workers have been on strike for over a week, is losing at least R2,5 million a week in production.

Naturally there are other aspects such as loss of potential sales through inability to supply.

Work stoppages are costing a fortune

An authoritative survey of the South African black trade [illegible] completed recently shows that in 1978 10 [illegible] man days were lost because of work stoppages by blacks. This figure included all stoppages, not only strikes.

In 1979, however, taking only strikes into consideration, the [illegible] of man days involving blacks reached [illegible] — a dramatic rise to more than 68 individual production years.

The figure for last year is not yet available but the author expects it to be much higher.

In all 14 160 workers of all races went on strike in 1978. A year later, as the white mine strike took place, the total reached 22 [illegible].

The situation is extremely complex. Factors such as wage demands, [illegible] union demands and dissatisfaction regarding disciplinary measures (91) were quoted as the main reasons for the 134 strikes by black workers last year.

Some industrial relations experts now, however, see the power struggle among new and unregistered trade unions as a much more important reason than it was in 1980.

Said an Eastern Cape car industry spokesman: "There is a strong feeling that the relatively new Motor Assembly and Components Workers' Union (Macwusa) is trying to flex its muscles through the present strikes in Port Elizabeth.

"If it is considered that 70% or more of the black work force are still not members of trade unions, we can expect many other new and more militant trade unions to appear on the scene in future. It's a frightening prospect."

He said that some of the current instances of sabotage could be linked to strike action.

"Railway lines are being blown up to prevent workers from attending work."

Dick Sutton, group industrial relations adviser for SA Breweries, agreed that a multiplication of trade unions was about to hit South Africa. "Wildcat strikes are the trademark of trade unions trying to gain support from the workers."

Mr Sutton feels that the industrial council system perhaps requires modification. "It's too bureaucratic and remote from the shop floor.

"Alternative mechanisms to settle labour disputes would have to be sought — perhaps forced arbitration," he suggested.

Richards Bay pipeline 'cheaper'

(150)

4/6/81

Mercury Reporter

THE sea would be used for effluent disposal off Richards Bay because it was cheaper than the advanced treatment required for disposal on land or into rivers

This is one of the reasons given for the possible construction of the Richards Bay pipeline

What was to have been a White Paper on the proposed R33,5 million Mondi-Triomf effluent pipeline was released by the director general of the Department of Water Affairs yesterday

The status of the White Paper, however, has been changed to that of 'information document' and building and financing the pipeline will be the responsibility of the Mhlatuzi Water Board At present water boards are not allowed to deal with effluent disposal, but Parliament will be asked during the second 1981 session or the 1982 session to change the law

According to the statement the board will then take over The sea outfall has to be operational by the end of 1983

The statement says the main reasons for considering a marine pipeline at Richards Bay are

Che...

It is cheaper than the advance treatment requirements for disposal on land or into rivers

The reduction in land pollution which would occur

The reduction of pollution in the harbour waters and the freshwater Lake Nzigazi which would otherwise also occur

Potential users of the pipeline are the Mondi Paper Company, Triomf Fertilisers, and the Richards Bay Town Board A new sugar mill for Huletts and the Ngoye Paper Mill could also use the pipeline

By 1984 it is anticipated that Triomf will discharge 10 400 tons of effluent through the pipeline every day Other expected tonnages are Mondi 50 000, and the Richards Bay Town Board 3 500, giving a total of 63 900 tons This will increase by the year 2013 to Triomf 16 500 tons, Mondi 115 000, and the Richards Bay Town Board 44 600 — a total of 176 100 tons

Effluent discharged through the pipeline into the sea would be subject to strict control as determined by the Department of Water Affairs Forestry and Environmental Conservation in consultation with SABS, Sea Fisheries Institute of the Department of Agriculture and Fisheries and the Department of Health, Welfare and Pensions

According to the report, the Department of Water Affairs recommends that Mondi will have to institute efficient spill control procedures and a warning system

The slurry effluent from the Triomf phosphoric acid plant will be limited to a sixth of the total volume of effluent being discharged down the pipeline at any time

The two factories would have to stop discharging effluent if, for any reason, the effluent did not meet specified standards

On the environmental impact of the effluent, the Department of Water Affairs believes certain limits and constituents in the effluent are not harmful to the marine environment However, this does not mean that all the standards can be relaxed.

The report says particular attention must be paid to aesthetic implications, public health, and toxicity that may be harmful to marine ecology

The report outlines the chemical and biological contents of the proposed effluent and discusses in depth the possible impact these would have on the sea bed and sea life

The statement concludes that a balance has to be sought between the present and future development potential of the Richards Bay area and the necessity to protect the natural marine environment

It also has to be accepted that, as on land, the marine environment cannot in all instances be preserved in a pristine state In this case a fan shaped area of about 150 ha will be blanketed and sterilised by gypsum and marine life will be excluded from it

A monitoring programme will be set up, and surveys conducted for considerable periods before to the commissioning of the pipeline to provide base-line data and information

(9)

6. (i) Farmers base their planned output for the following year on the previous years price for that commodity.

This ... because if the product was very scarce the price ... the price is ~~low~~ high this encourages the farmer to ... revenue would increase if he could sell his crop a... to his years prices which are high he would in... to gain the most revenue available to him

Now all ... Strategy because each one of them would like to e... ue. So for the next years crop everyone plans to ... that at the prices of today they could reap in a fortune.

If everything goes well and the weather conditions are favourable each ...

FM 5/6/81

CAPACITY UTILISATION

Levelling out

(180)

Industrial capacity utilisation is close on 90% according to the latest survey conducted by the Department of Statistics

In February this year total production capacity utilisation was 89.6%, up 2.5 percentage points on last February's figure of 87.3 and up marginally on November's figure of 89.6%.

While 90% is usually held by economists to indicate maximum capacity utilisation this survey rather reflects the opinions of manufacturers as to how much more they could increase levels of production in the immediate future without expanding present fixed assets or significantly increasing unit costs. The current figure implies that manufacturers feel they could increase output by a mere 10% before the ceiling is reached. In economists' terms this would place them at about 80% of full capacity utilisation.

The latest year-on-year increase of 2.5% is slower than last year's figure of 3.1%. Capacity utilisation increased from 85.8% in 1979 to 88.5% in 1980. The increase for this year is likely to be less substantial however as the factors contributing to under-utilisation take on more significance.

Insufficient demand is cited as the most significant factor inhibiting full utilisation of capacity with shortages of raw materials and of skilled labour playing a secondary role in under-utilisation.

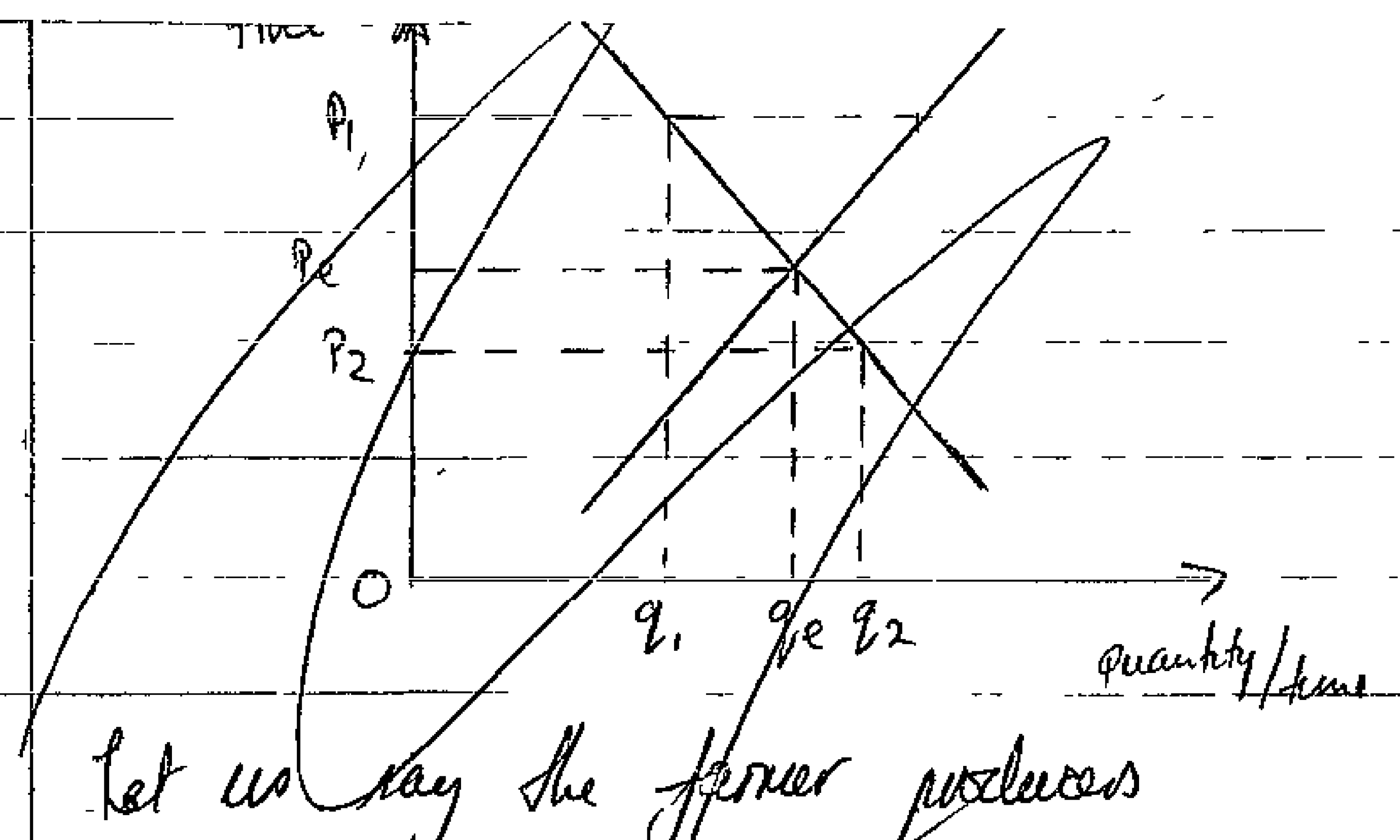
Manufacturers surveyed attribute well over half of their current under-utilisation to insufficient demand while the relative weights of raw materials shortages and skilled (white) labour shortage are much lower. Shortages of black labour play an even smaller role.

The skilled labour position is not expected to improve much in the near future and a slowdown in consumer demand is anticipated. Thus although capacity utilisation will probably continue to rise, a lower rate of increase can be expected.

The sector in which there is most pressure on existing plant and equipment is glass and glass products where utilisation stands at about 97%. This is followed by pottery products and footwear. But the past year's surge in consumer demand is reflected in capacity utilisation figures of well over 90% in most sectors producing consumer durables.

The textile industry is using over 92% of its facilities while clothing, leather products and furniture are all near the ceiling with utilisation figures of more than 92%.

The whole market is effected ... g less. The end result is ... n on the market and due to ... duct



Let us say the farmer produces

(5.3.2.) Gastro-enteritis

With the Day Hospitals providing medical treatment nearer to the patients' homes, a visit to the doctor involves less travelling ... would ... lier ... drati... are r... numbe... sever... in the ... from t... to exa...

Recogn... number. 1967-I... owing ... job op... rate h... and 'C... have i... leadin... hand, ... experie... wages ... inflati... increas... malnutr... from ga... the ... riod ... on ... hand, ... icks ... hilst ... n ... has ... d ... fering ...

Further... out the ... ough- would be from areas where there are Day Hospitals. Any decrease in the number of and the severity of dehydration of patients from the Cape flats may be offset by increases in other areas.

. / ...

BUSINESS MAIL

Factories still at full tilt

180

By SIMON WILLSON
Industrial Reporter

CAPACITY use in the manufacturing sector moved up 2,9 percentage points in the 12 months to February to an annual average of 90,4% — a figure which, in theory, is beyond full tilt in SA.

The February figure, issued by the Department of Statistics, represents an increase of 1,8 percentage points over the previous three months because the annual capacity use average stood at 88,6% last November

The figures appear in the department's three-monthly survey of the most important producers in each manufacturing category, and show that capacity use was still rising in the manufacturing sector in the first quarter of this year in spite of hitting an apparent ceiling of 89,8% in the last quarter of 1980

At an average of more than 90%, the manufacturing sector is theoretically working past bursting point in an economy like South Africa's, with its artificial distortions

As such, it is a reasonably accurate indicator of demand-pull inflation.

In a normal free-market economy, theoretical full capacity is about 93% of a factory's maximum rate of production The absent 7% from arithmetical full capacity is caused by natural wastage in output from breakages, shop-soilings and test samples, and by variable rates of worker productivity

But the peculiarities in South Africa's economy, caused by a politically regulated labour supply and an underdeveloped infrastructure, bring the effective full capacity rate down to about 90%

The buoyant consumer demand generated last year has still not abated, according to these statistics. The figures show that manufacturing industries are still stretched to technically unsustainable limits by this demand

Leading the way in the capacity statistics is the glass and glass products sector which was running at 96,7% of capacity in February This is a drop from last November when the glass industry was churning out its products at 97,3% of its capacity.

Glass, with its wide uses in the construction, automotive and consumer durables industries, reflects the continuing high level of demand for these goods

In second place is the footwear industry at 95,4% of capacity — an increase of 0,3% since last November.

Close behind footwear, and setting a pattern in big demand this year for personal household goods, is third-placed pottery, working at 95,2%

Fourth is paper and paper products at 94,1%, and fifth is industrial chemicals at 93,7%.

Capacity use in the motor industry shows its first dip in the current upswing, falling from 90,9% in November to 90,4% in February

Graph 5 shows the number of patient days in the drip room over 1967-1977. No head count is available except since 1975. Over the period, the average length of stay of all patients at Red Cross has declined. No index for the average length ... ...ated with certainty, it appears that the Day Hospitals may have made a contribution to the decline in the number of gastro-patients and the number of deaths due to gastro-enteritis. The Day Hospitals also place much emphasis on health education, particularly the need for hygienic preparation of food, correct infant nutrition, and of breast feeding. (Generally breast-fed infants, do not suffer from this disease.) The Day Hospitals are not alone in this health education field.

(5.3.3.) Maternity-onset diabetes.

Maternity onset diabetes is a common disease amongst those with a high carbohydrate diet. It is included here as a representative chronic illness that does not require highly specialized treatment once stabilized, and this can be ideally treated at a Day Hospital.

The importance of diet control in the treatment of maternity onset diabetes has been stressed by Goldberg et al.[6]

Groote Schuur Diabetic clinics, and Day Hospital Diabetic clinics are run on the same principles.

. / ...

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Name and Address. ....

Group's profit rose sixfold last year

Star 11/6/81

180

Amalgamated Industrial Investment Corporation has produced outstanding results for the year ended February.

Operating attributable profit increased more than six times to R440 987. If there is added a non-recurring item of R1,1-million earned by a subsidiary on a property deal, attributable profit for the year amounted to R1,5-million.

The operating profit for the year amounted to R739 329, up 157 percent over the comparable figure for the previous year.

The group continued to have relief from taxation because of assessed losses and expected to do so for several years.

Operating earnings a share was 27,56c compared with last year's 3,9c.

The directors have decided to resume ordinary dividends but will restrict payment for last year to 5c.

The directors said both areas of the company's business — the manufacturing of building materials and stationery products — fared well.

Despite keen competition — which will continue — the company experienced increases in demand for their products.

The involvement in the building industry should help the company to maintain last year's good performance in the current year, the report said — Ann Crotty.

REPRINTS/HERDRUKKE (gratis)

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PLEASE CIRCLE ITEMS REQUIRED

Federale Volk doubles profits

CT 17/6/81 (180)

JOHANNESBURG — Soaring food, chemical, agricultural and industrial profits helped Federalé Volksbeleggings to double earnings and lifted turnover to more than R1 000-million for the first time in the year ended March.

A final dividend of 21c has been declared making 33c for the year, a 50% improvement on last year's 22c

Turnover surged 41% to R1 028-million, pre-tax profit 61% to R81 570 000 and taxed attributable profit 99% to R31 910 000

Earnings a share were 78% better at 117,5c (1980 66c)

Total assets rose 24% to R716-million and net asset value 5% to 854c a share Taxed return on shareholders' funds rose to 21,5% (14,5%)

At the interim, earnings were 108% ahead at 40,5c (19,4c) but the company was up against more difficult numbers in the second half and the directors warned that second half earnings could not continue growing at that rate

They said the final dividend would rise in line with the interim dividend, which also rose 50% And so it has turned out

The directors say that whereas the company was once heavily dependent on food and fishing, income now flows in a balance manner from the all the divisions

The bigger stake in Sentrachem following the Fedmis reconstruction, as well as that company's good performance was important to the overall result Fedfood's impressive second half surge would have helped

SA Druggists performed disappointingly but the unlisted companies all performed well

Judging by reports from its industry, FedMech, distributors of Massey Ferguson agricultural equipment, will have had an excellent year Federale Electronics, Morkels the furniture chain and Avis, the car rental firm, all performed exceptionally

Fedvolks recently acquired 75% of Firestone for an undisclosed sum and said this would be positive to earnings The transaction took place only in March, so Firestone will become a significant contributor only from this year

The directors forecast "greater uncertainties" in the current year but are confident of further growth

are present at any point ... seem as if Y workers
were permanently employed ... workers being hired
for the seasonal peak fr... . It is on the
basis of this approach th... the number of
migrant workers permanent... seasonally -
employed in Elgin; this ... iven earlier in the
text and in Tables 1 and ... ius 238 migrant workers
on nine month contracts h... is permanent workers,
and a further 238 are inc... (This resolution
of our classification pro... entirely satisfactory:
Two farms, employing a to... n nine contracts,
recruit all of these work... We have chosen -
purely arbitrarily - to ... rkers as seasonal
workers.)

Charter's earnings up 19%

Star 24/6/81

180

~~84?~~

Earnings attributable to Charter after taxation and before extraordinary items for the year ended in March were £33,2 million (R59,7-million) (31,7p a share), compared with £27,9-million (26,6p a share) for the previous year — an increase of 19 percent, the company said in a Press statement today.

A final dividend of 6,6p a share has been recommended to bring the total dividend for the year to 10,0p a share (8,35p).

Last year's total dividend included a special additional payment of 0,35p a share in connection with the restructuring.

The figures for the year to March 31 are not directly comparable with the figures for the previous year because of major changes in Charter's investment which took place in the last quarter of 1979.

The operating profits of industrial subsidiaries were £14,5-million reflecting mainly the loss of £3,4-million suffered by the automotive products division of Cape Industries. — Sapa.

Not only does the approa... largely resolve our
statistical difficulties ... offer a number of
interesting insight into ... employment contract.
If, as it appears from o... farmer required Y
permanent workers and Y ... y did he not recruit
them on that basis? Ins... a rather indirect
method of achieving that end. In fact the indirect method appears to be the most efficient (that is, cost minimizing) manner of organizing his labour force. Since as we shall see migrant workers appear to prefer longer to shorter contracts, the farmer can recruit his labour for a lower total wage cost if he hires all on rather longer contracts, rather than some on longer contracts and others on short term contracts. The workers perceive merely that they are to be employed for nine months (which is apparently preferable in the aggregate to some combination of six and nine month contracts); the farmers - who treat labour as a production input - perceive the result somewhat differently. Through this somewhat complicated system of recruitment they have obtained their preferred levels of permanent and

New body could have key role in reform moves

RDM 25/6/81 (180)

By HELEN ZILLE

Political Correspondent

AN ORGANISATION verligte Nationalists hope will play a key role in their strategy of reform through economic measures had its inaugural meeting in Pretoria yesterday

The Council for the Promotion of Small Businesses — a name change announced yesterday from Programme Advisory Council — has as one of its major tasks the identification of problem areas that retard the development of small businesses'

It will also make recommendations to the Government on how such factors can be removed

This gives the council vital access to the political field as many of the problems of small businessmen — particularly blacks - are in the restrictions of apartheid laws such as the Group Areas Act and the pass laws

Government critics maintain that free enterprise is impossible while these laws remain

The Government regards the promotion of small businesses as crucial to its economic strategy of giving blacks a stake in free enterprise and to provide employment

A Small Business Development Corporation was established recently to provide loans to small undertakings The Council for the Promotion of Small Businesses has the complementary task of investigating problems facing small businesses and co-ordinating the work of organisations involved in this field

Dr Dawie de Villiers, Minister of Commerce, Trade and Industry addressed a luncheon to mark the first meeting He said small businesses were vital to rural development and to achieving a better distribution of economic resources

Co-operation between the public and private sectors was fundamental to the Government's economic strategy and it was necessary to extend the economic benefits of growth and development to as many people as possible

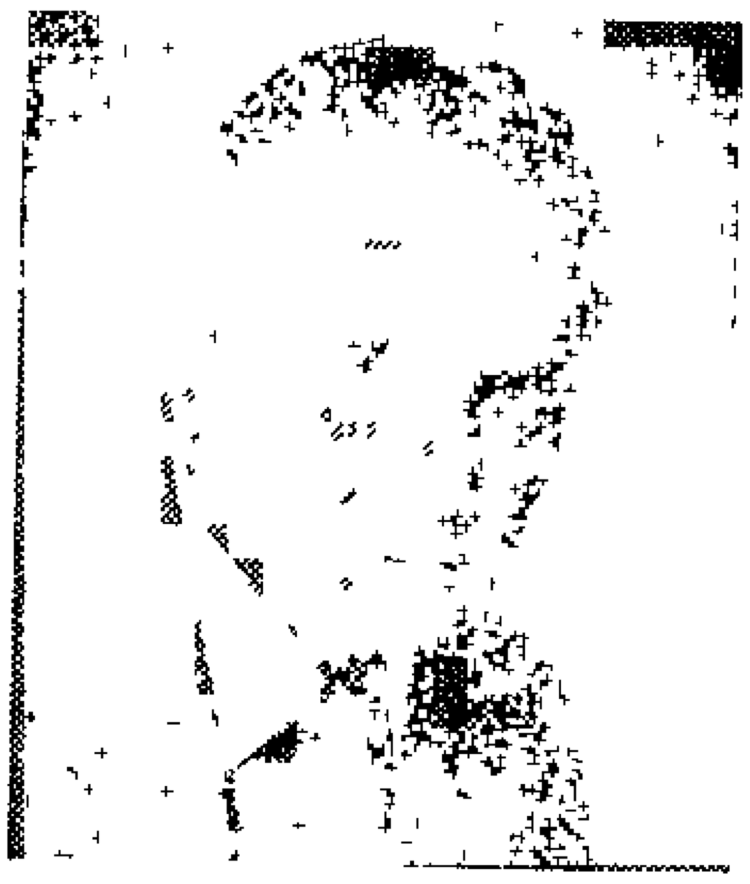
The Government had introduced three policy initiatives for this

- A strategy to establish better distribution of small businesses in under-developed areas,
- The establishment of regional co-operative areas drawing in the homelands and other areas in South Africa
- The establishment of a development bank to provide the necessary loans for economic development

The Tongaat Group Li

TONGAAT

FM 26/6/81 180



Mr C J Saunders Chairman

Review of the 1980/81 Year

I am very pleased that in the 1981 financial year we have again achieved record profits and earnings per share This is especially gratifying since the percentage improvement in earnings per share over the last year of 58% is the highest attained over the past twelve years of continuous and accelerating growth Our compound growth rate in earnings per share for the past ten years has been 22,2%, for the past five years, 25,3% and for the past three years it has been 34,3% per annum During the past two years our earnings per share have more than doubled Dividends paid to shareholders have also followed this trend and reflect a compound growth over the past five years of 21,3%

Due to the favourable economic environment, good results in 1980/81 were perhaps expected from most South African companies, but our group would in fact have fared badly had it remained as dependent on sugar as it was twelve years ago Despite the efforts of all concerned, we were obviously unable to escape the impact of last year's devastating drought The year was an equally bad one in the Electrical and Electronics Division where our performance was particularly poor in the contracting field Our other Divisions performed very well and the record performance is once again attributable to the Group's diversification into fields which are not subject to similar economic and climatic influences Our record performance is also in part attributable to the capital expenditure made during the past three years, both in acquiring companies where we perceived rationalisation benefits, and in expanding production facilities in our existing factories The integration of the Hebox acquisition into our Textiles operations proceeded exceptionally smoothly Although H Lewis and Natal Oil Products were acquired later in the year, considerable progress has been made with reorganising and rationalising our activities within Tongaat Foods and Feeds Whilst many benefits of these acquisitions will materialise in the current 1982 year, the full potential will only be realised in the years ahead as considerable development and reorganisation remains to be achieved

Expansion Policy

Our growth has by no means resulted from acquisitions alone, and I need only point to the recently completed expansion of our Tongaat-based textile mill and to the expansion programme of Toncoro to illustrate this I nevertheless feel it necessary to comment on our policies regarding acquisitions and expansions, because I think it is important that shareholders should recognise that the Group is not a conglomerate, pursuing growth for growth's sake We are a diversified group active in complementary fields of endeavour, pursuing a logical and prudent policy of development and expansion

The basic needs of people are food, clothing and shelter, and we believe that the ideals expressed in the Tongaat Group Philosophy together with our growth and profit objectives can best be satisfied by meeting selected segments of these needs We believe that as South Africa develops and the quality of life improves for its growing population, opportunities for profitable and steady growth will continue in our chosen fields Our Divisions have changed very little in the broad scope of their activities, and my Chairman's statement ten years ago included reference to our activities in sugar, building materials, foods and feeds, textiles, property and electrical engineering I need hardly point out that our present range of activities do not extend beyond this, but the percentages of profit contribution have differed from year to year according to the relative buoyancy of the different activities In normal circumstances it is our broad aim that the Group should not become over dependent on the activities of any one Division, although the balance must obviously change over time, and will be tempered by the relative risk and cyclicality of our operations

Social Responsibility

Your Group has always been conscious of its social responsibilities within the communities in which its various operations are located and towards the people whom it employs These sentiments are expressed in our Group Philosophy which, although it was drawn up many years ago, is pertinent today This does not mean we are in any way complacent, and we recognise fully that as we improve so the scope and need for further improvement also increases

Our ongoing programme of improving housing conditions for employees is far from complete and will be continued in the coming year and the years into the future, for it is obvious that as an employer of people, many of whom are contract workers, we must be concerned with our labour force's happiness, productivity and stability Whilst an employer can contribute to productivity and happiness within the work situation by enlightened management practices, complete happiness and stability are often dependent upon the policies and action of the Government of the day Equally, within a free enterprise system employers do have the opportunity of assisting and contributing to the evolutionary process of change of which they are a part It is the intention of the Group that we should endeavour to provide conditions of employment which will help to achieve happiness and stability In spite of many proud achievements, we must also admit to many problems and there are two very important aspects within our emerging free enterprise society which need urgent and considerable attention, first, the sanctity of the family unit and, secondly, the whole question of education and training at all levels

The problem of the sanctity of the family unit is of particular concern to any large employer of industrial contract labour The whole question of the mobility of labour and the disruption of family life is a matter which vitally affects employer and employee Further, without family life the potential of parental influence is minimised and thus there is a continuing escalation of the factors which go to make an unstable and unhappy society I believe it is our responsibility to search for improvements and solutions in this regard

If the South African economy is to continue to grow at a rate sufficient only to provide employment for the new job entrants, let alone to reduce the existing number of unemployed, then the need for new employees in the managerial and skilled categories will have at least to match this growth rate The demographic distribution and growth statistics of the different sections of our population clearly

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used.

4 Do not write in the left hand margin

missioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Chairman's Statement

indicate that an ever increasing proportion of our future managers and skilled workers will have to be black and brown South Africans, and it is important to recognise that the skills of a manager take many years to develop Irrespective of policies and philosophies there are simply not enough men and women in training today to meet the managerial needs of tomorrow We have long supported the education of talented people of all races through encouragement and scholarships and will continue to do so in future to an increasing extent In the area of on the job training we are very conscious of the need to raise the level of skills of every employee and in all divisions there are ongoing programmes to this end

I believe it is fair to comment that change and progress within the free enterprise society cannot be anything but an abstraction until education relates directly to the needs and development of the community Education is not an exclusive priority in our diverse society, it is however one of our critical social problems and as such commands our earnest attention It is well to remember that important though ideas and knowledge are, the formal education system alone can never reshape societies to the modern image which we would desire

Group Financial Goals and Objectives

In my statement last year I reported our firm objective of maintaining an average growth rate in earnings per share of 25% per annum over our previous planning horizon This year's results in terms of that objective already exceed the previously accepted target for the 1982 year The projections of activity over the latest planning horizon to 1984 indicate a further strengthening of our financial position and the continuing ability to maintain a high rate of growth The Group has the capacity to achieve, and has accepted, the objective of achieving an average increase in earnings per share of 25% per annum through the planning period to 31st March 1984, taking the record 1980/81 results as a base Taking into account the cyclical nature of the South African economy and the relatively high base on which our revised objective has been set, I need hardly say that it is a far more ambitious objective than that we accepted a year ago Achievement of this objective will mean an improvement in our 10 year compound average growth rate from 22,2% per annum to 26% per annum It requires a dedication to growth in the future, an optimism that our country will change direction, and a certainty, confidence and conviction that free enterprise provides an opportunity for all

Our objective limit for interest bearing debt remains at 33% of total capital employed The Group's dividend policy has been reconsidered, and it is now our intention to distribute approximately 40% of earnings each year, after providing for the additional depreciation arising from the revaluation of fixed assets The impact of this is seen in this year when after providing for a 40% increase in dividends, the dividend cover has risen to the very satisfactory level, of 3 times This policy will result in a more rapid build up of shareholders' retained funds, and the increased flexibility necessary to continue our high growth rate well beyond our present planning horizon

We have previously stated our criterion for new capital expenditure to be a minimum discounted return of 14% after tax Obviously we set higher requirements in more risky fields and for cost sensitive projects Our long term objective is to increase our return on total capital employed after revaluation of assets to 14%, which may be compared with the achievement in 1981 of 10 7%

Future Prospects

We expect 1981/82 to be another good year for most of our Divisions and in accordance with our growth objective we have accepted the target of earning at least 125 cents per share this year

We have made several new senior appointments this year and I sincerely welcome these people to our already strong and dedicated management team I wish to express my sincere thanks to my colleagues on the Board and to management and employees for their efforts and dedication to the affairs of the Group this past year. I would like to pay a special tribute to Mr Stanley Morris who retires at the Annual General Meeting after 29 years of loyal service on the Tongaat Board Mr Morris represented the company's interests in the United Kingdom and was an outstanding friend and colleague to the many senior executives of the Group who visited Europe on business In addition Mr Des Scott who has been a member of the Board for 4 years has decided not to seek re-election to the board and I would like to express our appreciation to him for his contribution to our affairs, and in particular for his leadership and advice as Chairman of our Textiles Division I am pleased to report that he will remain as a director of Tongaat Textiles Ltd

C J SAUNDERS, Chairman
Maidstone, Natal
27th May 1981

Comparative Highlights	1981	1980	1979
Turnover (R000)	557 053	308 036	230 990
Consolidated Profit after Taxation (R000)	28 513	16 961	12 567
Earnings per Ordinary Share (Cents)	101,2	64,1*	48,6*
Dividends per Ordinary Share (Cents)	33,6	24,0*	18,6*
Total Assets (R000)	513 566	360 559†	277 509
Ordinary Shares Issued (000)	27 717	26 513*	26 170*
Book Value per Share (Cents)	774	741*†	514*
Number of Employees	31 027	23 155	21 545

* Adjusted for 1 for 4 capitalisation issue of 20th January 1981
† Assets revalued 1980

Industry chary over a rigid 'money rule'

29/6/81

(180)

(1384)

BLOEMFONTEIN — Higher interest rates were the unavoidable price to pay for curbing inflation in the market economy, industrial representatives at the meeting of the Federated Chamber of Industries executive council said in Bloemfontein.

They warned, however, against the application of a rigid "money rule" which could project the economy through excessively high interest rates into recession.

The FCI reaffirmed its stance on the flexibility on labour matters but delegates noted that the established negotiating machinery had come under attack in the struggle for power among unions, as well as the emphasis on regional and plant-based negotiating frameworks favoured by many emergent unions.

The importance of training in industrial relations and the need for international experience to assist management and workers through the difficult intermediary period was emphasised.

Considerable debate took place in the chamber's stance to industrial protection, export promotion and decentralisation incentives against the background of a basically free-enterprise orientation.

The adequacy of the national infrastructure also gave concern to delegates, and the overall capacity of Escom to supply demands for power also came under scrutiny. — Sapa.

of the medical schools. Australia has a four year course and the Australian Family Medicine Programme has a budget of $5,000,000 per year. In the United States most medical schools have set up residency programmes largely ...

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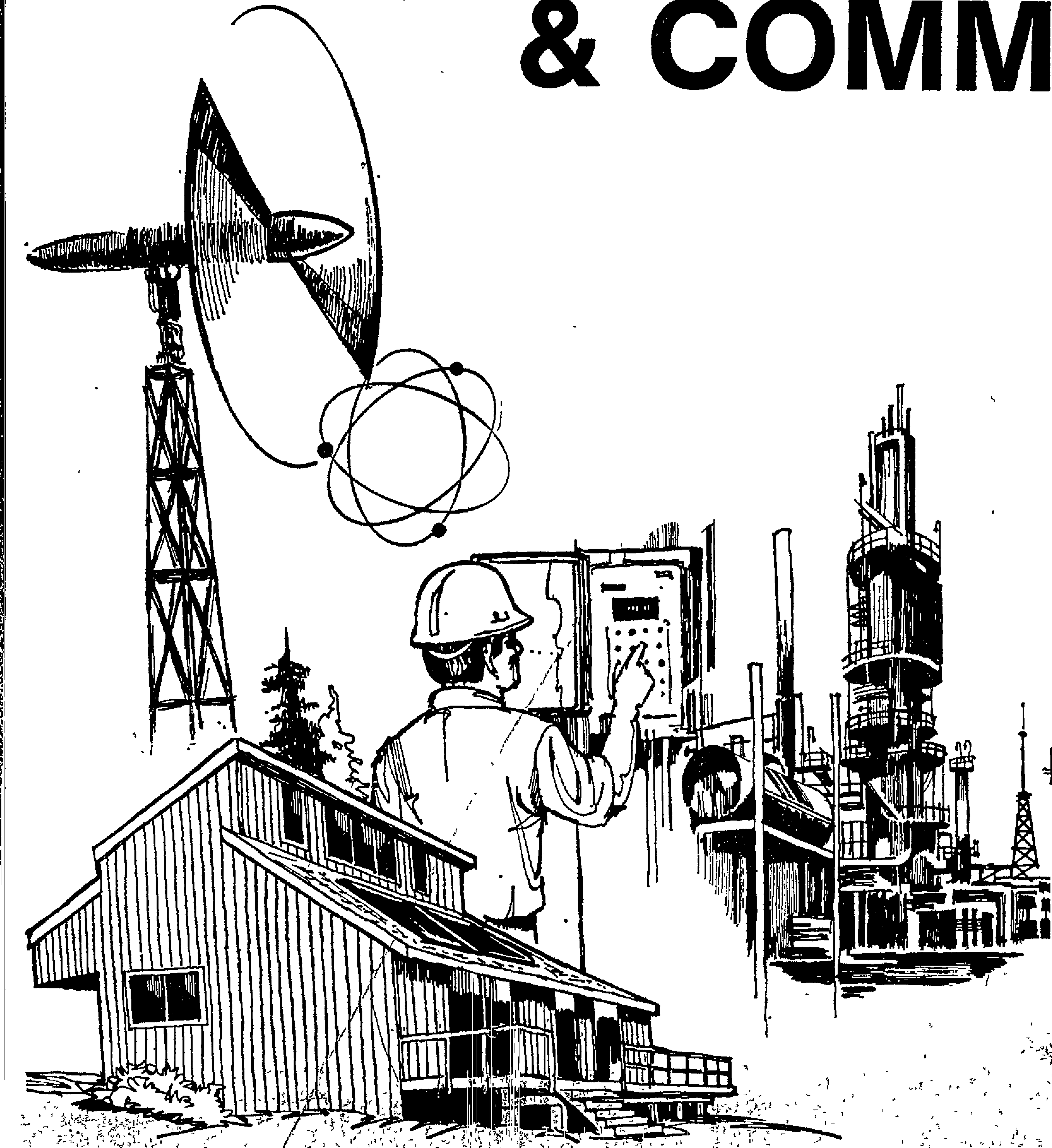
INDUSTRY & COMMERCE ...'81



Argus 30/6/81 180

Local industry to be promoted by Wesgro

180 30 ~~45~~

ONE of the most important developments in the promotion of industrial growth in the Western Cape in the future will be the role played by Wesgro, the organisation proposed by the Mayor of Cape Town, Mr Louis Kreiner, to attract more industries to this region.

The aim of the organisation will be to go for industry what Captour seeks to do for the local tourist industry.

It is expected to start out with an initial budget of R180 000 a year, contributed by the Cape Town City Council, other local authorities, and industry.

Wesgro's activities will include a number of strategies such as the advertising and promoting of investment opportunities in the Western Cape, pressing for the removal of measures which militate against the development of the region, seeking the assistance of Government and other public bodies, and creating more attractive conditions for the expansion of economic activity in the region.

Other aims will be to promote research into matters influencing growth potential; to promote and encourage the best productive utilisation of the area's labour force, which is one of its major assets; to promote the expansion of exports from the Cape; and to encourage existing entrepreneurs to remain in the region.

Steps are now to be taken to set up a secretariat under a managing director.

The launching of Wesgro has been welcomed by the Bureau for Economic Research at Stellenbosch University, which has simultaneously proposed that the Government should set up a regional development advisory council with an annual budget of R100 000 to collaborate with Wesgro.

The bureau sees this body acting as a catalyst that would design economic activating programmes and as a central source of reference for planning and development.

It is envisaged, says the bureau, that RDAC will build up a comprehensive data bank encompassing all the information required by prospective entrepreneurs who may want to locate their enterprises in the Western Cape.

To facilitate co-operation between the two bodies, the bureau has suggested that they should be housed in the same building.

Immediate problems facing Wesgro include the high transport costs that local industry has to bear because of the distance that separates local industries from the country's main markets in the Transvaal.

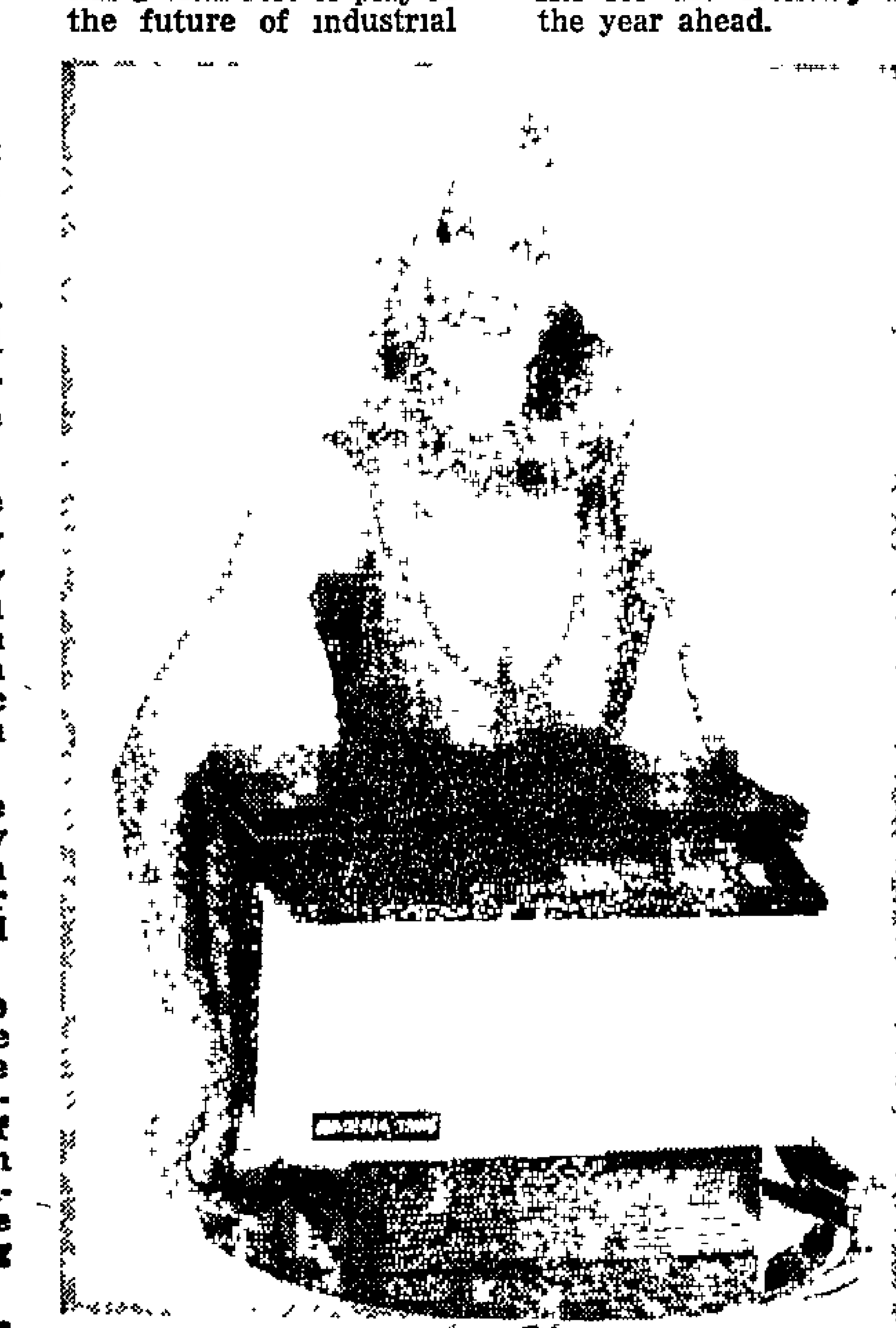
Changes needed in the Western Cape economy are being hampered by these costs, the Bureau for Economic Research said in its recent interim report on the economic situation of the Western Cape.

More than half of the firms in the region rely on markets in the north for 40 percent of their sales turnover, it pointed out.

Another point that the report makes is that the region needs more labour-intensive industries. The population of the greater Cape Town area, it warns, is expanding at a far faster rate than jobs are becoming available.

It supports the move to encourage small business development and cottage industries and suggest that a marketing organisation might be set up to help sell their goods here and abroad.

As this background indicates, Wesgro, backed by RDAC if it is formed, has a vital role to play in the future of industrial development in the Western Cape and could produce substantial benefits for the economy in the year ahead.



EVERY year business equipment becomes more advanced and streamlined, such as this Nashua photocopier—one of the smallest available on the market today. Further information on the latest innovations in office equipment are to be found in this supplement.

Supplement to The Argus, Tuesday June 30 1981

Cape Steel to expand into the export market

Argus 30/6/81

CAPE Steel Contruction Company recently acquired by the Murray and Roberts Group is seeking to expand its activities into the export market and is favourably placed for a multi-million overseas contract.

According to managing director, Mr Cornelis Muilwyk, the company is in a much stronger position after being acquired by the Murry and Roberts Group

'For the first time in over 43 years of our history we are a part of a wholly South African group,' he said 'This means we will have more credit facilities to acquire new plant and the expansion of our operations was formerly restricted by exchange control.

The company, which has operated in South America and the Seychelles, does not feel that the Cape market warrants expansion 'We are already involved in most of the major contracts in the Western Cape,' said Mr Muilwyk.

KOEBERG

'We are, for example, finishing off the enormous R5,5-million goods shed in Bellville which covers 9,1575 hectares, we have also recently completed the huge containment vessels at Koeberg and we are still working on the R1-million container shed in the docks, in consortium with Murray and Roberts.

The steel division has recently been awarded contracts worth approximately R2-million in the Cape area, involving some 1 300 tons of structural steelwork

These include the boiler shop extensions to John Thompson Africa, the fabrication and erection of the new workshop and storage area of Careline Products and the new wholesale warehouse for Macro Cash and Carry in Philippi

The steel division is also responsible for the design, fabrication and erection of two further contracts cladding and suspended ceiling of a portal framed building for CDM in Oranjemund, and Porterville Ko-op Landbou's new workshop, stores and silos

It has also been awarded the extensions of Robor Ltd's premises in Epping, comprising 150 metres of gantry to accommodate two 10-ton cranes

The aluminium division, which operates nationally, has R3-million worth of new work with two major contracts The first is for the Transvaal Rugby Union's Ellis Park Stadium, where Cape Steel is supplying aluminium sliding door units and screens to private cubicles.

The second contract is for Goldfields SA Ltd's new office block in Johannesburg and involves granite external cladding, aluminium curtain walls, windows and an atrium

Cape Steel is also investigating the stainless steel market particularly in the chemical industries and architectural applications

Change in emphasis in real estate investment

THE rapid rise in mortgage bond rates over the past few months has seen a change in emphasis in the commercial and industrial real estate investment market in Cape Town, says city real estate specialist Gerald Divaris.

'Buyers are responding to the reality of higher bond interests rates while sellers appear somewhat reluctant to drop prices and are still clinging to the historic rates of return previously accepted by buyers.'

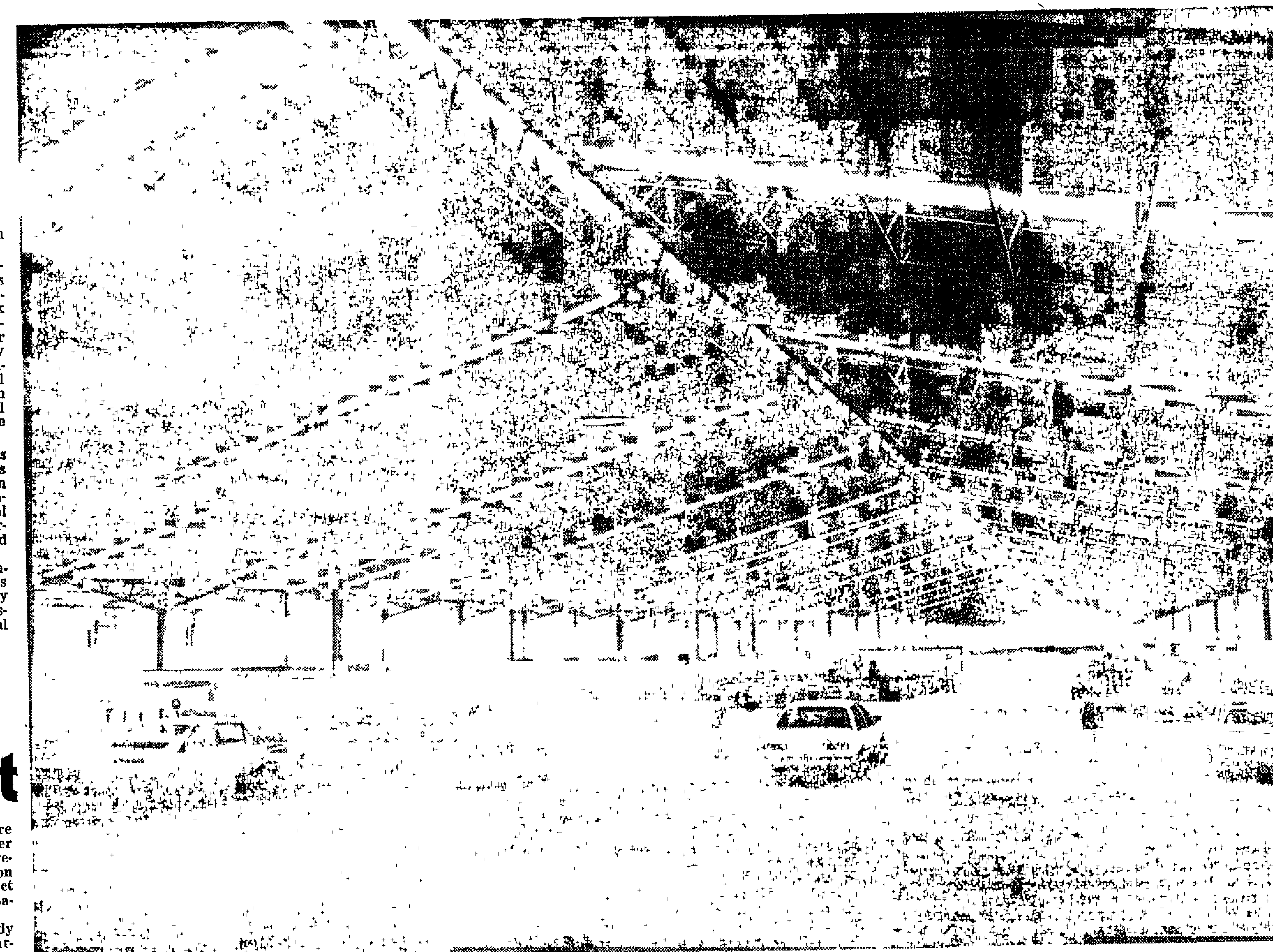
He said sellers were not making meaningful adjustments in the selling prices to compensate for the high interest payments.

'Much of this apparent hiatus has arisen from the growing number of investors entering the real estate market.

'Unlike the Stock Market, growth, appreciation and security of investment still look promising in the real estate field with the result that investors are keen to buy and sellers remain reluctant to part with properties without first finding substitute investments.'

The present situation is further complicated by the emergence of many more cash buyers do not require mortgage finance and, consequently, are prepared to accept lower commencing rates of return while relying on their investments to act as a hedge against inflation.

'Rentals appear ready to break many old barriers, and with many leases expiring within the next two years, investors see medium-term growth with their newly acquired investments,' said Mr Divaris.



THE R5,5-million goods shed designed and constructed in Bellville by Cape Steel

QUANTITY SURVEYING

(Continued)

Bell-John Prize
For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize
For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes
For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes
For the best student in the subject of Building Construction.

C W von During

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URBAN & REGIONAL PLANNING

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Anglo warns on labour

1/7/81

(180)

By ADAM PAYNE

SPENDING on consumer durables, in real terms, in the year to March exceeded that of 1975 for the first time, with particularly large increases recorded for furniture and household appliances as well as motor cars.

This is said by the directors of Anglo American Corporation in their annual report

Fixed investment showed a sharp recovery during the year with expansions coming mainly from the private sector with major contributions from manufacturing, mining and the construction industry

Investment outlays in real terms by public authorities declined for the fourth consecutive year but expenditure by public corporations, including Sasol and Escom, continued to grow

Total manufacturing, reflecting buoyant domestic demand, increased by about 10% with industries catering for the durable consumer goods markets enjoying particularly strong demand

While manufacturing profits rose substantially, cost pressures also grew significantly during the year

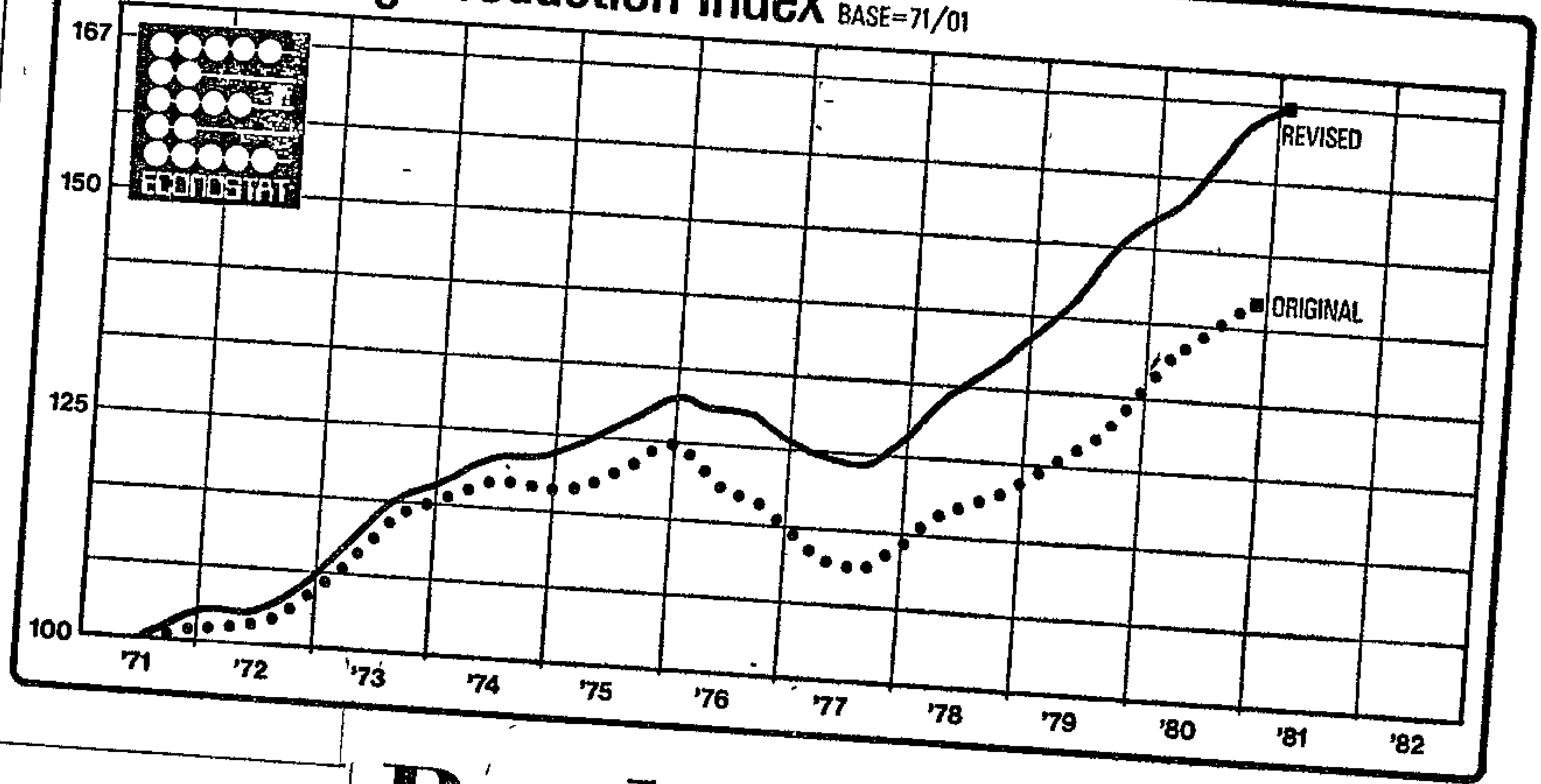
These pressures were relatively easily absorbed while output volumes were expanding rapidly but full capacity has been reached in many areas and growth in demand is clearly not going to be maintained at last year's rate

Labour costs per unit of output are already accelerating and the acute shortage of skilled labour may be expected to continue

"These difficulties and the whole area of industrial relations generally will be the most important challenges to management in the immediate future," say the directors

"The balance of payments should not be a major constraint and efforts to contain demand by increasing taxes are unlikely However, monetary policy has already changed stance so as to tighten liquidity

Manufacturing Production Index BASE=71/01



Production in 10 years up by 90%

Star 1/7/81 180

By Ann Crotty

Figures by the Department of Statistics indicate that manufacturing production over the past 10 years is half as much again as the department previously indicated.

Before the statistical release of early June the department's figures relating to manufacturing production had shown that the manufacturing index had increased by about 45 percent from 1970 to 1980.

However the June figures and their revised historical data now indicate that the index has in fact gone up much faster. The new figures show a growth in the index of nearly 90 percent.

In a document prepared for its clients by Econostat, the department's original and revised figures have been plotted on a graph in order to show the difference in growth.

In their graph of the original and revised data, Econostat has plotted the relationship between what the department now estimates to have been the picture and what the position was until June this year.

Econostat has reindexed both sets of figures using 1971 as the base year.

Econostat is an applied economic research unit consulting with a large number of corporations overseas and in South Africa — it has a data bank of over 2 000 series.

The reasons for the dramatic change in the department's figures lie in the change in sample reference and in the year base.

Before June, the 1963 Census of Manufacturing provided the basis for the Department's sample selection

This sample was restratified on the basis of the 1976 Census of Manufacturing and firms which commenced operations after the initial selection of the sample were also taken into account.

At the same time, in accordance with international practice, the indices used were recalculated on the basis of 1963 = 100

Mr Charles Diamond of Econostat says the implications are significant, necessitating a reassessment of the relative performance of companies within the manufacturing sector.

With the sectoral data which is due to be released soon, corporations will be given the opportunity to evaluate their relative performance during the 1970s and most significantly, since 1977.

Another important consequence of the revision of this important economic indicator is that changes will have to be made in other indicators—for example other major aggregates of growth such as the relationship of investment to manufacturing output.

BUILDING (Continued)

Chas. McCarthy Prize Awarded to the obtaining the in Building Co M Yeats

TONGAAT (180)

High target FM 3/7/81

Activities: *The most diversified of the sugar companies, with interests in food and feeds, building materials, textiles and electronics Owns 26,7% of Huletts through joint control, with Anglo American, of S & T Investments*

Chairman: *C J Saunders.*

Capital structure: *27,8m ordinaries of R1, 990 000 6,5% red cum prefs of R1, 12,5m 'A' red variable rate cum prefs of 10c, 7,5m 'B' red variable rate cum prefs of 10c; and 15m 'C' red variable rate cum prefs of 10c Market capitalisation R159,9m.*

Financial: *Year to March 31 1981 Borrowings long- and medium-term, R72m; net short-term, R50,2m Debt: equity ratio: 41,8% Current ratio: 1,4 Net cash flow R34,3m Capital commitments R14,5m*

Share market: *Price 575c (1980-81 high, 728c, low, 400c, trading volume last quarter, 262 000 shares). Yields 17,7% on earnings, 5,8% on dividend. Cover 3,0 PE ratio 5,6*

	'78	'79	'80	'81
Return on cap (%)	10 3	10 7	10 9	13 6
Turnover (Rm)	161	231	308	557
Pre tax profit (Rm)	13 3	18 1	27 8	48 2
Gross margin (%)	11 8	11 9	11 8	10 8
Earnings (c)†	41 8	48 6	64 1	101 7
Dividends (c)†	16 0	18 6	24 0	33 6
Net asset value (c)*	475	514	741	818

* Assets revalued in 1980 † Adjusted for 1-for 4 cap issues in 1979 and 1981

Tongaat has the capacity, and the stated objective, of achieving an average increase in earnings per share of 25% a year for at least the next three years

That is a most ambitious target given the 58% increase achieved in financial 1981, the highest in the past 12 years The base off which the group is now operating is large; and compound earnings growth rate over the past 10 years is an enviable 22,2% Over the past five years the compound growth rate is 25,3%, for the past three years it is 34,3% and in the past two years earnings have more than doubled

That would be a daunting act to follow for most companies and a cautionary projection would have been understandable. But Tongaat has diversified its assets with such efficiency that chairman Chris Saunders is optimistic, if not bubbling over with enthusiasm.

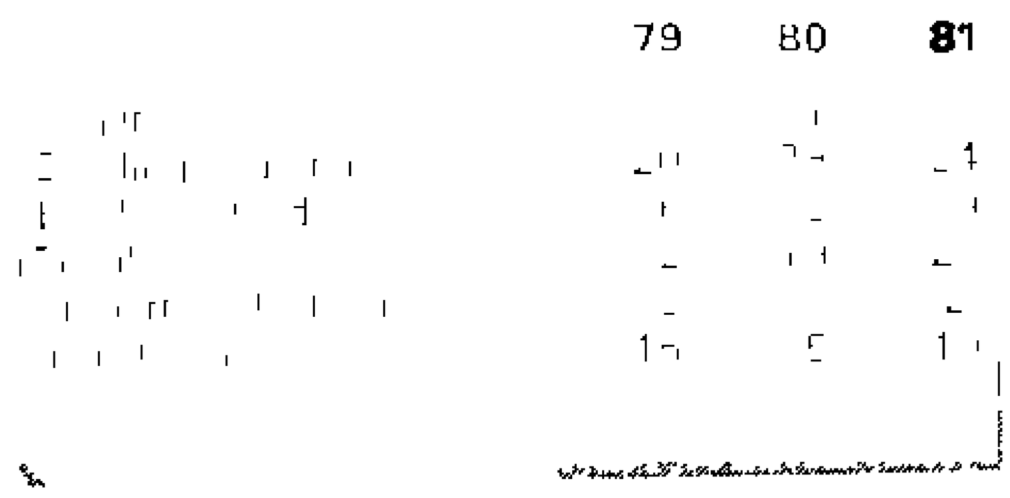
If the objectives are met, Saunders points out, the 10-year compound growth rate will increase to 26% a year

Group performance last year was creditable in the face of a number of adverse factors The most serious was the sharp drop in sugar division earnings. Drought and pestilence took its toll and from top income earner in financial 1980 sugar has dropped down to fourth place The pre-interest, after-tax profit of the sugar division fell 36,7% to R4,5m The drought last year, considered the worst ever to hit the Natal north coast and Zululand, reduced Tongaat's sugar production by 64%, bringing the group share of industry production down from 10,5% to 8,7%. Recovery also fell to 86,1% (87,0%)

On top of that the dreaded Eldana Borer has badly infected not only Zululand, but also the north coast Research so far has come up with no viable control method Exports benefited only marginally from higher international prices which prevailed last year as two-thirds of the total export tonnage had been sold forward The outlook for the next year is that the London raw sugar price range will not move far beyond the current level of £200/t and quotas are again in force.

The drought has affected the current year's crop as well and industry estimates are for an increase of only 12,5% to 1,8 Mt of sugar Saunders anticipates that Tongaat's share of production will increase and a profit improvement is expected

PROFIT PERCENTAGE BY DIVISION



The trend in earnings derivation is not merely a by-product of market influences The group is following a deliberate strategy of utilising its assets in food, clothing and shelter — the basic needs of people Expansion policy is devised to develop these areas, but with a minimum discounted after-tax rate of return of 14% as the cut-off

"Obviously we set higher requirements in more risky fields and for cost sensitive projects," says Saunders. The allocation of capex last year and this year shows not only a determination to smooth the cyclicality of earnings, but also points to a perception of reducing yields from sugar production

In 1980 39% of capex went into the

Tongaat's Saunders . . . revising the targets

building division, foods and feeds absorbed 24%, textiles 22%, sugar 12% and property and electronics 3% Of the R48m planned capex this year, the building division will get 50%, foods and feeds 19%, textiles 15% and sugar only 8%.

All divisions, other than sugar and electronics, contributed sharply higher profit in 1981 and higher earnings are anticipated this year from all Electronics has been a headache, but Saunders is satisfied that pruning and a management shuffle will return the division to profitability this year.

The strong trading position of the non-sugar interest during 1981 provided protection for the capital structure which may otherwise have been strained by the downturn in sugar profitability As it is, Tongaat is in exceptionally sound condition with high liquidity, strong cash flow and gearing within the target which will allow the desired return on capital even in today's high interest rate environment

Saunders is looking for earnings of "at least" 125c a share this year Revised dividend policy is to pay out 40% of earnings so the prospective dividend for this year is 50c For Tongaat to yield a prospective 9 0% given the growth expected in building and food alone, is cheap It is a reflection of market sentiment and those with long-term confidence in this country would be advised to start accumulating the share on market weakness *Ian Muil*

BUSINESS Mail has asked Econostat, the applied economics research unit, to supply on a regular basis graphs reflecting economic trends in the industrial world, as well as in South Africa.

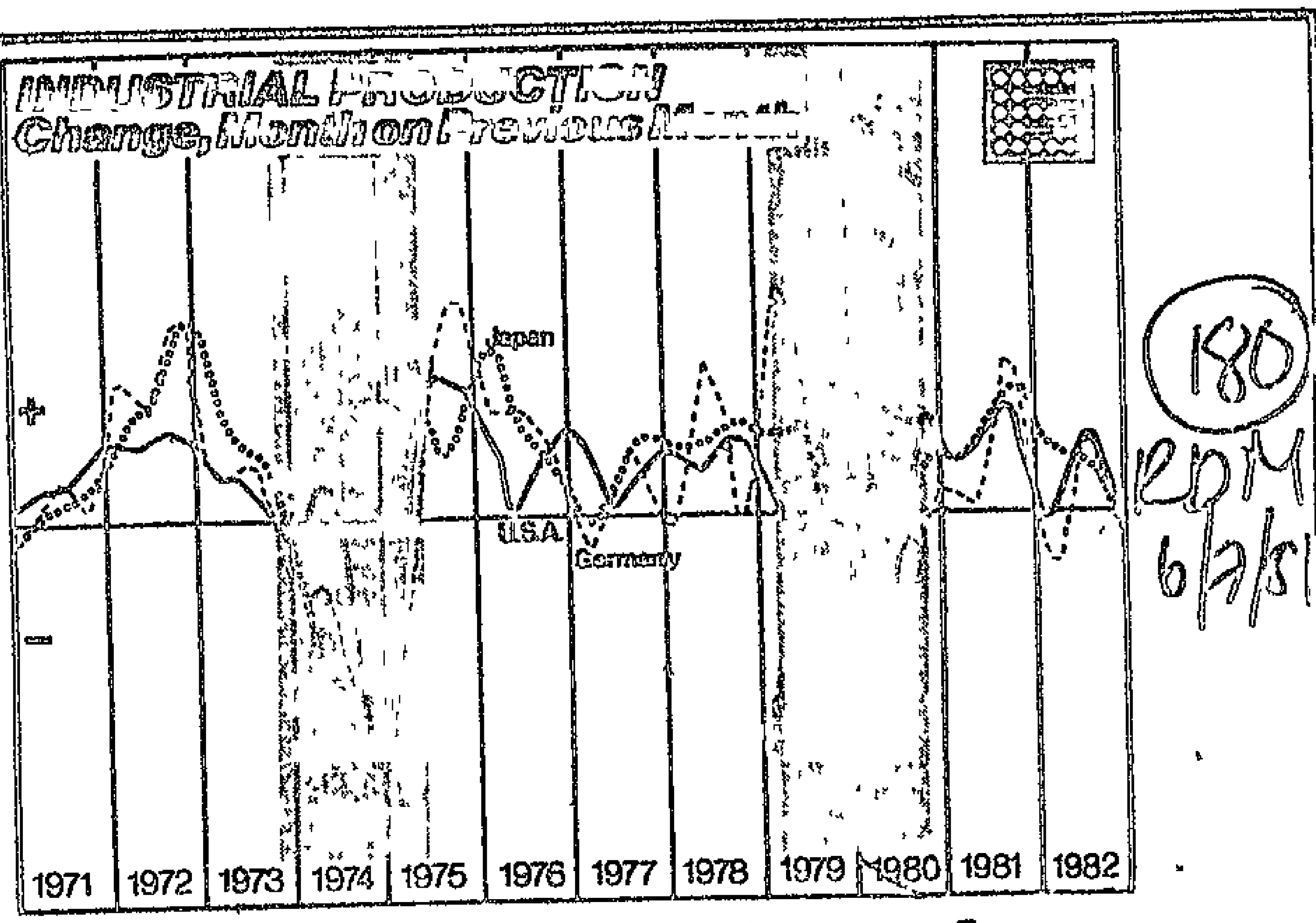
These graphs are computer-produced from many thousands of key statistical items gathered from all over the industrialised world. The computer is programmed to co-ordinate this data in terms of the Econocycle System which provides an objective — as opposed to subjective — short-term cyclical analysis of macro, micro and corporate trends

Established almost ten years ago, Econostat services clients not only in South Africa but also in the US, Europe and the Far East.

Econostat produces specific confidential in-house data specially tailored to particular business needs. These are reinforced by regular meetings between Econostat and clients.

Business Mail will have access to some of the data produced by Econostat and the graphs that will be produced will not only reflect conditions in South Africa but also these conditions relative to world trends. The reports and data produced specifically for individual clients will not be available as these are confidential.

Interpretive comment on the graphs will be provided by Mr Charles Diamond who heads up the Ec[illegible]t organisation.



180

EPM 6/7/81

Industrial production changes

THIS Econostat graph which shows the month-on-month change in industrial production of the three major industrialised countries, the US, Germany and Japan is significant in South African terms

International economic developments have an influence on this country because the international business cycle is transmitted with a lag period through the demand for South African exports Even if the exact lag period could be determined, in the light of changing international relationships, it would not be appropriate to draw conclusive inferences for South Africa from the international scene

Prospects for this country are determined by many influences, nevertheless the international influence is of considerable importance and consequently the patterns of the major industrialised countries provide an indication of prospects for the Republic

As the graph shows, the 1979/80 international recession was different in pattern, coincidence and severity from the 1974/75 recession This suggests a different delayed reaction on this country

During 1974/75 the patterns of recession in the major industrial countries were co-incidental The US, Germany and Japan moved down concurrently and then recovered at the same time In contrast, the patterns in 1979/80 were dissimilar

On a month on previous month basis, the US decelerated into negative growth during 1979 Germany turned down at the beginning of 1980, while Japan's downturn was only for the third quarter of last year.

The US and German recessions of 1980, although deep were far less so than in 1974/75 but in Japan the 1980 slowdown was no more than a pause in growth and very different from the recession of 1974/75

The difference between 1979/80 and 1974/75 suggests that this country will experience less turbulent waves than those which exacerbate South Africa's 1976 recession — ECONOSTAT.

QUANTITY SURVEYING (Continued)

Bell-John Prize
For the best all-round student in any year of study.
P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize
For the student obtaining the highest marks in Professional Practice.
P R Swift

LTA Prizes
For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

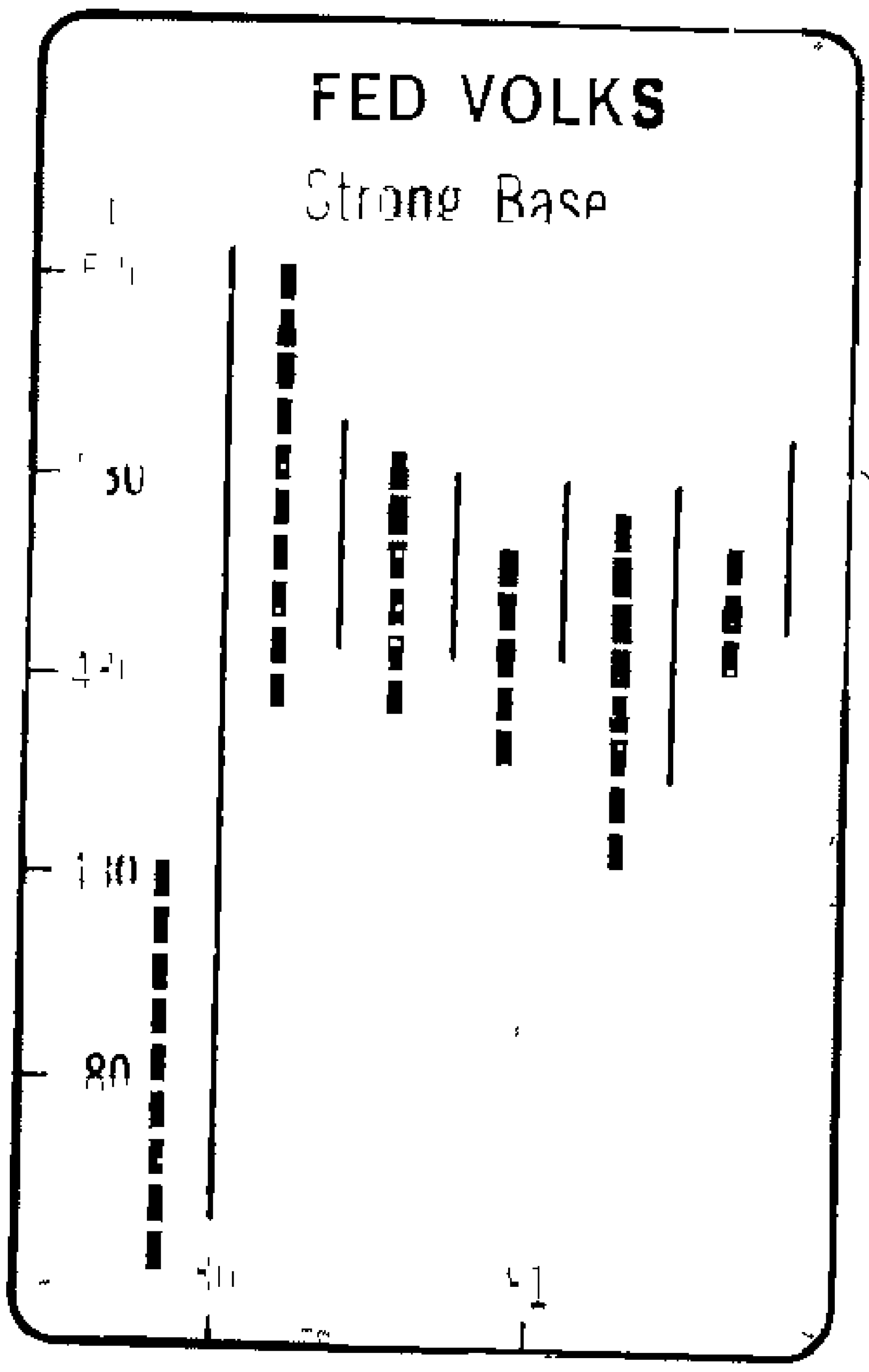
FVB (180) FM 10/7/81

Attainable targets

Activities: *Industrial holding company with main interests in food, chemicals, electronics and furniture retailing*
Chairman. *Dr P E Rousseau, managing director Dr C J F Human*
Capital structure: *27,3m ordinaries of R1, 875 930 9% "A" cum red prefs of 50c, 7,1m 9% "B" cum red prefs of 10c, 10m 11,5c dividend "C" cum red prefs of 10c, 4m 12c dividend cum red prefs of 10c Market capitalisation R132,4m*
Financial: *Year to March 31 1981 Borrowings long- and medium-term, R94,9m, net short-term, R113,4m Debt equity ratio 52% Current ratio 1,4 Group cash flow R74,2m Capital commitments R79,4m*
Share market: *Price 485c (1980-81 high, 600c, low, 340c, trading volume last quarter, 215 000 shares) Yields 23,6% on earnings, 6,8% on dividend Cover 3,5 PE ratio 4,2*

	'77	*'79	'80	'81
Return on cap (%)	11 9	11 8†	11,5	16,1
Turnover (Rm)	180	569	730	1 028
Pre-tax profit (Rm)	16,6	37 1	48,4	78 0
Gross margin (%)	14,3	8 3	9,0	9 9
Earnings (c)	30,9	46,9	61,5	114 6
Dividends (c)	15	21	22	33
Net asset value (c)	428	635	937	944

* 15 months to March 31 † Annualised



If Fedvolks achieves the financial objectives it has set itself, the share's present weakness must present a good buying opportunity for investors with medium-term portfolio objectives

Average earnings growth of 20% is targeted for the next three years, a 20% gross return on assets is being aimed for, and the group's financial structure is to be strengthened further with the objective that total shareholders' funds will represent 50% of total assets. This year the economic growth slow-down will obviously result in a lesser growth rate than recorded last year, but the group's restructuring is to all intents and purposes complete and has resulted in an organisation capable of generating solid growth for several years

Based on management's stated financial targets for the next three years, earnings before tax and interest should rise to almost R190m by 1984 against last year's R102m And if that sounds too optimistic to investors becoming inured to warnings of slowing corporate growth rates, Fedvolks' steady consolidation of its position in major economic sectors should ensure that targets are met

As it is, the group's underlying earnings continue to be understated by a reluctance to equity account the effective 16,7% interest in Sentrachem In addition, this year will result in the consolidation of an effective 56,3% interest in Firestone That will be offset in part by interest of R2,9m on the new prefs issued to pay for the acquisition

Firestone is essentially a movement outside the group's previously-existing areas And though management makes the point that further acquisitions of this nature will be considered if they arise, emphasis will be on organic growth Consideration is being given to expansion of Firestone

A problem this year, though, will be that some of the operating divisions could experience a significant slow-down in their growth rates The Morkels furniture and electrical products retail chain, on which much of the electronics and furniture division's recent growth has been based, could be hit sharply by higher interest rates and a cooling of hire purchase demand Management does not say in so many words that it is expecting the division's contribution to fall But this can be inferred by the statement that maintenance of current profit levels will be regarded as highly satisfactory

Then there are some still-to-be-resolved problem areas in the food division Sensibly enough fishing activities have been diversified into white fish and into Chile away from currently depressed conditions in SA's territorial waters This year, however, fishing profits are expected to remain under pressure In addition, the problems of Riviera Foods have still to be overcome completely

These drawbacks could well be more than offset by further advances in other food operations Particularly in the frozen foods sector major capital spending is earmarked for expansion of operations At end-March capital commitments were R19,4m against R14,9m a year earlier This excludes R60m contracted for investment purchases of which R45m is for Firestone

Financing these obligations will result in little strain Cash flow is more than adequate to fund any conceivable capital spending even if management decides to avoid further debt commitments until interest rates decline Since the financial year's end cash resources have been augmented by a R30m pref issue, which has provided funds for Fedvolks' initial 65% stake in Firestone's 75% controlling company, Fedstone Fedvolks has the right to increase its stake in Fedstone by a further 10%

This year's earnings will be affected by the depth and speed of the expected downturn in consumer spending But even if the Sentrachem interest is not equity accounted, earnings should approach 140c, with 40c as a minimum dividend target

At 485c the share is on a minimum prospective yield of 8,25% which is probably fair enough in today's market

EARNINGS BROKEN DOWN

	Turnover Rm '80	Turnover Rm '81	Pre-tax income Rm '80	Pre-tax income Rm '81
Industries	55,7	151,0	4 2	11,8
Chemicals	212 5	248,8	19,1	22 4
Electronics & furniture	80,8	132,3	3,0	17,7
Food	318 2	443,6	19 7	28,2
Services	41 5	44 9	3,1	4,2
Sundry	20,9	7 7	8 7	3,0
TOTAL	729 6	1 028,3	57,8	87,3

Jim Jones

HULETTS ~~3 sugar~~ 180

Take-over quest

FM 10/7/81

Activities: *Diversified sugar group controlled jointly by Tongaat and Anglo American Other interests include Huletts Aluminium, (increased from 60,8% to 76% since year-end), paper, transport, timber and engineering*

Chairman: *C J Saunders*

Capital structure: *32,9m ordinaries of R1, 1,7m 6,5% red prefs of R1, and 5,3m variable rate cum red prefs of R2 (Market capitalisation R213,9m*

Financial: *Year to March 31 1981 Borrowings long- and medium-term, R46,1m, Net cash R29,7m Debt equity ratio 15,0%. Current ratio 2,1 Net cash flow R21,2m Capital commitments R28,8m*

Share market: *Price 650c (1980-81 high, 900c, low, 530c, trading volume last quarter, 366 000 shares) Yields 12,2% on earnings, 8,3% on dividend Cover 1,5 PE ratio. 8,2*

	'78	'79	'80	'81
Return on cap (%)	11,8	14,0	16,2	15,5
Turnover (Rm)	300	333	413	521
Pre-tax profit (Rm)	27,7	38,8	50,4	67,2
Gross margin (%)	11,5	13,4	13,1	13,4
Earnings (c)	42 6	54 2	63,6	79,3
Dividends (c)	28	37	44	54
Net asset value (c)	548	658	637	1 037

Huletts not only wants a major acquisition in the near future, it also needs one to keep the group's historical earnings growth record intact and to maintain the return on capital ratio This fluctuates markedly over the short-term but has been in an undesirable drift in the past 10 years

Most of the reason for that is the size of the contribution by the sugar division In the Sixties the group started implementing diversification which has been successful to the extent that sugar now contributes less of net income than the industrial division does And the past year's problems in the sugar division, combined with new investment in the industrial division, point to a continuation of a reduction of the reliance on sugar

Sugar, in financial 1981, contributed only 32,6% of net income, compared with aluminium, 28,3% (20%), and paper which contributed 17,4% (15,2%)

But what is most significant in this breakdown is explained more by the change in divisional profitability than the sectional contribution breakdown Sugar profit dipped from R15m to R14,7m which compares with a doubling of the profit from the aluminium subsidiary to R12,7m and a R2,7m increase in the contribution of the paper division to R7,8m And a strong recovery in the Zimbabwe division's profitability pushed the "foreign" contribution up from R2,2m to R3,9m

The poor performance of the sugar division was an industry phenomenon Two years of severe drought and the uncontrolled spread of the Eldana borer, which eats away the centre of the cane, caused a reduction in industry production from 2,1 Mt to 1,6 Mt. Huletts' mills, being in one of the more severely affected areas, suffered disproportionately and the group's share of industry production fell from 33% to 27,8% Huletts was able to

Huletts' Saunders . . . on the look-out

utilise only 56% of available milling capacity

The drought has again affected this year's crop and world sugar prices are sluggish Exports have been sold ahead to some extent and the industry has borrowed R130m to fund growers and millers This will have to be repaid out of proceeds over the next few years which would, unless world sugar prices move sharply higher, restrict growth to some extent All these factors are probably behind the indecision on the feasibility of replacing or renovating the Felixton and Empangeni mills

Chairman Chris Saunders nonetheless expects higher earnings from the sugar division for the current year It is to the industrial division, however, that the group is looking for strong earnings growth

To support this the industrial holdings have been re-structured The 60,8% stake in Huletts Aluminium has been increased to 76% with the balance retained by Alcan of Canada Huletts Industries has sold its 76% owned Huletts Metals to Hulamin because "of the synergy which exists between the operations of the two companies"

Hulamin has sold its packaging companies to Nampak effective from October last year That division contributed R1,8m to group profit for the six months during which it was owned This has been replaced, again with more group synergy, by the inclusion for the first full year of Huletts Metals, the non-ferrous smelting operation which contributed R2,4m (5,3%) to net income

Saunders expects good growth from the aluminium, transport and engineering divisions while the paper operation, he says, will probably merely mark-time due to local over-supply and high imports

Group cash generation is strong from the trading side but was abnormally boosted by the inflow of R46m from the sale of the packaging division

Sustainable growth on the current spread is far better than it ever has been and the current climate for suitable acquisitions is steadily improving High-growth companies with high gearing taken to penetrate new markets are likely to start feeling the pinch of rising interest rates and reduced national liquidity It is just such companies which Huletts is looking for

And the group is dead earnest, perhaps even somewhat agitated, in its acquisition search Says Saunders "The group is in a position to make major acquisitions when its substantial cash resources and under-utilised borrowing capacity are taken into account Acquisitions or expansions of existing activities are constantly under review but it is not possible for me to state whether opportunities for meaningful investments will materialise during the year"

Inflation-beating earnings and dividend growth seems assured for the current year The historical yield seems to support that Topping up on the share is probably best done in stages, however, as the full benefit of the swing from sugar will probably be felt most strongly only in the 1983 financial year

Ian Muil

Trade and Industry profits up 60%

STAR 16/7/81

180

Trade and Industry Acceptance Corporation (and its two quoted subsidiaries, Svenmill and President Catering Supplies) lifted attributable profits by nearly 60 percent to R4 633 000 from last year's R2 905 000.

The final dividend has been hoisted from 20c to 27c lifting the year's total by a third to 40c.

Dividend cover remains unchanged at 3,1 on earnings of 121c a share.

The company and its financial subsidiaries increased taxed profits in the review period from R2 235 000 to R3 903 000 and the trading subsidiaries, after adjustments for dividends paid, tax and minorities, increased their contributions to group profits from R670 000 to R827 000 — an improvement of 24 percent.

T and I boosted net asset value by 28 percent from 330c a share to 421c a share at June 30. — Sapa.

Investment

By DEREK TOMMEY

Investment boom runs into trouble

Argus (Bus) 8/7/81 180

SOUTH AFRICA is now experiencing its biggest investment boom. Although we have not seen much of it in the Western Cape, thousands of millions of rands are being invested in new projects in the Transvaal and Free State.

However, this investment boom, which is responsible for much of the country's present prosperity, seems to be running into difficulties.

The sharp rise in interest rates in recent months and the jump in building and construction costs suggest that the investment boom could be getting out of hand

Because of the strong demand for money to finance private sector spending, money market rates have soared to record levels and there is now talk that they could go even higher

DOUBLED

Building costs for the man in the street appear to have doubled in the past two years, greatly increasing the cost of new houses and also of new factories and office blocks

These high money rates and high building costs are serious developments which must be causing the Government's economic advisers in Pretoria considerable concern

One reason is that they could be laying the foundations for another wave of inflation just at the time when the rest of the world is hoping for some reduction in the pressure on prices

They could also make the transition from boom to non-boom conditions much more difficult when it comes, with the rundown in the economy being far steeper than desirable.

REDUCE RATE

An indication of the Government's concern was the statement this week by Dr Chris Stals, senior deputy governor of the Reserve Bank, that the Reserve Bank was determined to force the commercial banks to reduce the rate of increase in their lending to the private sector.

Reserve Bank policy would therefore seem to be aimed at cooling the investment boom by withholding funds from the private sector But there is a strong suspicion that the boom has gone much too far for this policy to have anything other than a modest effect

The fact is that an investment boom has much in common with a pregnancy Once the child or boom has been conceived and has started growing there is little that can be done to slow this process down without causing serious harm

OVERHEATING

The current investment boom was conceived 18 months to two years ago when the gold price rose above 500 dollars an ounce for the first time. It was then that the authorities should have acted to prevent the current overheating of the economy

At the time, readers will recall, the economy was flush with money, interest rates were low and business confidence was almost overpowering

It seemed to a great many entrepreneurs a good time to expand They drew up their plans, made arrangements with their banks for the necessary finance, and then started placing orders for their new factories and equipment

The gold mines were among the leaders in the investment boom, with many announcing large expansion plans This meant that their suppliers also had to expand to meet their needs, which put pressure on other resources

MORE HOUSES

So the process continued More people were hired and therefore more houses were needed And with more people in jobs, consumer spending had to increase

But now the bills are falling due Equipment ordered a year ago is beginning to arrive. Construction companies have to be employed to install this equipment and stocks have to be built up so the equipment can be put to profitable use

As a result of all this the banks are now being called on to fulfil the commitments they made to their clients 18 months or two years ago

MONEY SUPPLY

In the light of this the Reserve Bank's apparent shock at this year's steep growth in the money supply and its attack on the commercial banks for granting too much credit seems a little out of line.

If the monetary authorities had not wanted such a strong investment boom this year — and it should have been well within their powers to have foreseen what was likely to happen — they should have taken action at the beginning of last year.

It was fairly clear at the time that if steps were not taken to reduce the internal liquidity the country could be harmed by an embarrassment of riches.

The obvious course was to ease exchange control, and there was considerable support for this move

But somewhere in the Government this proposal ran into strong opposition.

There appeared to be some lack of faith in the country's economic future It was argued that if exchange controls were relaxed and there was another major riot, South Africa would have no foreign exchange reserves left

With a 'back to the laager' mentality still prevalent in part of the Government, this submission gained the day.

LEFT OPEN

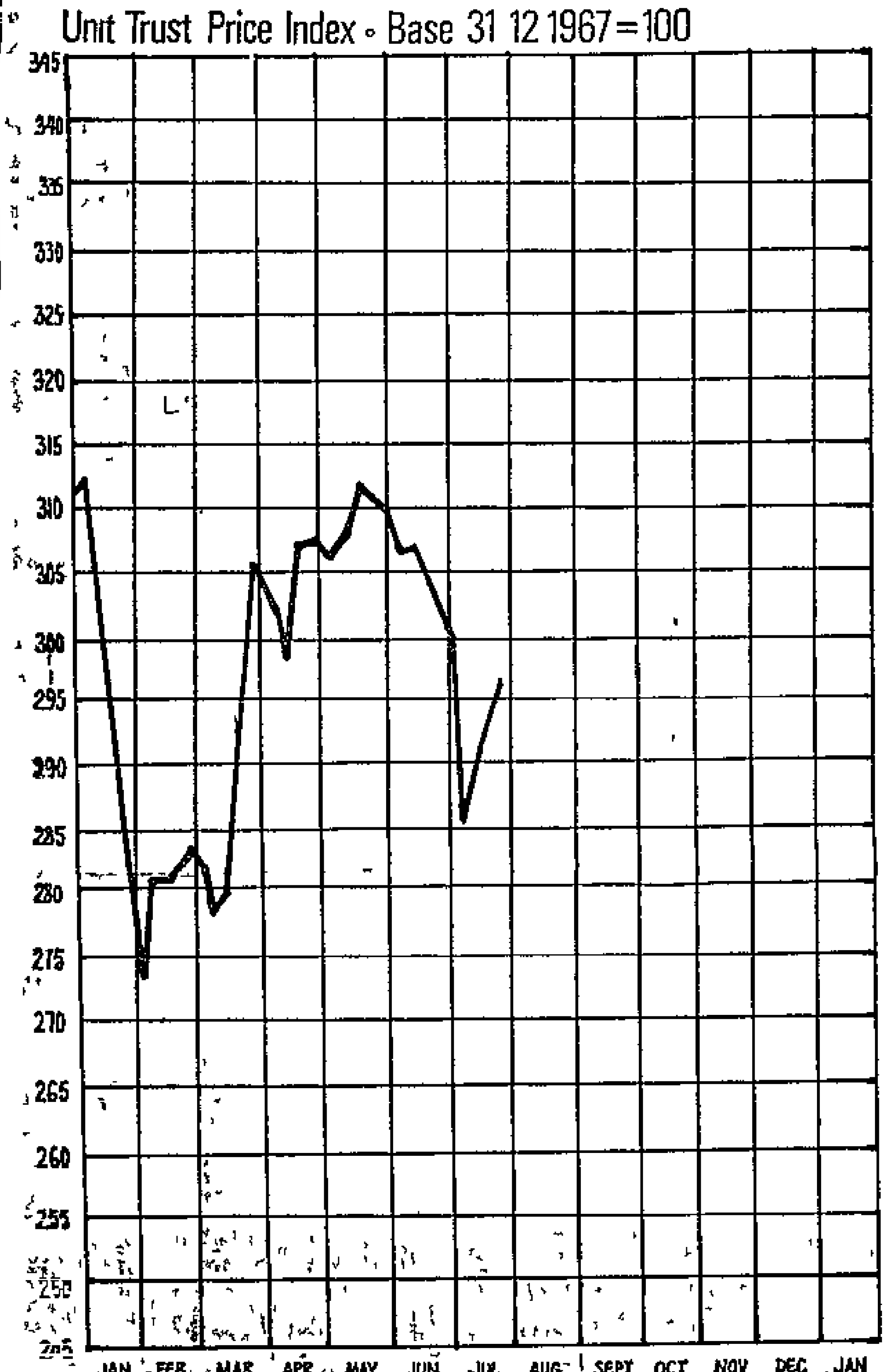
So the way was left open for the flooding of the South African economy with money, leading, as could be expected, to a high inflation rate, an explosive investment boom, and now the prospects of further high inflation

For example, it is difficult to see how the factories now under construction, and built with dear money and dear labour, can operate profitably without charging high prices.

A jump in the consumer price index must also be expected when the cost of new housing and flats is taken into account. And this will of course put further pressure on wages and prices

For the investor the outlook is not clear. It would seem that high interest rates will make money an attractive investment in the short-term But in the long term assets that give protection against inflation would seem to be the best to hold.

Unit Trust Price Index - Base 31 12 1967=100



THE ARGUS unit trust index rose 2,93 points this week to 295,16.

S Express 19/2/81

No fall in manufacturing investment: IDC

Financial Reporter

THE Industrial Development Corporation has not noticed any decline in investment by the manufacturing industry, says chairman Abie van den Berg.

"This obviously does not apply to all sectors; while some go up, other come down. I am talking of industry in general when I say that not only haven't we noticed any fall off, but we believe that there has actually been an increase in activity," he said.

"The manufacturing industry is still ... more than 90% of its capacity — and that is too high. People are now investing in additional capacity."

Van den Berg said the credit squeeze would have very little, if any, effect on the investment programme as most companies were liquid and well able to finance expansion from their own resources.

He did not believe that the credit squeeze was having any effect on the consumer market either. "If you look at what women are buying and what they are paying for it, the credit squeeze cannot be having any effect on consumer spending," he said.

Van den Berg refused to predict a growth rate for the economy this year, but was obviously not particularly perturbed

"There's still a great deal of momentum in the economy and that will pull us through," he said.

"We must not try to compare this year with 1980."

Van den Berg claimed that overseas companies were investing heavily in this country by increasing the production potential of their local subsidiaries

They were not, he said, establishing new operations.

SA group aims for huge world push

S Times 26/7/81 (180)

By JOHN SPIRA

A MAMMOTH R1 300-million world turnover target is announced today by a leading South African financial group.

Trade & Industry's new programme calls for a 200% leap in business by 1985, with a substantial increase in the contribution by its overseas operations.

If such a figure is achieved, the group will take its place among the few leading South African groups with large interests in foreign countries

During the past 12 months, Trade & Industry (T & I) has been quietly but determinedly laying the foundations for a massive drive into the financial markets of Britain, Europe, the US, south-east Asia, Australia and Israel.

Chairman Ivor Jacobson tells Business Times· "We have spent nearly R2-million on the establishment of our foreign subsidiaries Now we're ready to go In the current financial year, we expect to earn between R1-million and R1,5-million from business sources abroad "

He is looking for R700 000 from the UK and Europe, R400 000 from the US, R250 000 from Australia and R200 000 from Israel. South-east Asia will return a loss because more spadework has still to be done in this region.

Thereafter, these numbers are budgeted to grow rapidly as teething problems are overcome and new markets are penetrated

T & I's new international overtures mean that the group has now diversified geographically as well as having a wide spread of interests in various fields of business activity

Its varied activities include.

- An industrial and commercial division comprising textile manufacturer Svenmill (51% held), President Catering Supplies (63% held) and the automotive group Dan Perkins Holdings (11% held), all of them companies listed on the Johannesburg Stock Exchange (see Page 5).
- A services division encompassing international and domestic travel, international commodity trading, corporate financial services and insurance and financial planning
- An international financial division (with the top company registered in Bermuda) providing international and domestic trade finance, instalment credit facilities, factoring, invoice discounting and discounting of negotiable paper. Offices and subsidiary companies operate out of Johannesburg, Cape Town, Durban, London, New York, Sydney, Melbourne, Singapore, Los Angeles, Tel Aviv, Bermuda, Curacao, Amsterdam, Hong Kong, Switzerland, Canada, Belgium, New Zealand, Jakarta, Kuala Lumpur, Malaysia and Taipei

In the past 10 years, T & I's taxed income has grown at a compound annual rate of 52% to R4,7-million in 1980-81, while per-share earnings (121c last year) have achieved a 35% per annum compound growth rate over the same period

The past 10 years have also seen the return on equity grow rapidly — from 5% in 1972 to 33,4% in 1981. Net worth has increased from 56c to 423c a share since 1972, while total assets have risen from R4,3-million to R82,3-million.

Of particular significance is the low (for a company of this nature) 4,7 debt-equity ratio.

According to Mr Jacobson· "The board believes that the consolidated leverage ratio should be 8:1. The present leverage ratio is 4,7 as to 1 when multiplied by a net asset value of R17,7-million

"This leaves the group with the ability to increase actual and contingent liabilities by R59-million."

Other points raised by Mr Jacobson include

- T & I plans to increase its stake in Dan Perkins during the course of the year.
- Big things are expected from the UK subsidiary (which is largely responsible for the group's UK and EEC business) in spite of the depressed state of the economies of Western Europe.
- The group is funded in such a manner that its term loans are matched by receivables which are fully insured for the amount of the client's facility.
- Had the past year's overseas start-up costs not been incurred, the 33% per-share earnings increase would have been 20% greater.
- A further satisfactory increase in earnings and dividends is expected in 1982, and it is hoped that it will be in line with the earnings growth that has been achieved in the preceding five years.

7 in top 500

S Times 26/7/81 (180)

By Stephen Orpen

NO fewer than seven South African companies are listed in the latest Fortune 500 list of the world's largest industrial companies, excluding the US.

Barlows moves up from 115th position to 114th spot with sales of \$4 051 657 000 (last year: approximately \$2 485 000 000).

De Beers has slid from 145th to 169th, with sales of \$2 751 913 000.

Other SA companies to feature (three between 100th and 200th position) are AECI, Fedvolks, Iscor, Sasol and Tiger Oats.

QUANTITY SURVEYING

(Continued)

Bell-John Prize

For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize

For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes

For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes

For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award

For the student who has shown greatest promise at the end of the first year.

Bonuskor plans big expansions

April 30/4/80

BONUSKOR, Volkskas' fast-growing industrial holding company with diverse interests in timber milling, motorcycle distribution, farming, forestry and industrial tool manufacture, is planning major expansions in the next six months

One expansion programme announced yesterday is worth about R4-million and involves the adapting of the company's Eastern Transvaal sawmill for the production of laminated wooden sleepers for South African Railways

The contract follows the decision by the SAR to replace imported laminated sleepers by locally made ones

Announcing the programme yesterday, Dr P Deetleefs, managing director of Silvagric, said the expansion should help to sustain the company during cycles in the industry He said machinery to produce the sleepers would be imported

Bonuskor's managing director, Mr Andre Botha, said other horizontal expansions in other subsidiaries, probably in white goods distribution and machine tool manufacture, would be announced later this year

Severe unemployment situation recognised

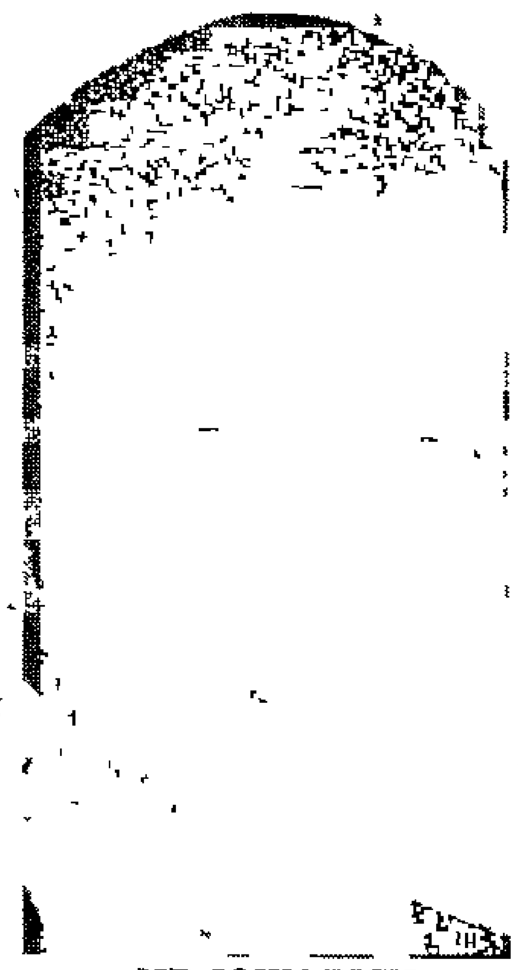
New decentralisation policy on the cards

Co-prosperity zone not rejected outright

Uncertainty over King and Berlin removed

The president of the Border Chamber of Industries, Mr John Rich, reviews the Border industrial scene and says:

WE MUST BE POSITIVE


MR JOHN RICH

Uncertainty — a word that is used by many and, as a point of departure, let us acknowledge that there has been a lack of industrial development in the Border region over the past five years

This, however, only refers to the establishment of new industries in the region as there is currently considerable growth and development of the existing industries established in East London and King William's Town

In fact, it would appear that 1981 is going to be an exceptional year for development of local industries

Regrettably, new industry has not come, a fact that can be attributed to considerable uncertainty in the past But let us consider the situation as it exists today and the facts which are known for certain

The Government fully recognises the severe unemployment situation in the Ciskei, Border, Transkei region,

The Government acknowledges that industrial development is one way to alleviate unemployment through job creation in factories,

King William's Town and Berlin, after some months of indecision about their future, are to remain an integral part of the Republic of South Africa They are not to be incorporated into the Ciskei and the future of these areas with respect to country of ownership is now entirely clear,

The Government has admitted its present policy of decentralisation is a failure and a new deal is close to finality,

Fewer areas in the country will be considered as areas for decentralisation and those with a well-developed infrastructure are those to be given first consideration These areas have been termed balancing growth poles and East London has been mentioned in dispatches in this regard,

The new package of concessions is to be announced very shortly Granted that this announcement is taking an inordinately long time, but it is a fact that a new package of concessions aimed at attracting new industries to the area have been basically agreed to within Government departments,

The concept of a co-prosperity region-area-zone has not been entirely rejected by Government and is certainly being given consideration as a viable means of achieving job creation through industrial development by economic sharing across political boundaries

Considering all these factors one can see that many aspects relating to the industrial life in the region are certain Consequently the time has come for us all to reflect on this and stop being negative about the place in which we live and work

We must be positive

Each and every one of us has the opportunity to be an ambassador for the region when we are in other centres and have the ears of industrialists in Cape Town, Durban, Johannesburg etc

The more general matters of economic concern such as inflation training, balance of payments and the like all have their place, but in the Border region, job creation must stand out as the contender for efforts to be made to reach a solution

New industries will help and we in the BCI believe they will come a lot sooner than many people think Whether a factory is located in Dimbaza, Berlin or Butterworth is not the issue — giving a man means of a decent living for him and and his family is

We ask the Government to announce its decision as soon as possible and we look to the future with confidence for the region as we enter a new era of industrialisation

31/7/81 (180)

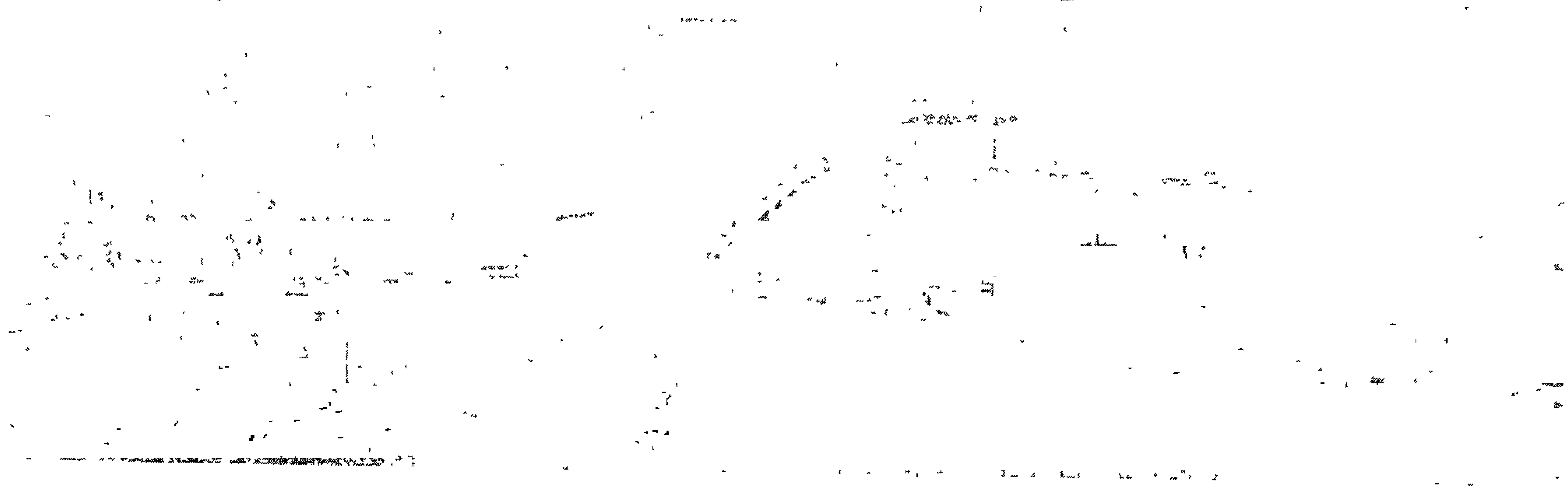
1981 INDUSTRIAL REVIEW

DAILY DISPATCH

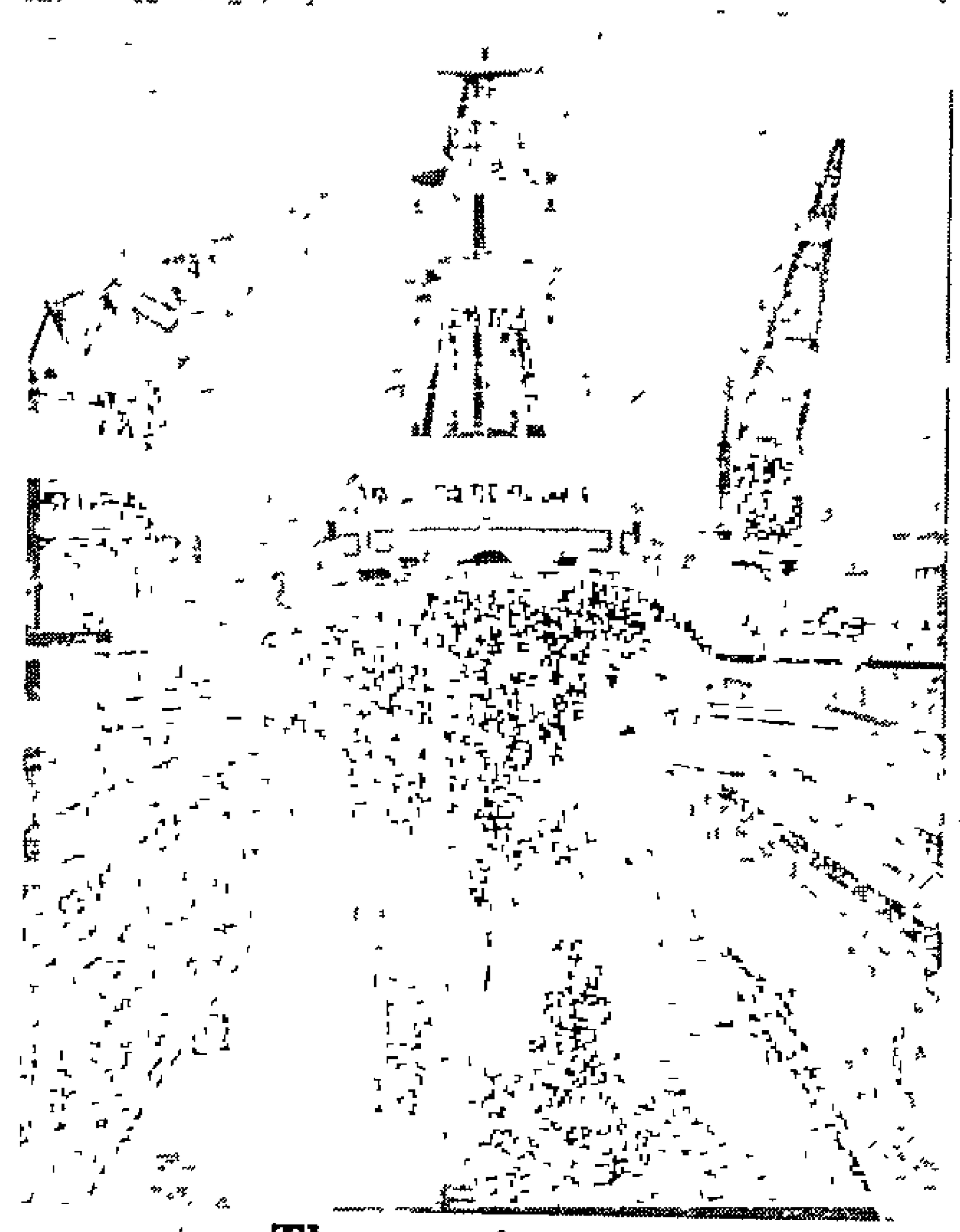
SPECIAL SUPPLEMENT

FRIDAY

A PICTORIAL PORTRAIT OF THE EAST LONDON HARBOUR

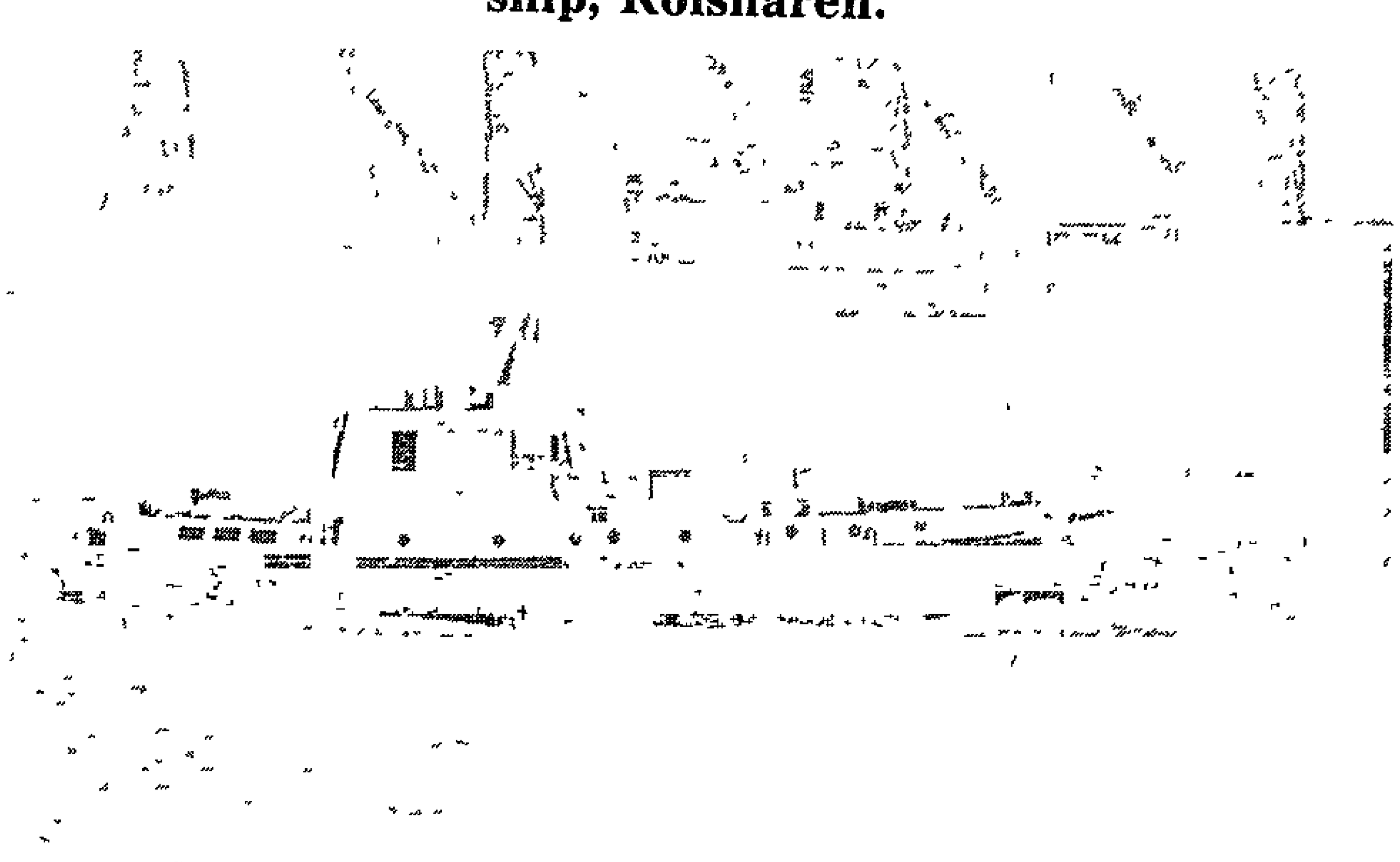


House full



The graving dock

Bundled copper being loaded onto the huge ro-ro ship, Kolsnaren.



The pilot boat, A. C. Craigie, plunges through the water as she returns to her berth.

We'll have to make best of Berlin

Mr Joe Yazbek, head of the East London City Council's industrial development committee.

Although in our last review I made an appeal to the government to assist the municipality with the Berlin loan, nothing has yet materialised

I said then they should accept repayments of this loan, without interest, from the sale of land in the Berlin area, and referred to the government's decision to write off R34,1 million in loans and interest owed by the Richard's Bay municipality

As I pointed out, shortly after the infrastucture of Berlin was complete, the Transkei Development Corporation and subsequently the Ciskei National Development Corporation came into being and were able to oust East London and Berlin by virtue of the almost unlimited finance available to them to attract industrialists

However, we shall have to make the best of Berlin until our plans to develop the West Bank are realised because East London is in the dilemma of being unable to offer extensive industrial land to interested companies

There has been an unprecedented demand for industrial land over the past 12 months and during that period we have sold nine extensive tracts of land which are to be developed The total area sold amounts to approximately 25 hectares and sales, inclusive of savings on service developments (infrastructure), amount to half a million rands

In addition there have been a number of first refusals and options possibly waiting for incentives to be declared

In this connection I would like to mention three high-placed government officials from Pretoria who visited us in the mayor's parlour two months ago and indicated that incentives had already been declared but had not yet been released for publication In fact the leader of the delegation said they were in his brief case which he exhibited to us but would not open

We believe that we share the highest incentives in the land with four other growth points I hope the minister will announce these immediately when Parliament opens

It will be recalled that I mentioned these incentives in the last report and the mayor, Mr Donald Card, on frequent occasions has appealed for the release of this information to encourage industrial development in the area

It grieves us in East London to read that concessions in Ireland are attracting South African industrialists and in our opinion this emphasises the necessity for releasing the decentralisation concessions as soon as possible We need an urgent incursion of industry to create employment and I am hoping we are heading in the right direction, especially in view of recent land sales and the promise to release incentives shortly

Of vital importance is the necessity for a very substantial concession on electricity rates which has been one of the major handicaps in the past

Extensive and first class land is available on the West Bank and this was shown to the economic councillor of the embassy of the Republic of China, Dr Pin-King Chiang, and he indicated the position was absolutely ideal, being close to the harbour and enjoying ideal weather conditions

All in all it appears as though we are on the brink of big happenings and it behoves the government to strike while the iron is hot and not miss this golden opportunity as has so frequently happened in the past

Concessions need to be drastically improved

East London is one of the six growth poles selected by central Government for further industrial development This development is essential, particularly in our area which reflects one of the highest unemployment rates in the country

Revised decentralisation concessions are to be announced before the end of this year and it is to be hoped that these concessions will be drastically improved and of such magnitude that industrialists will find it imperative to set up production units in this area

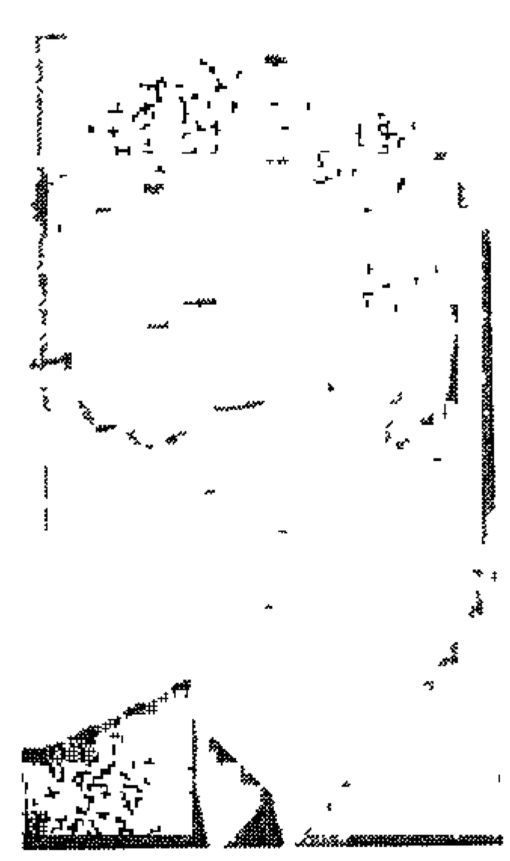
These concessions should include electricity and railage inward rebates, as well as improved tax concessions on the employment of black labour if they are to be meaningful

The training of labour is a prerequisite for the development of the area, with the result that a multi-racial Technikon should be established as soon as possible, although industrialists can assist by taking advantage of the tax allowances available for training staff and establishing training centres on their premises, as has been done by a few of the larger local employer organisations

We were delighted to read about the expansion taking place at SATV, CDA and Consolidated Textile Mills, to name a few, as this reflects confidence in the area and may well act as a catalyst to draw other industrialists once the concessions have been announced

This industrial expansion will benefit commerce and may well result in more expansion than that planned or recently completed by such stores as Checkers, Edgars, Wells and Buffalo Timber and Hardware

The Daily Dispatch is to be complimented on the presentation of this Review, which tends to remind us that we do have a number of industries active in this area and that numerous job opportunities do exist

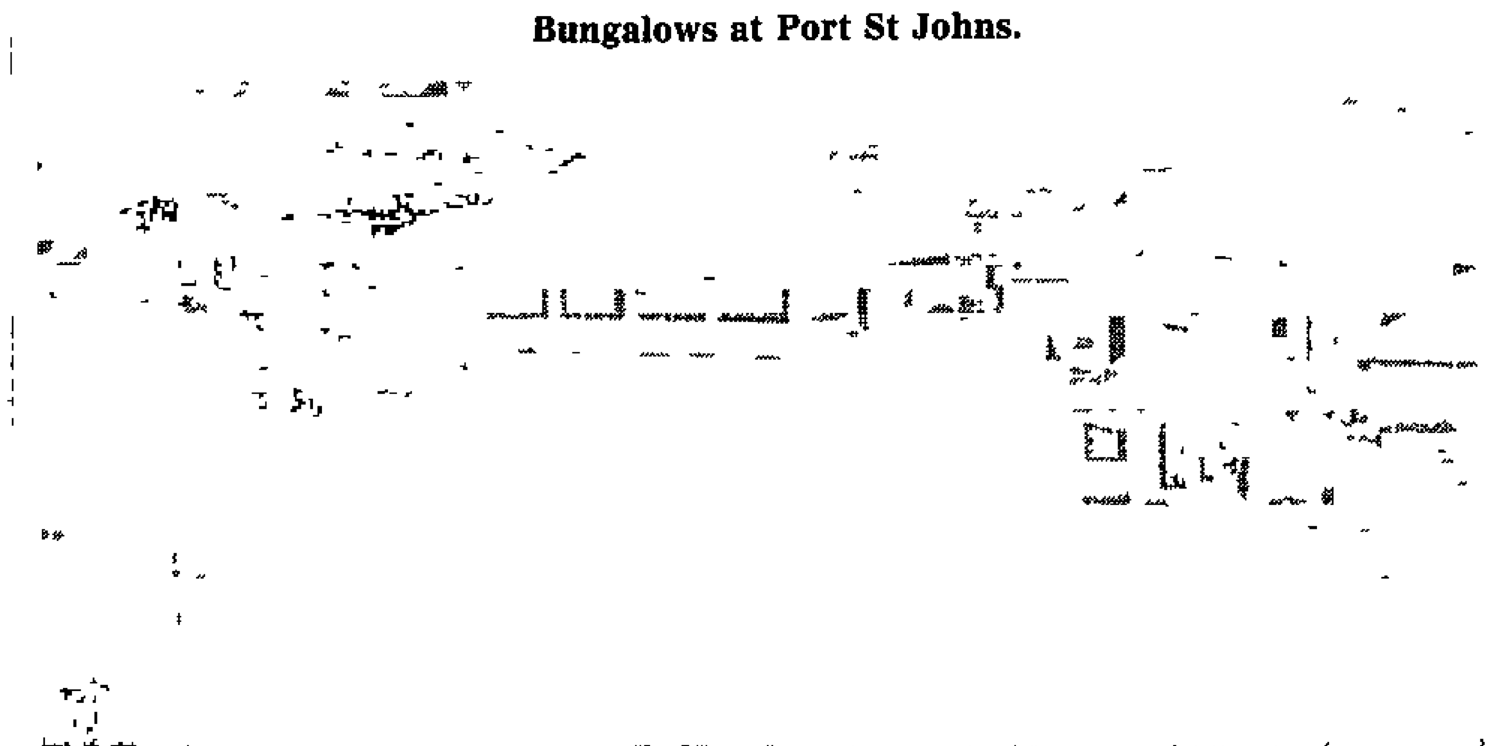


Mr Tony Selley, president of the East London Chamber of Commerce.

The Transkei Development Corporation has embarked on a major campaign to upgrade its Wild Coast holiday hotels and in the last four years has spent R600 000 on improving the facilities and accommodation at the hotels. Three of the resort areas are pictured here.

A general view of Coffee Bay where the TDC runs the Ocean View Hotel Negotiations are in progress to buy the other hotel at this popular Wild Coast resort, the Lagoon Hotel.

Bungalows at Port St Johns.



The "old" Trennerys before the upgrading programme started. In the foreground is the tennis court which has now been floodlit.

Elfin splits manufacturing operation

East London Furniture Industries Pty (Elfin) — a company originally established in 1919 as BEB — has separated its manufacturing operation

Elfin now concentrates exclusively on producing a range of 25 bedroom suites, while a new company, Loungecraft (Pty), specialises producing a range of 15 different lounge suites

This is the latest development at the company which first came into being as BEB, taking its name from the initials of the three founders — Mr Beard, Mr Ellis and Mr Berlyn

The three had had all been manufacturers on the Reef who decided to move to East London as a result of labour unrest on the Reef at the time

The firm has grown considerably since those days, but has now rationalised its manufacturing operation to concentrate on bedroom and lounge suites

Previously the company manufactured bedroom suites, diningroom suites, occasional furniure and lounge suites

Elfin trades throughout South Africa and South West Africa and supplies all the major retail chain store groups in the country, as well as a large number of independent furniture shops throughout the Southern Hemisphere

A company spokesman said "In the last few years, Elfin, as the wooden furniture factory is known, has concentrated only on bedroom suites and already it has established an enviable reputation in the furniture industry as a design leader in the mass market

"In January, 1980 we decided to set up a separate company called Loungecraft (Pty), which specialises only in lounge furniture

"A whole new staffing and management was set up to control this company, which has made significant inroads into the upholstery market in South Africa and is supplying its upholstery throughout the country and South West Africa

"East London Furniture Industries now have a fulltime designer for both bedroom and lounge furniture as it is determined to stay ahead of other furniture companies and not merely adapt existing designs

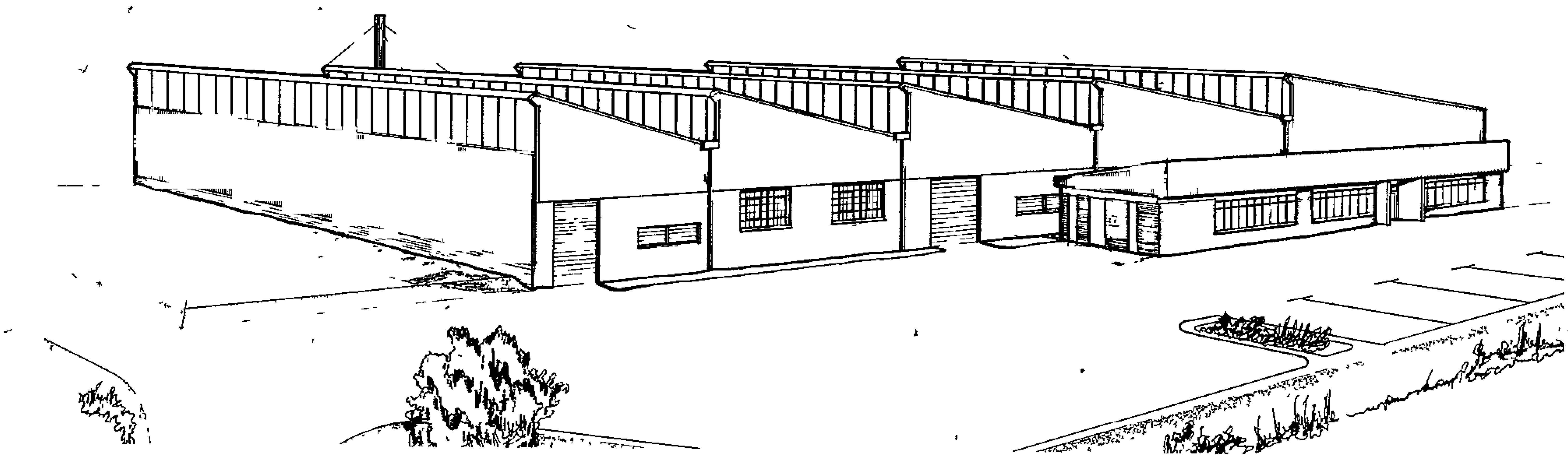
"The growth of furniture shops in East London, on the Border and in the Ciskei and Transkei over the last five years has been enormous and we at Elfin believe there is a great future in this area

"Elfin and Loungecraft employ 290 people and the vast majority of these are blacks living in Mdantsane

"As a matter of policy, the directors believe in promotion from within and all our staff, starting at the bottom on the shop floor, have the opportunity to work their way up

"We believe that furniture manufacturing in the 80s is one of the growth industries of South Africa and we feel certain we can look ahead to a bright future"

The spacious premises of East London Furniture Industries in Dyer Street.



New Fedel plastics plant

Commentators may well be worrying about the commercial and industrial future of the Border area, But Federale Electronics continues to flourish and reap the unique benefits of being based in East London

"Like everybody else we are anxious that decisions should be made on the future of the area and that, as with the incentives that attracted us to East London, other major industry should be encouraged to establish here," says Mike Bosworth, managing director of Fedel

"This area, although remote from the major consumer markets, has been good to us, particularly in the labour field

"We are constantly seeking to improve our group corporate structure, manufacturing capability, product line-up, staff opportunity and export potential," says Bosworth

"This has kept our group alive and vital and we will continue to support this community "

Recent major developments within the group include

An announcement by AEG Telefunken in Germany that Fedel subsidiary, SATV, might manufacture white goods in South Africa "Discussions continue," says Bosworth

The establishment of a joint plastics venture with Elvinco, a move "not unrelated" to the AEG Telefunken discussions, says Bosworth

The appointment to the board of Dr Francis Hewitt, former deputy director of the CSIR and specialist in astronomy, maths, physics, oceanography, geomagnetism, space and nuclear accelerators

The establishment of the Fedel Chair of Electronics at Rhodes University, a major investment by the group in training young people in the electronic skills necessary to keep South Africa a strong industrial nation

The best way of looking at Fedel's corporate structure is to review the principle operating divisions within the group

South African Television Manufacturing Company.

SATV, makers of Telefunken and Pioneer equipment, has established itself in 1981 as the top contender in the television and audio arena

On virtually every front in the highly-competitive local "sight-'n-sound" race, SATV has laid claim to pole position

Both on the new product front and in its general development, the company has become a pace-setter of the 80s

Its recent achievements in the field of new products alone include

The launch of the super-sophisticated Telefunken Microtek Deluxe TV — a set heralded as the most advanced TV available and which immediately grabbed 30 per cent of Telefunken's large colour screen sales

The launch of the Pioneer range of portable hi-fi radio-tape players.

The launch of two highly advanced Pioneer tape decks — the remote-controlled CT-F1050 and its smaller brother, the CT-F550

Two new super-lightweight open-air Pioneer headphones — the SE-L5 and SE-L3 — designed as perfect matches for the portable hi-fi range

Breaking through to the cassette tape market with Pioneer's range of high quality blank tapes — from metal through chrome to two grades of normal

The launch of the Telefunken CSR 80 range of in-car sound components — a product which is set to set new standards of quality sound at reasonable prices

An ever-growing range of Pioneer top-end hi-fi equipment that will help Pioneer steadily establish itself as South Africa's leading hi-fi brand

Nor has South African Television Manufacturing Company allowed the grass to grow under its feet in the booming top-end car-fi market, with orders to supply several hundred thousand rands worth of prime stereo equipment to two leading motor manufacturers

On the marketing front, SATV has also taken the lead with its adventurous advertising campaign for the Deluxe TV The com-

Continued on Page 9

any's ad agency, Bates Wells Kennedy, launched the campaign with one of the biggest single advertisement insertions ever placed in South African newspapers

SATV also launched two exciting new sales incentive schemes with backing and prizes well in excess of R0,5 million The Computer Jackpot and Salesman's Guild schemes offer every Telefunken and Pioneer salesperson in South Africa a rare opportunity to reap substantial benefits for special sales achievements To enable SATV to meet the challenges of the 1980s better, the company underwent a major structural re-organisation early in 1981 Greater emphasis has now been placed on the specialisation and diversification in the twin arms of TV — video and audio marketing

The company, recognising the ever-increasing need to keep ahead on quality assurance, has appointed a quality assurance manager to head a specialist team of top quality-control experts

SATV further intends embarking on a comprehensive and dynamic quality awareness programme aimed at all staff from assembly line to management, from designer to service technician

Sparrat aims at 750 pc growth says MD Bosworth

SPARRAT ELECTRONICS

South Afric's fastest-growing electronic component manufacturing company, Sparrat Electronics intends to outstrip the average industry growth factor by 300 per cent over the next five years

Managing director Mike Bosworth says R1,8 million spent on the East London plant over the past year — including the installation of the thru-hole plated printed circuit board plant — has given the company a healthy base for a planned 750 per cent growth in five years

"The electronic component industry will grow from R150 million perannum to almost R500 million per annum in this period and I don't think our target is unrealistic "Internal growth, together with selective acquisitions, will be considered in the five-year programme," says Bosworth, announcing that Sparrat has taken over the Leham Transformer Company (Pty), a Durban-based transformer manufacturing operation

Although Sparrat manufactures a wide range of components from tuners and coils to capacitors and loudspeaker, one of the company's most exciting product lines is thru-hole plated printed circuit boards

These boards, for use in professional electronic equipment, are manufactured by Sparrat Industrials in a joint venture with Siemens

PLASTICS

Federale Electronics will also tackle the plastics market

Fedel has announced a joint venture with Elvinco Plastics (Pty) to establish a plastic moulding and expanded polystyrene plant alongside the SATV factory in East London

"The new venture is 'not unrelated' to a recent announcement by AEG Telefunken that SATV is to manufacture a range of AEG Telefunken white goods," says Bosworth

Initial investment in the 3 000 square metre plant will be R2,4 million Mr Uli Brockschmidt has been appointed to manage the new company

"Production of expanded polystyrene packaging and insulation material will start in February next year," says Mr Brockschmidt," and we will introduce injection moulding soon thereafter The very latest and best equipment will be installed "

While the Federale and Elvinco activities alone will provide for an initial turnover of more than R6 million a year, the plant capacity will be geared to produce components that will fill the requirements of all industries in the Eastern Cape, Ciskei and Republic of Transkei

Expanded polystyrene is widely used as a light weight packing material for such delicate and fragile products as fresh fruit, bottles, chemicals and instrumentation

With motor cars and appliances using more and more moulded plastic parts, says Mr Brockschmidt, there will be a great demand for precision moulded plastic parts by the engineering, chemical and electronic industries

"As there is a high cost of transport on bulk items, there is an obvious need for such facilities in the Border area "

The plant will be equipped with injection moulding presses from 50 to 1200 tons clamping force Special toolmaking facilities will also be set up to satisfy customers' individual requirements

Mr Uli Brockschmidt (left) newly appointed general manager of the Fedel plastics plant to be built at Wilsonia, discussing plans for the new venture with Fedel's group managing director, Mr Mike Bosworth

Spinning cotton at the Da Gama group's East London plant — a plant previously known as Cyril Lord.

Da Gama sets sa under Tootal powe

In many ways Da Gama is a new name to the Border area

Originally it was the name given to the marketing arm representing the Cyril Lord and Good Hope Textile companies, based in East London and King William's Town

However, since the takeover by Tootal of Manchester, UK, a great deal of change has taken place in the company, both from a management structure and product direction viewpoint

Perhaps it would be best first to explain exactly what encompasses the Da Gama group activities The main operations are the King William's Town Plant (previously known as Good Hope Textiles), and the East London Plant (previously known as Cyril Lord), with a combined employment of around 7 000 people

Both these plants are active in producing textiles for industrial, apparel, home sewing, workwear, bed linen, curtaining and many other markets

The total output of these two plants exceeds 75 million square metres a year, making it the second largest producer of textiles in South Africa

In Hammarsdale, just outside Durban, the company owns Linofra, a producer of knitted piece goods and knitted garments with a staff of 500

Most recently, the company started a sewing operation in East London for its entry into the ready-made sheeting and curtaining markets, which is now known as Da Gama Home Fashions

Its first launch of products will be seen next month under the "Actil" label

Because of the recent tie-up with Tootal, the company also will start marketing locally produced Tootal fabrics soon, using the extensive range of Tootal fashion designs from Europe

Other Tootal labels, used in different parts of the world, are also being introduced on a progressive basis, such as "Actil" sheets, "Osman" curtains and furnishings and, of course, Tootal's own famous fashion design ranges

In order to streamline the daily management of the company, an executive committee comprising 10 members meets on a bi-weekly basis and, to a large extent, directs the business and developments of the company with the power akin to a board

The Da Gama board meets three to four times a year and comprises mainly non-executive directors

The board was deliberately structured this way to avoid the "rubber-stamping" so often seen in other companies where boards are comprised primarily of executive directors

One of the major changes that the introduction of Tootal has caused has been the decision to accelerate the capital expenditure programme and to upgrade and update mill equipment both in King William's Town and East London A total of R16 million will be spent on equipment in 1981 alone

With such investments and further significant investments to follow in ensuing years, it can easily be understood that the potential of the group, both in volume and production sophistication, is being significantly enhanced

It is Da Gama management's firm conviction that in spite of all the equipment, its prime asset is its personnel and to this end a fully fledged personnel organisation has been developed with high emphasis on peo development and tra across all levels of p sonnel

Already a sophisticat training school has set up in the Ki William's Town Pla comprising machinery every section, such spinning frames, lo etc, with a full vid library of each course both English and Xhosa

Great emphasis is be placed on safety standa in all plants and the pany works closely liaison with Nosa achieve five-star ratin for both plants

Design originality greatly advanced al with improved conditio for all design personr and greater access to ternational markets a trends being provid through Tootal's int national network of panies

Another factor wh augurs well for the futu is the fact that Da Gam executive management at least for the texti world, an exceeding young one

Of the ten members its executive, eight are der 45 years of age three are in their while five have had w ing experience inte nationally

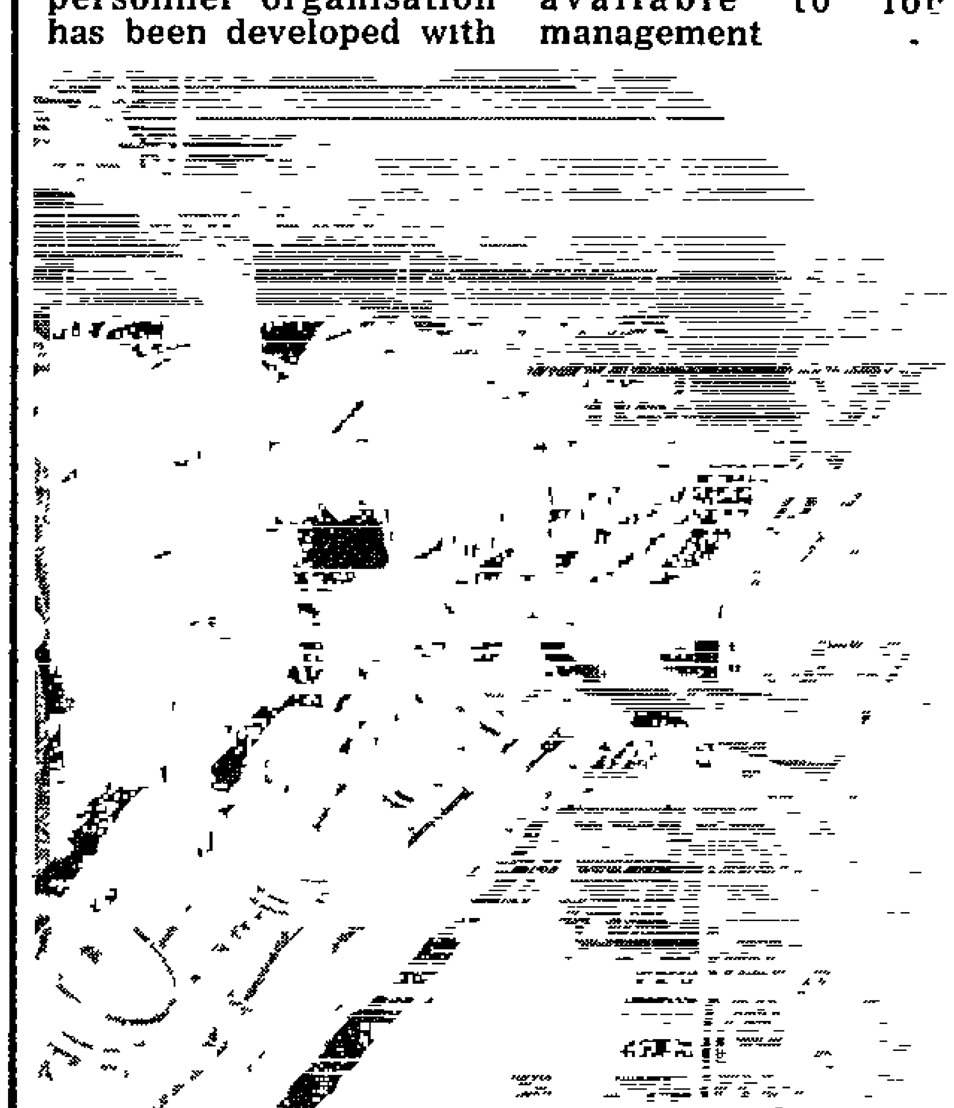
The company's pro range is enormously w covering such items bandage fabrics, fabr used for car upholste milk filter fabric a fabric used in the sh trade

The company al produces famous bra names, well known many generations, such Fasco, Edenrose a Daydawn, as well as an e tensive range workwear, of incre importance to the S African market

Apparel wear cove the full spectrum fr lightweight shirtings a dress fabrics right to bottomweight fabri suitable for pants jeans

Da Gama's curta ranges are becoming and more popular, se various markets, and clude designs of the known "Osman" rang marketed by Tootal in UK and Europe

While Da Gama is relative newcomer in area of sheeting, t assistance provided Tootal's experience many countries shou enable the company capture a considerab slice of the local market a relatively short time the provision of e perience in styling a construction is readi available to loc management



In the weaving department at Da Gama's East London plant (previously known as Cyril Lord).

We invite you to discover the exciting world of Da Gama

Da Gama? Yes, even though we're one of the biggest companies in the border area, you may not know about us

And because we think we have a lot to offer you, we'd like to tell you something about ourselves

Who or what is Da Gama?

We're a textile manufacturer with two mills, one in King William's Town which was previously known as Good Hope Textiles and one in East London, which was previously known as Cyril Lord Just outside Durban, we own a knitting mill/garment company called Linofra

We employ over 7 000 people, mostly in the border region (In fact, our annual pay roll exceeds R20 million.) Our mills produce over 75 million m² of fabric every year, which makes our company the second largest textile producer in South Africa

Recently we became associated with Tootal Ltd., a U.K. based international textile group which operates in 28 countries.

There's no place like the Border.

And to prove that we think it's the right place for us, we're going to be installing R15 million of new plant and machinery in 1981 alone

This will allow us to extend our range of products, many of which are already well-known brand names such as Fasco, Daydawn, Edenrose, Michelle, Sungleam and many more

DaGama

DESIGNS OF DISTINCTION

Major expansion at J and J

Last year Johnson and Johnson celebrated its 50th anniversary in South Africa

The company has been located in East London for over 30 years, where it has grown from a small company of less than 100 employees to the major organisation it is today, employing over 900 people in East London and over 11 000 nationwide

Many companies have achieved significant growth in recent times as the South African economy has enjoyed buoyant conditions and Johnson and Johnson has been no exception, introducing highly successful new products in the fast moving consumer goods field like baby care, feminine hygiene, oral hygiene, home wound care and in the rapidly expanding professional market which serves state and provincial hospitals

Growth rates of 19,6 per cent in 1979 and [illegible] per cent in 1980, and projected growth of 26 per cent in 1981, has demanded a major facilities expansion programme at the East London manufacturing location

A new manufacturing mill with attendant raw material store will be completed at the Dawn site by the end of the year and work is starting on a 150 000 sq ft warehouse, with a railway siding, office and canteen facilities at Wilsonia with the completion date set for July, 1982

Plans are also going ahead to complete a new welfare facility for all employees by mid-1982

Johnson and Johnson, an equal opportunity employer, provides excellent job opportunities, on and off site training, good working conditions and is committed to the development of East London as a major industrial area which can contribute so much to the growth of a strong and stable South Africa

J and J corporate headquarters in East London

Border Typewriter put a premium on training

Anyone buying office equipment today has to look as carefully at its technical back-up as at the equipment itself

Just as important as the right equipment for the job are the technical support and service contracts that ensure it runs faultlessly

The R1 400 you may spend on a new typewriter is just the beginning — it is really only half the real cost of the equipment

So the potential buyer has to investigate what he is getting for his money

In recent years, in view of ever increasing technological advances, office machine distributors have concentrated money and effort on technical training and spare part inventory

Large sums have been invested on up-grading the professionalism of technical personnel Factory training has been given to an increasing number of staff so that they can be kept up to date with methods and systems which directly influence local standards

Service divisions have been reorganised internally to ensure greater customer satisfaction The benefits to the equipment user are obvious

One East London distributor of office equipment has a proud tradition to uphold Border Typewriter Company sold the first printing calculator, copying machine, programmable desk top computer and electronic typewriter on the Border To maintain these new developments in the office equipment industry, constant attention must be given to technical staff training

Training staff — black and white — has become a necessity under current economic conditions, according to Mr G D Lord, managing director of Border Typewriter Company in East London

"Training is a long term investment for any company, no matter how small — or big," he says "It has become essential that we realise every employee's full working potential and we can only do that by encouraging him to study further"

The Border Typewriter Company has a staff of 56 stationed at East London, Umtata and Queenstown Many of the staff have been with the company a long time.

The long service record is held by a typewriter technician, Raymond Gradwell (29 years), followed by company service manager, Bob de Lacy Smith (23 years) and systems service manager, John Domoney (21 years).

Queenstown service manager, Graham Schmidt, has been with the company for 19 years and supervisor Melville Whittal for 17 years.

Every member of staff is encouraged to train further and, says Mr Lord, "we expect them to attend at least one training course a year to ensure that they keep up with new developments in the industry"

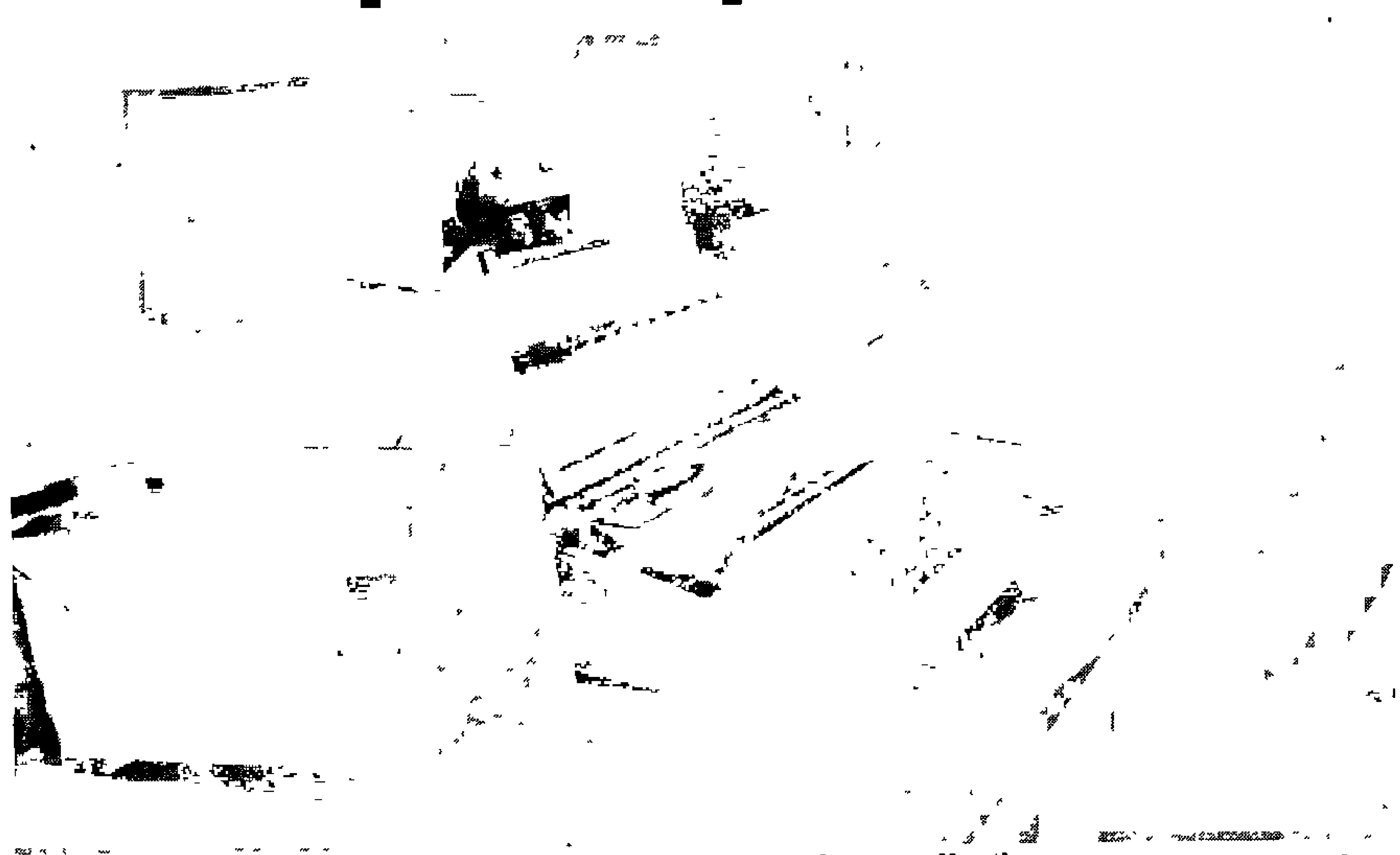
The staff are actively encouraged to participate in training schemes Apart from being paid in full while on course, they are also provided with board and lodging and all travelling expenses

"Naturally we follow up their success with suitable financial rewards when justified," adds Mr Lord "We have found that our training policy has paid off handsomely in terms of overall productivity among all our staff"

Mr Lord emphasises, too that trainees reporting back to the firm have indicated their satisfaction with the methods used in the teaching programme and the content of the courses provided by their principals, as well as by the Business Equipment Association (BEA) training scheme

"As a progressive company, we have become increasingly aware of the importance of adding to the abilities of our people I am convinced that our future development and success depends in large measure on how we make use of available manpower resources"

Extensive use is made by the company of the BEA courses provided for black technical staff at the new Chamdor complex near Johannesburg and for coloureds at the Cape Town training centre



Electronics are rapidly replacing electro-mechanical technology in the office equipment industry.

The office calculator, copier, micro-computer, word processor and, most recently, the standard office typewriter, have all shown tremendous advances as a result of electronic innovations.

As Border Typewriter Company's policy has always been to offer the latest technology to the local business community, technical staff training has always been of prime importance.

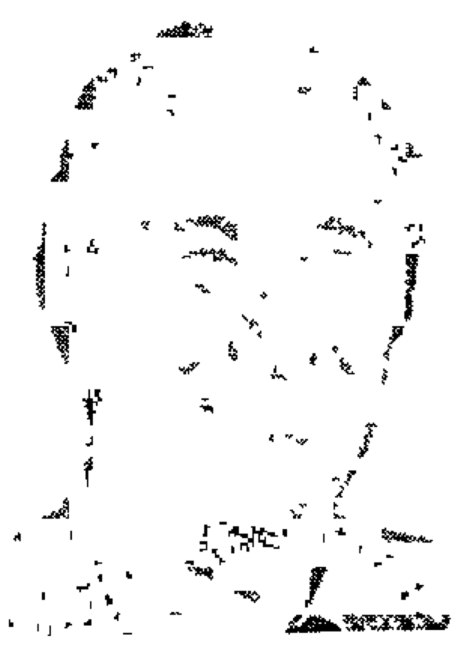
Pictured here is Mr Nic Oosthuizen of Border Typewriter who, although relatively new to the industry, has already received Olivetti factory training on their latest electronic typewriters and word processors.

The face behind the phone

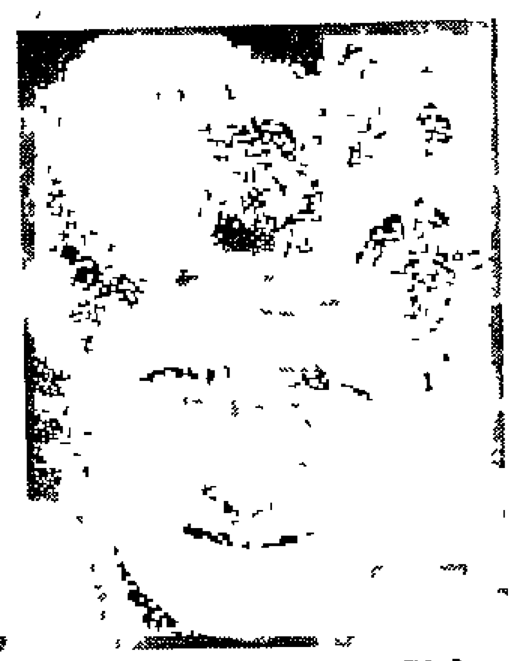
"Our business is a 'people business'," says Mekelek MD Mike Stent

"A large proportion of our orders and inquiries come over the telephone and so we would like to put a face to the voice our customers hear

"We believe that the success of our company has been largely due to our staff and I take this opportunity of thanking them and introducing them to readers of the Border Industrial Review."

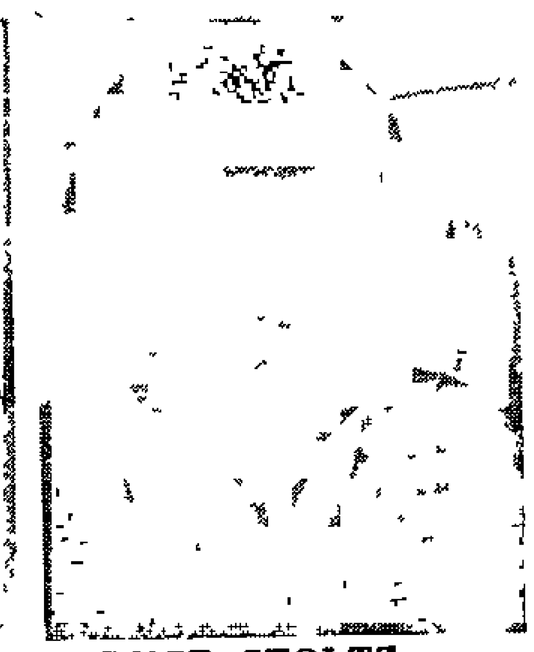


MIKE STENT ... managing director



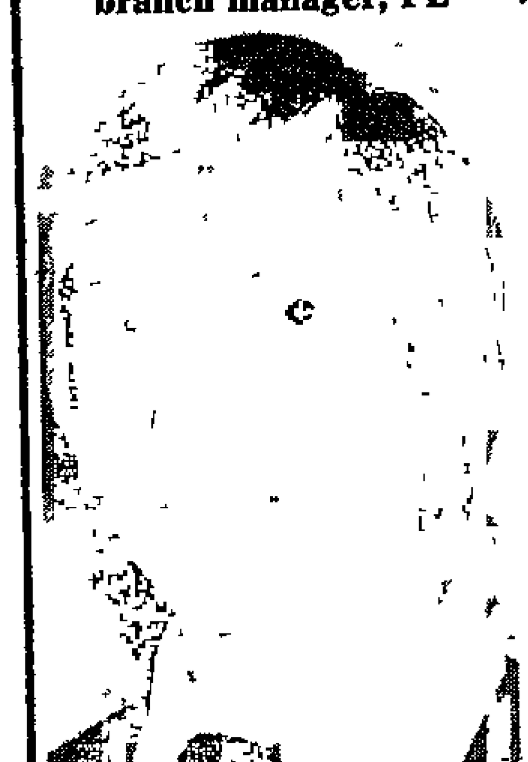
PAT STENT ... Girl Friday

ROCCI HIRST ... Girl Friday

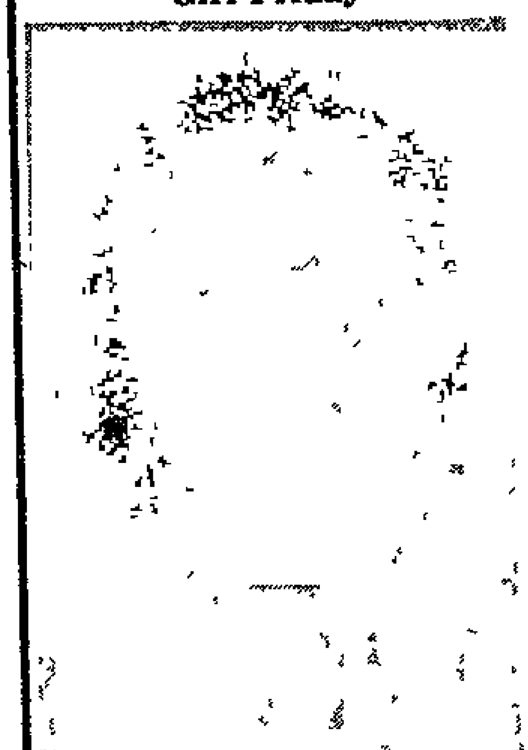


BRUCE STOLTZ ... mechanical sales, EL

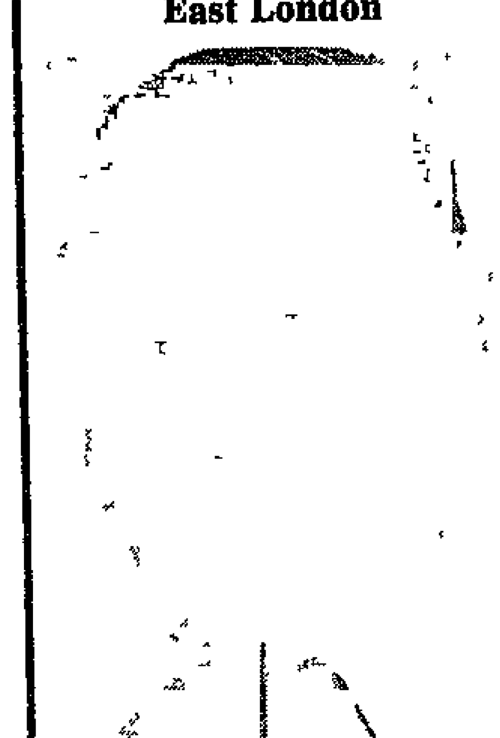
COLIN MOORE ... branch manager, PE



JULIE KITCHING ... Girl Friday

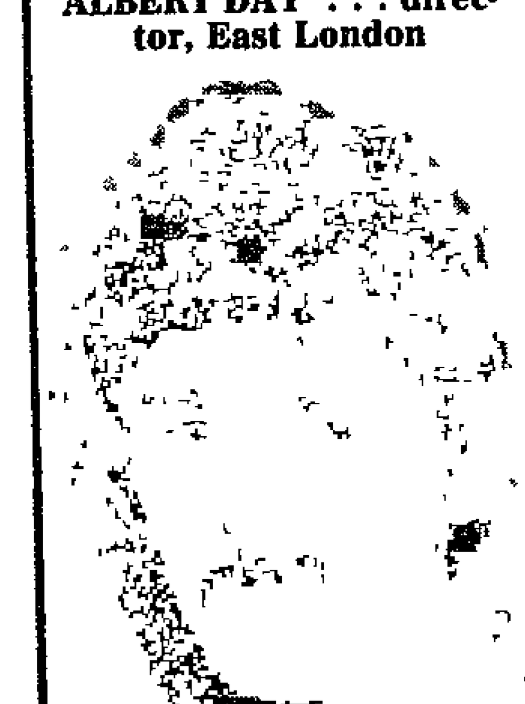


BRIAN DAY ... sales, East London



BOB CURRIE ... sales, Port Elizabeth

ALBERT DAY ... director, East London



JOHAN NORTJE ... workshops, PE

THE MEKELEK DIGEST

Windows for sub economic housing

On a housing scheme recently completed in the Eastern Cape, Mekelek supplied 11 000 window panes in 2mm ultra-high impact acrylic plastic.

The scheme was completed in February and, to date, one window has been broken by being stabbed in a knife fight!

The contractors have stated that the UHIA plastic, a product of Versatex (Pty), paid for itself on delivery to site as there were no breakages on delivery or installation.

Installation was no problem and was completed as fast as conventional glazing.

UHIA is now available in clear, bronze, opal and pattern grain similar to obscure glass.

Bearings breakthrough

The introduction of ball and roller bearings into our power transmission equipment has met with unqualified success.

Bruce Stoltz, who joined the Mekelek staff in March, has established a reputation for his ability to obtain bearings and deliver them at the right price at the right time.

Standard ranges of bearings are available from stock and non-standard sizes can be obtained with minimum delay.

A diversion from other suppliers' policy of giving varying discounts to larger and smaller users seems to be making a lot of headway and has resulted in a more stable industrial bearing user market.

We have often wondered whether customers are dazzled by discounts of up to 60 per cent to the extent that they have forgotten to ask what the list price is!

Surely a net price is more to the point?

We are number one

AECI recently advised us that Mekelek are now their biggest distributors of perspex in the Eastern Cape and Border area.

Variable speed drive

Mekelek have been appointed distributor for the newly formed Ampower (Pty) Company

Ampower, a Murray and Roberts subsidiary, has taken over the electronics section of Stone Platt Electrical and Saftronics and combined the two under one roof

This is a powerful combination of expertise and manufacturing capacity second to none in South Africa

Chain and sprockets

Good news is that in terms of a recently concluded agreement, bulk stocks of chain and sprockets will be housed in East London for the Eastern Cape and Border

The sprockets will be the "Kana" range with flame-hardened teeth and will eventually include sprockets with taper lock bores

Belting it out at EMS

Roy Lloyd, managing director of EMS Belting Distributors (EP) (Pty), moved from the gold mining industry to the belting industry in 1968

After spending some time in Durban he was transferred to Port Elizabeth to open a new branch in April 1977 In October that year he acquired control of the company in Port Elizabeth

In May 1978 Jon Watson joined the company and became a director the following July Mr Watson has spent most of his career in the glass and rubber tubing industries

Due to the rapid growth in the business and the tremendous potential offered by Border industries and the adjacent Transkei and Ciskei it was a logical move to open a new branch in East London so that existing customers could be serviced more effectively

On July 1, 1981, Keith Lee joined the company as sales director to manage the East London branch

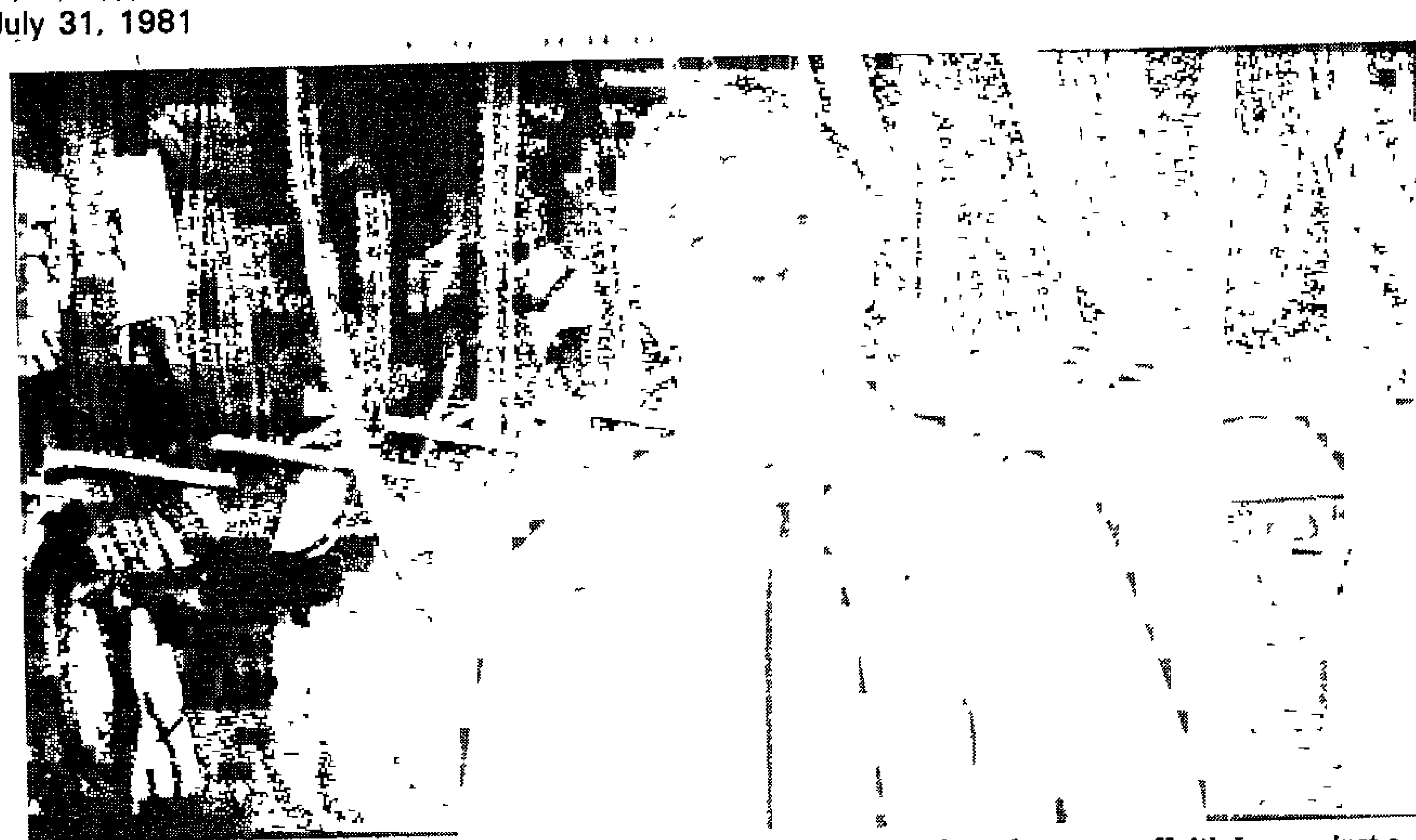
Mr Lee has spent the last 20 years in the petrochemical industry, both in manufacturing and sales

With the combined experience of Mr Lloyd, Mr Watson and Mr Lee, EMS feel they can offer a comprehensive service to industry in general

Mr Lloyd said the East London branch would offer the same efficient services as Port Elizabeth and would be equipped to carry out hot or cold endless splicing of belts, either in the workshop or on site, with the minimum of plant downtime as the equipment used in this process is the most modern available

In addition, the staff will be on 24-hour call for emergencies

Mr Lloyd said he wanted to express his thanks to all the customers who had supported EMS in the past and "I would like to assure them that their future requirements will be even more efficiently serviced with the opening of the East London branch"



East London branch manager Keith Lee against a background of some of the company's products.

EMS' two other directors, Mr Roy Lloyd (left), who is MD, and Mr Jon Watson.

Sweet smell of success at Wilsons

A wide range of popular brands of confectionery are made in East London by Wilson-Rowntree

Indeed, Wilson-Rowntree products are clear brand leaders in most of the market categories in which the company operates with such products as Kit Kat, Quality Street, Toff-o-Luxe, Wilson's Menth-o-Lyptus, Wilson's XXX Mints, Wilson's XXX Musk and Wilson's Mint Imperials

The company is part of the Rowntree Mackintosh group, based in York, but with interests in Europe, Canada, Ireland, Australia and the United States

The confectionery market in South Africa is among the largest consumer markets, worth more than R300 million to the economy, and is bigger than, for example, biscuits, detergents, coffee, tea, margarine and even sugar

Wilson-Rowntree's success is based on sound investment in three main areas

1 PLANT and MACHINERY A regular programme of modernisation and improvement is pursued at the East London factory, which occupies three sites covering a total area of 4,9 ha

2 PEOPLE The company's payroll comprises some 2 000 people in East London alone and their earnings in excess of R11 million a year are a major contributor to the economy of the Border and Ciskei areas

The amenities available to employees are second to none and particular emphasis is placed on training For example, the multi-racial apprentice training school is one of the largest of its kind in the Border area, providing practical experience to supplement the theory which apprentices learn at the East London Technical College

3 PRODUCTS The popularity of Wilson-Rowntree's products is the result of continuous investment in quality, value, advertising and total promotion

On-going investment in market research and product and packaging development enable the company to keep abreast of market trends and to capitalise on the opportunities which arise

An example of this is the recent national launch of the major "countline" product — Choc Float The launch of the product is the culmination of two years of research and development

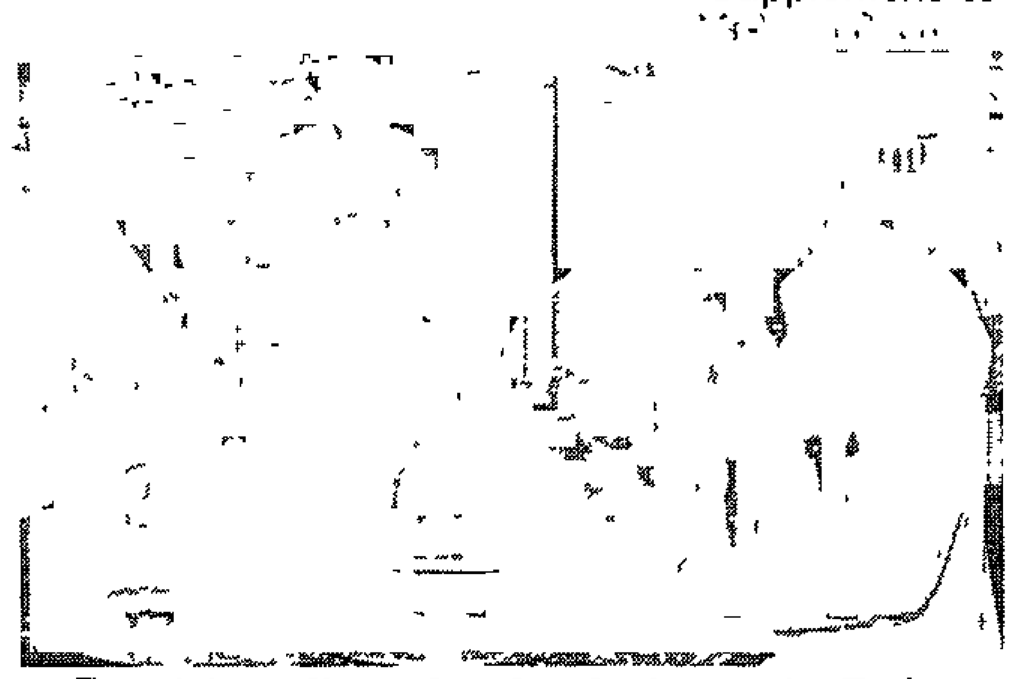
Wilson-Rowntree's impact on the East London industrial scene is not confined to its own employees and operation For example, the East London harbour is used extensively for many of the raw materials, particularly cocoa beans and other specialised items which come from overseas

Also, many of the wrappers and cartons used to pack the various products are printed and produced locally

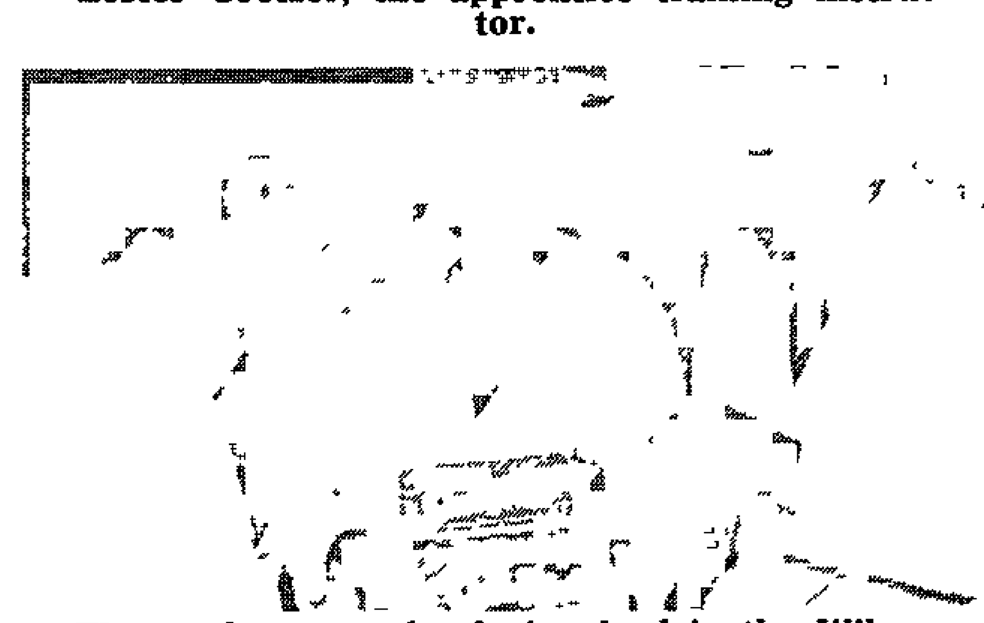
Wilson-Rowntree's involvement in the East London communities is not only industrial Recently, for example, the company's donation to the Mayor's School Feeding Fund, which benefits children in Mdantsane, Duncan Village and Buffalo Flats, was the biggest single donation ever made to the fund by any company in East London

In addition to its impact on East London, Wilson-Rowntree's operation extends throughout South Africa Bulk deliveries of finished products are transported by South African Railways to the company's distribution depots in Cape Town, Durban, Johannesburg, Pretoria and Vereeniging and to distribution agents at Port Elizabeth, George, Bloemfontein, Kimberley, Welkom, Windhoek, Kroonstad and Pietermaritzburg

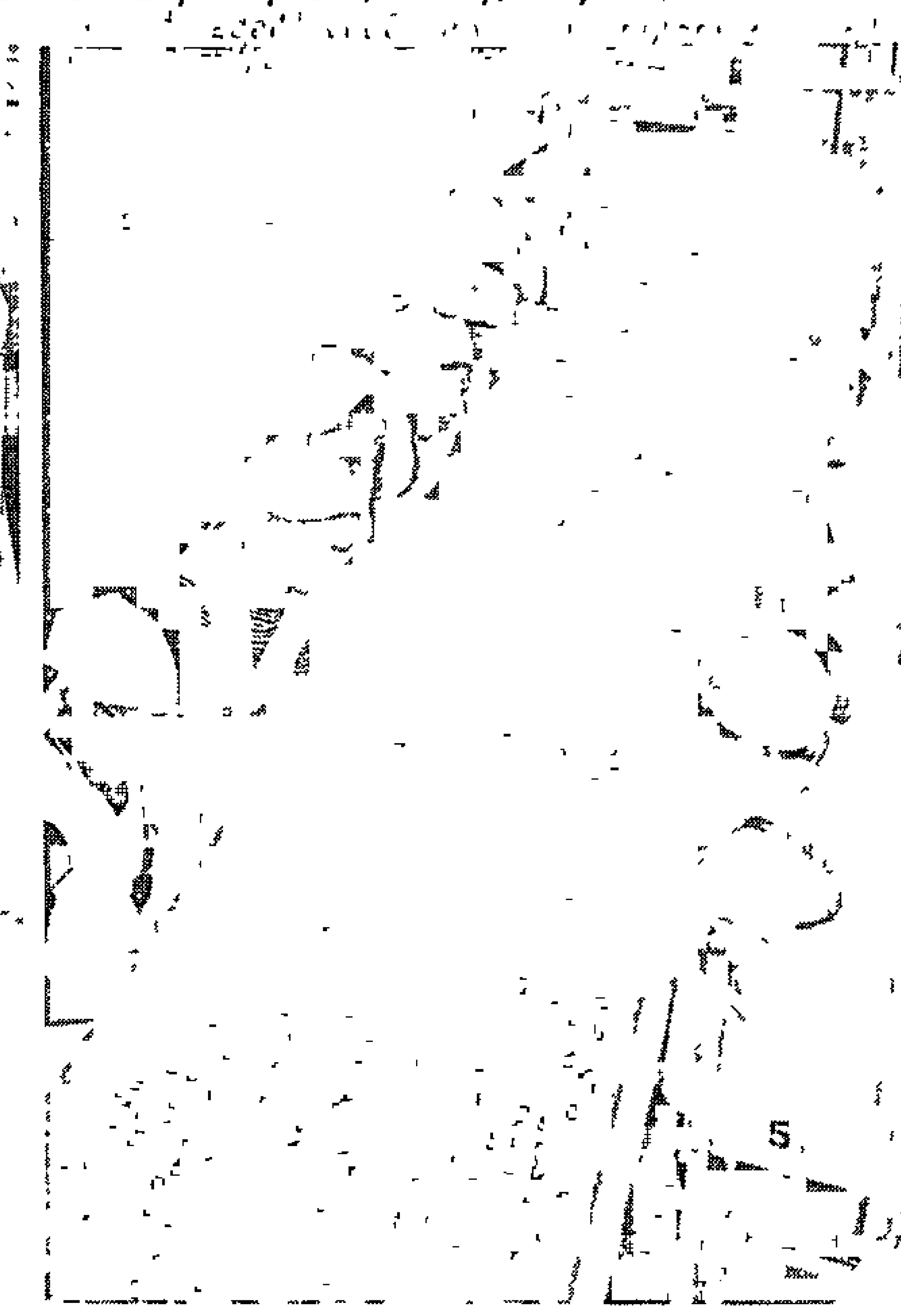
From these widely spread distribution points Wilson-Rowntree's confectionery products are sold to the retail and wholesale trade The distribution points have to be widely spread since independent research indicates that confectionery as a product category is sold through more retail outlets than any other consumer goods category in South Africa



Examining a die produced at the Apprentice Training School are (from the left): Sylvester Augustine, Roger Redy, Walter Pottinger and Lester Coetzer, the apprentice training instructor.



Three who were closely involved in the Wilson-Rowntree Choc Float launch were product development manager Terry Dickinson, confectioner Donald Nyilenda, and Choc Float brand manager Ben Whitworth.

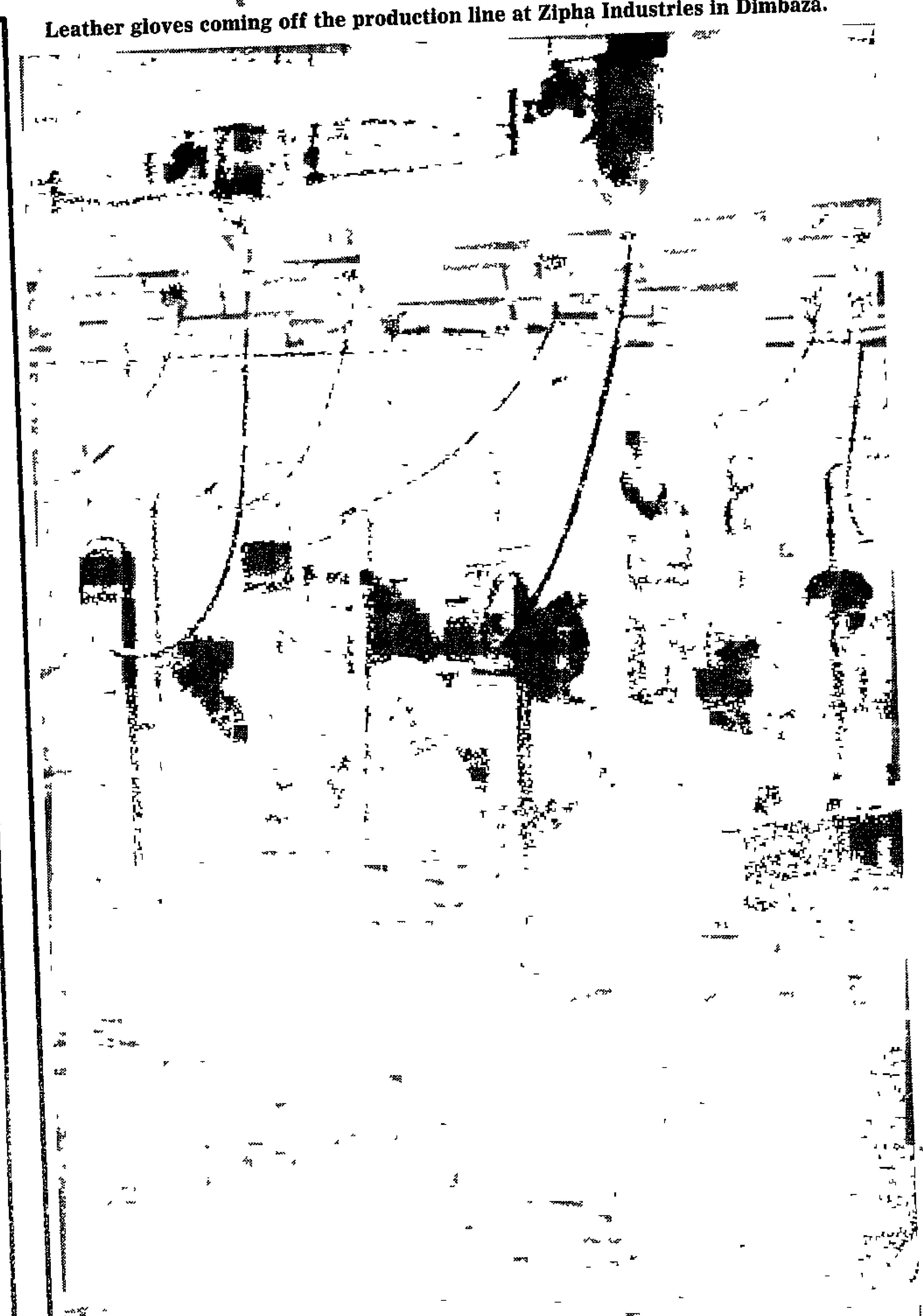


Making sure that Quality Street chocolates live up to their reputation. This is the orange cream enrobing line at the Wilson-Rowntree factory in East London.

INDUSTRIAL PORTFOLIO

An apprentice at work on a lathe at the new R1,3 million training centre opened at Car Distributors Assembly in East London this month.

Leather gloves coming off the production line at Zipha Industries in Dimbaza.



Women at work on the production line at Berkshire International

Biggest in the battery business

The buoyant economic conditions which prevailed last year saw real gross domestic product grow by eight per cent. This strong economic surge was mirrored in the mining and motor industries from which Chloride SA derives a major portion of its sales.

Chloride is the largest manufacturer and marketer of automotive and industrial batteries in South Africa, where it started manufacturing in 1952.

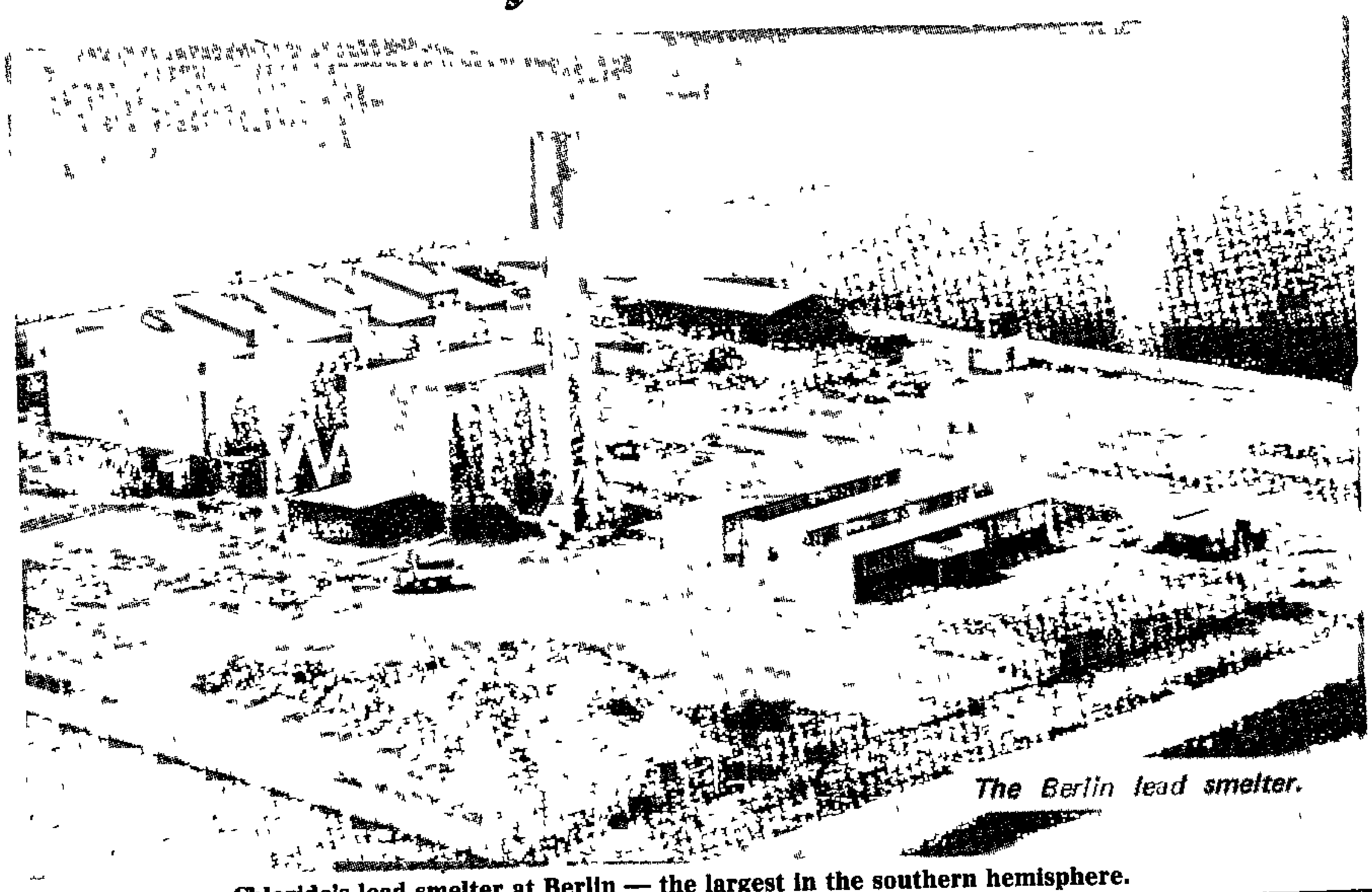
It employs 1 400 people at battery factories in East London and Benoni and a lead smelter at Berlin, near East London, which supplies most of its lead requirements from re-cycled scrap batteries.

A major reason for the lower profit reported last year was the sharp drop in the London Metal Exchange price of lead, which fell from a peak of £630 a ton in June 1979 to £280 a ton in February this year.

This depressed the lead-linked contractual prices in the automotive, industrial and mining original equipment markets with a consequent loss of profit.

However, market share was maintained in all markets and the company is poised to take advantage of this by achieving greater profitability this year.

This will be achieved via the launch of a new maintenance-free miners' caplamp later this year and a new Exide 'Sport' automotive unit designed for high performance cars.



Chloride's lead smelter at Berlin — the largest in the southern hemisphere.

CTC's proud boast: we belong to beautiful Ciskei

The slogan 'Zezamaciskei Amahle' (We belong to the beautiful Ciskei) represents the philosophy of the CTC Bus Company, a joint venture between the Ciskei National Development Corporation and the Corporation for Economic Development

It must be understood, at the outset, that public transport is not a means in itself, but rather the means to an end — the end goal being the economic development of the Ciskei and the upliftment of its people through efficient transport between employment and residential area

In order to bring worker and industry together, the working population requires a high degree of mobility in the form of a reliable and integrated public network

Moreover, efficient public transport provides the Ciskeian population with the mobility it requires to go shopping, visit clinics and all other spheres of social activity

Every day the CTC Bus Company's three operating divisions provide transport for some 70 000 Ciskeians, the majority of whom are worker commuters

Gompo Transport provides bus services between Mdantsane and all employment and suburban areas in and around East London At present this operating centre alone provides employment for 864 Ciskeians It renders services over 43 separate bus routes, using 213 buses Every day 2 842 single journeys are operated covering 37 707 kilometres

Bhisho Transport, from its modern bus depot at Tshatshu, near Zwelitsha, provides daily transport services in the central Ciskei as far afield as Peddie, Alice and Stutterheim

A fleet of 52 modern buses operate 400 daily journeys over 34 separate routes and cover 12 500 kilometres a day

The company recently expanded its interests to the Whittlesea area and Hewu Transport the newest operating centre, provides regular services between various areas in the Hewu district and Whittlesea, Sada and Queenstown

At present eight buses serve three separate routes, but it is confidently expected that Hewu Transport will develop into a sizeable bus operation within the foreseeable future

Development and training of Ciskeian personnel remains one of the highest priorities and the company is justifiably proud of progress in this field Total Ciskeian staff numbers 1 079, which represents 91 per cent of the total staff establishment

Ciskeians today also hold such numerous responsible middle management and supervisory positions as accountant, operating superintendent, chief inspector, O and M officer, road transport officer and many more

The continuous manpower development and training function of CTC has two full-time industrial psychologists and 11 professional trainers at its disposal

Progress of Ciskeian apprentices, first indentured in 1980, is particularly pleasing Of the six initial apprentices, three achieved distinctions and two attained first class passes in their first year external examination

There are presently 15 apprentices indentured in the mechanical, auto-electrical and automotive body repair trades It is intended that the number of apprentices will be expanded so that 30 are undergoing training at any given time

Ciskei Transport offers Ciskeians exciting career opportunities in the fields of transport management, engineering, operations administration and the opportunity to participate in the development of a truly Ciskeian transport industry

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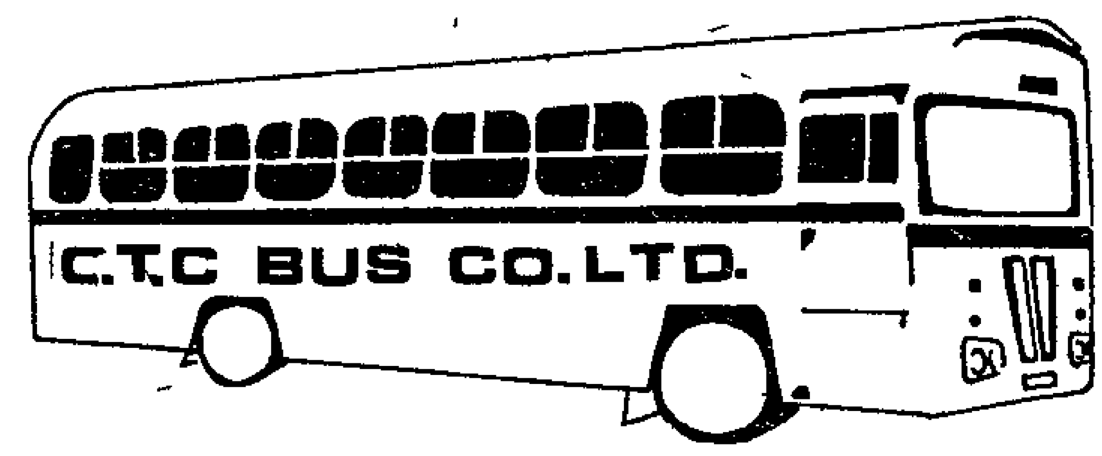


● DIESEL MECHANICS

2 Vacancies at Gompo Transport, East London

3 Vacancies at Bhisho Transport, Zwelitsha

● VEHICLE BODY BUILDERS

3 Vacancies at Gompo Transport, East London (Reeston Depot)

● AUTO ELECTRICIAN

(AT BHISHO TRANSPORT)

REQUIREMENTS:

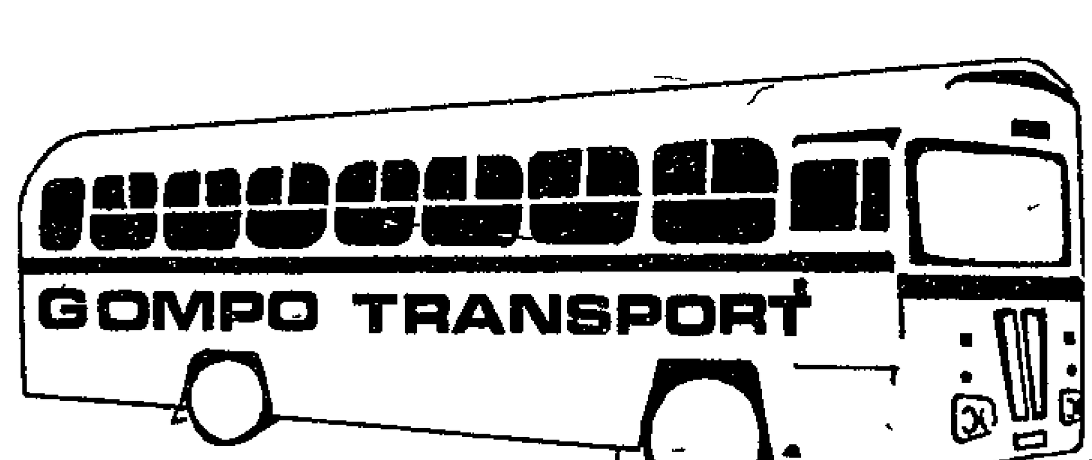
★ Qualified Artisans
★ Panel Beaters with vehicle body building experience will also be considered
★ Previous experience in a passenger transport organisation is desirable but not essential
★ Ability to communicate in Xhosa will also be a recommendation.

● BUS DRIVERS

Vacancies at Gompo Transport, East London Bhisho Transport, Zwelitsa and Hewu Transport, Whittlesea

REQUIREMENTS:

★ Mininum Std 6
★ At least Code 10 licence and PDP
★ Between 25 and 40 years old
★ Ciskeian Citizenship



● MECHANICAL ASSISTANTS

(BHISHO TRANSPORT ZWELITSHA)

DUTIES:

Assist artisans in mechanical, body shop and electrical repair sections

REQUIREMENTS:

★ Minimum Std 7
★ Some previous experience in repair of heavy transport vehicles or general garage experience. We will develop you further to your full potential.

● ACCOUNTANT (BHISHO)

● ASSISTANT ACCOUNTANT (BHISHO)

DUTIES:

Preparation of monthly Financial Statements

REQUIREMENTS:

★ B. Comm. or equivalent or studies towards same.
★ Ciskeian Citizenship
★ Previous related experience will be a strong recommendation

● CHIEF AND SENIOR ACCOUNTS CLERKS

(BHISHO)

DUTIES:

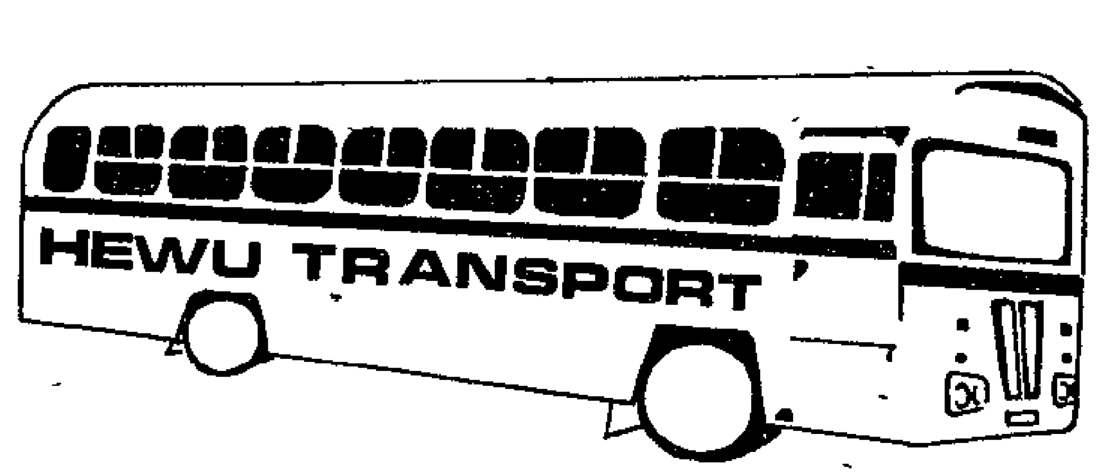
Writing up of various depot registers/books

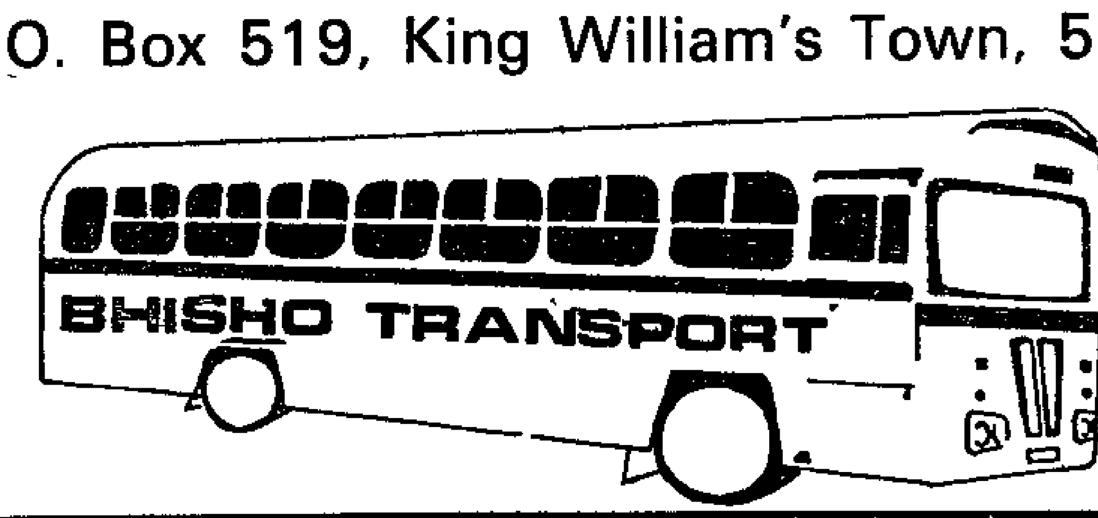
REQUIREMENTS:

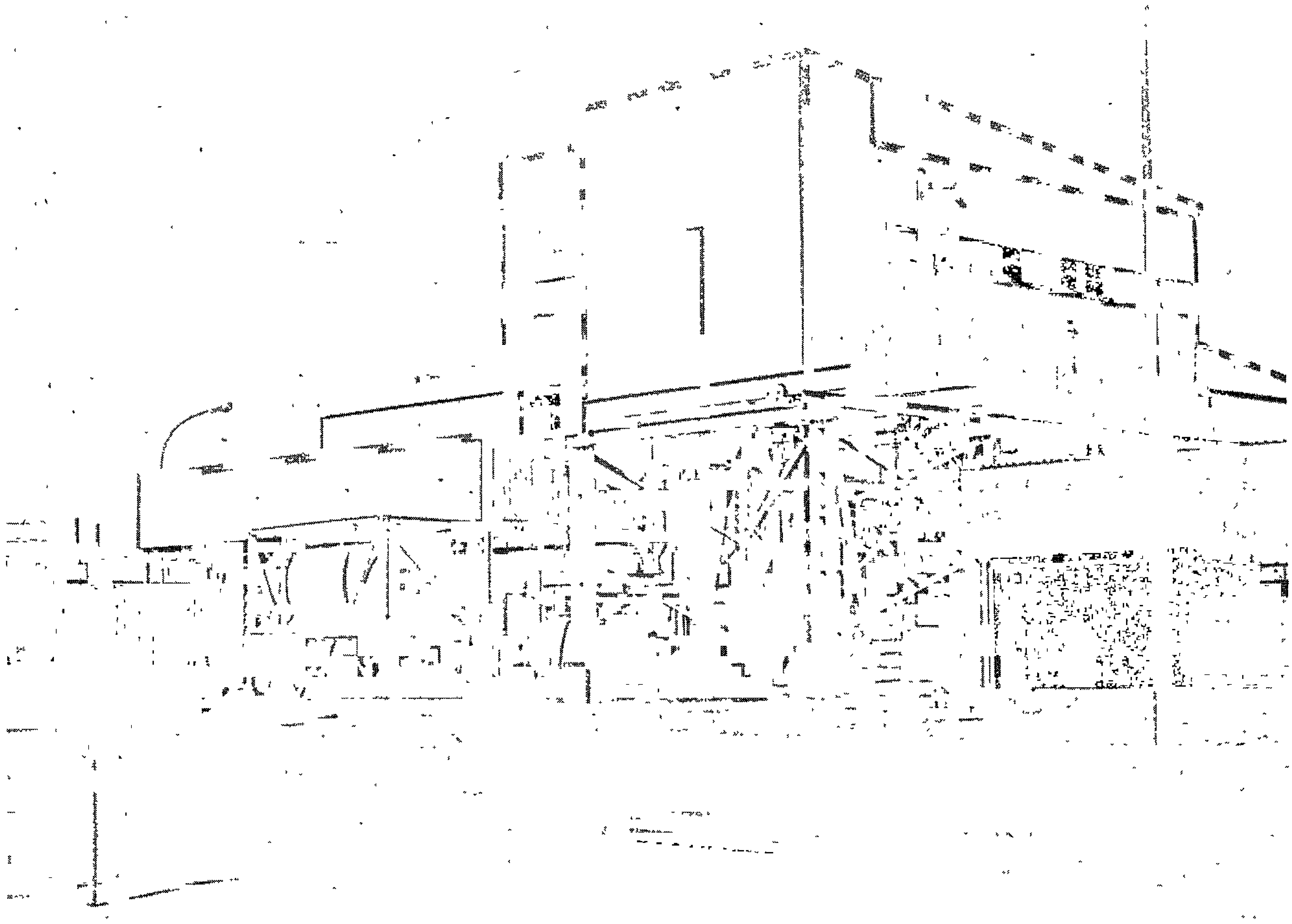
★ Matric with Accountancy or bookkeeping as passed subjects
★ Ciskeian Citizenship

We offer very competitive salaries and excellent fringe benefits. Make use of this opportunity! Phone Joe Schmidt immediately at telephone No. 0433-21407 for appointment to interview etc. Written applications to be addressed to:

GROUP PERSONNEL MANAGER
(REF I.R.)
P.O. Box 519, King William's Town, 5600







Part of the Agbro plant at Berlin.

Agbro's in the synthesis business

There seems to be a lot of confusion in the minds of the public regarding Agbro's activities, but quite simply its sphere of operation is the synthesis of crop protection chemicals Agbro does not manufacture, nor deal in fertilisers

To ensure maximum crop yield, a farmer must eliminate weeds in his fields that compete with his crop for soil nutrients, fertiliser, water, etc

The trusty method of mechanical weeding is inefficient, time consuming and, in many instances, costly

Chemicals to control weeds — Agbro's business — are very effective as long as correct application rates are adhered to, are time saving, and, in many instances, cheaper than mechanical weeding

For the environmentalist, it must be noted that most herbicides (weed killers) and all those manufactured by Agbro are non-toxic to man and animals

Agbro can look back with pride on the past five and a half years of operation Its activities have more than doubled, the staff complement has grown to almost 200 and the product range has been added to annually

The bread and butter product, Atrazine, is used on maize and the quality of the product made at Agbro is as good as the best in the world Considerable tonnage has been exported over the past years

Diuron, a herbicide to control weeds in sugar cane, came next, followed by Simazine, and then Trifluralin, used on cotton, beans and sunflowers

Propazine was last to be made and, together with an imported herbicide, is blended into a unique formulation for use on Sorghum

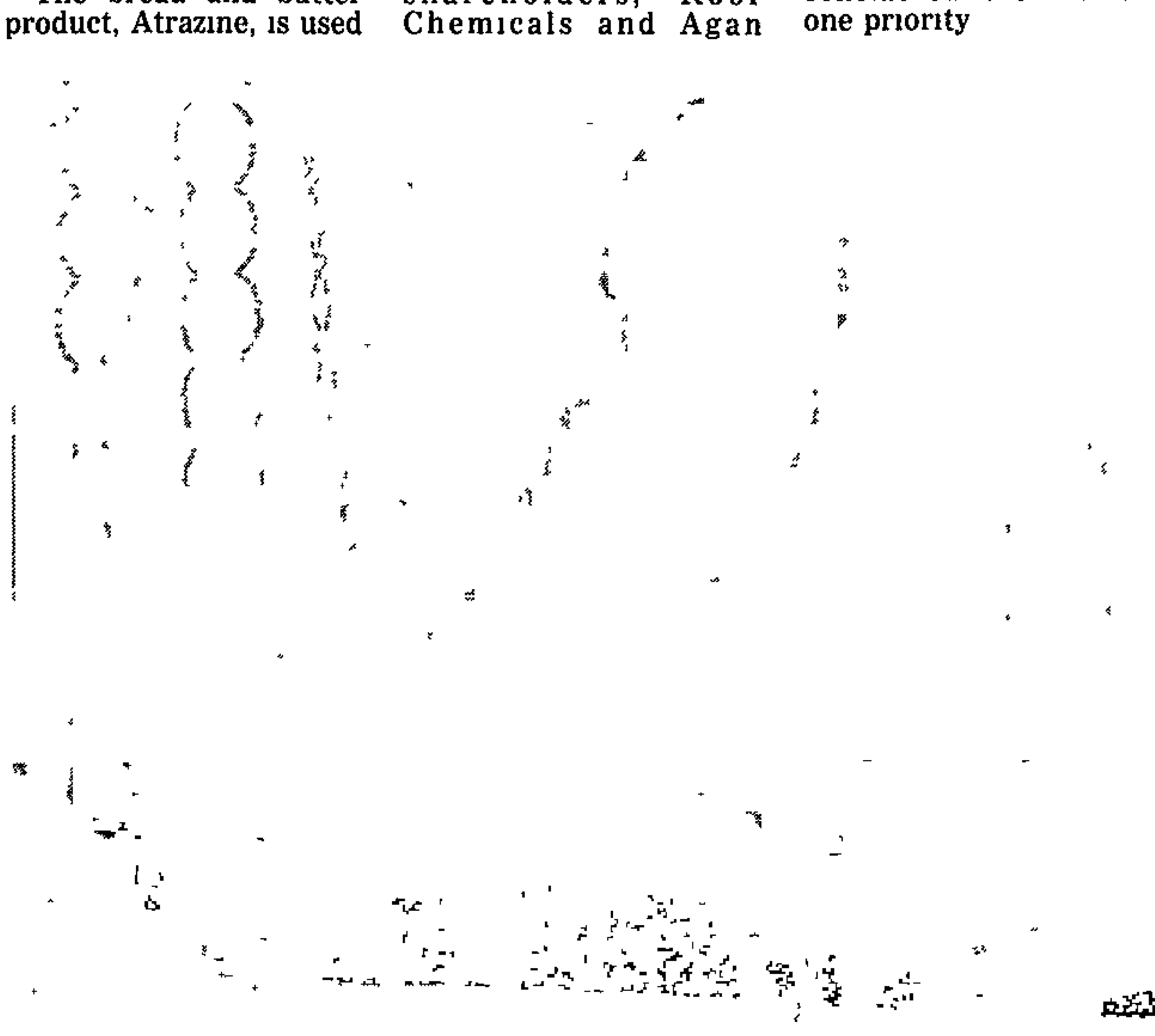
One other product that is made is used as a protective wax coating on citrus and other fruits with a peel such as pineapples and mangoes

Agbro, a 75 per cent Sentrachem-owned company, draws its technology from its minority shareholders, Koor Chemicals and Agan Chemicals of Israel, with whom very close co-operation has been built up over the years

Although Agbro still imports many of its complicated chemical raw materials from overseas, it is nevertheless committed to purchasing as much as possible from the local area, a policy that will continue in the future

Agbro is dedicated to growth of its product range and its people and has some interesting developments currently under investigation that hopefully will assist in achieving those objectives

Agbro looks to the future with confidence and the belief that by growing, meaningful job opportunities will be afforded in an area where creation of jobs must be considered the number one priority



Mr John Rich, general manager of Agbro, behind his desk at Berlin.

Iscor turnover continues to grow

Despite a lack of entrepreneurs moving into the area, turnover at the Iscor steel distribution centre at Berlin, which has now been operating for four and a half years, has continued to grow

This growth has been due to Iscor's continuous capability to provide a wide range of primary steel products to manufacturers of secondary steel products

Although the steel centre has not succeeded fully in its main goal — to encourage entrepreneurs to establish new steel-processing industries in the area, including Transkei and the Ciskei — it is undoubtedly rendering a beneficial service to existing manufacturers

Explaining Iscor's pricing structure, Mr Hennie Nortje, who took over the manager's chair in September last year, said in general the smaller the item bought from the centre, the relatively higher the price was

However, when small items are ordered in large quantities they do qualify for a discount — and the higher the quantity, the higher the discount is

He said "This means that prior to Iscor's establishment of the distribution centre, consumers who only required small quantities were at a disadvantage — and that applied to most manufacturing consumers on the Border

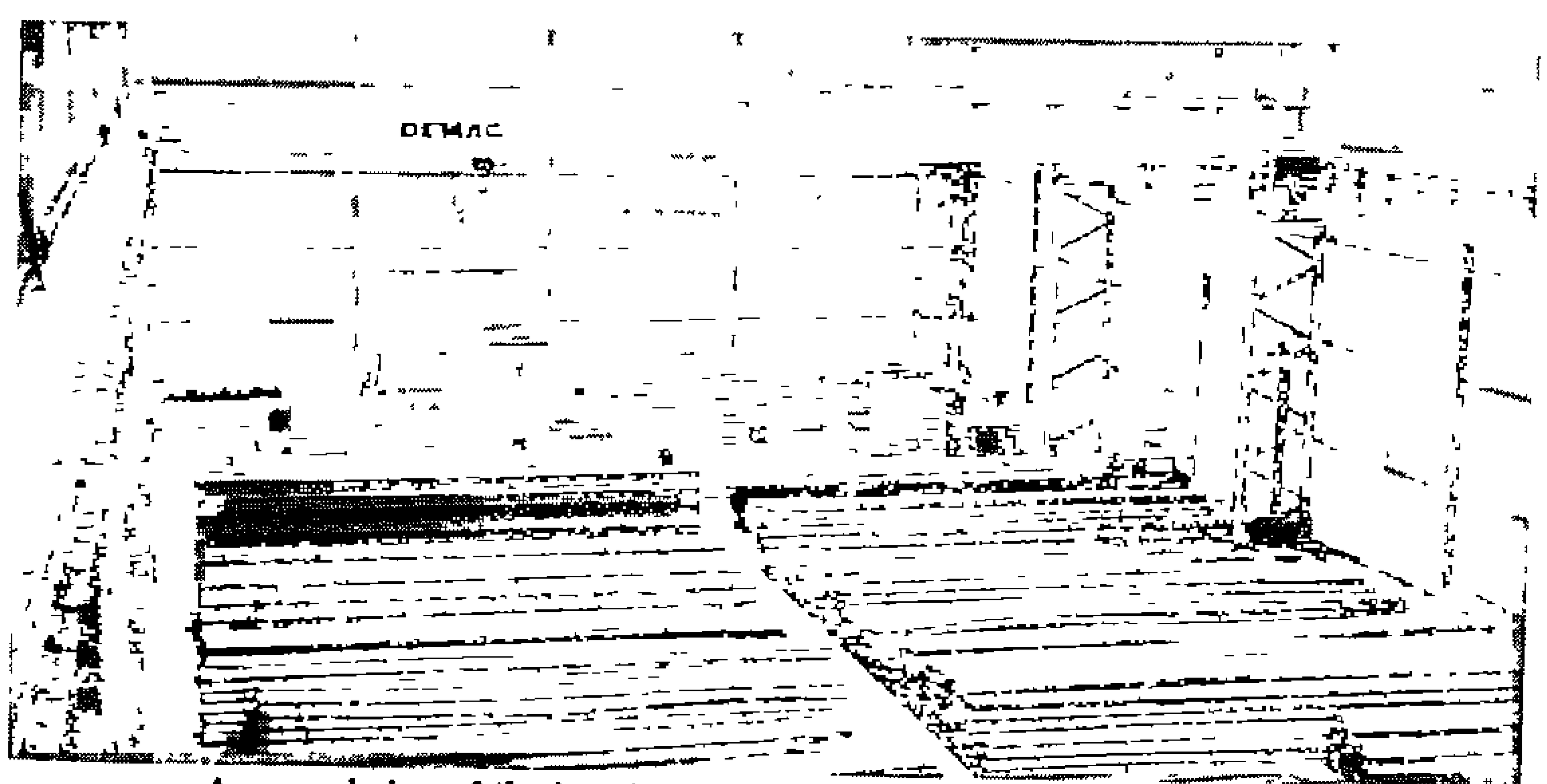
"The main advantage of Iscor Berlin (Pty) — the company set up to operate the distribution centre — is that it affords the small manufacturer the advantage of quantity discounts, irrespective of actual offtake

"The price of steel at Berlin is calculated by adding the railage charge from the works to the for works price, including all discounts

"There is no difference in price to the Berlin consumer for small or larger quantities

"Another advantage is the saving in working capital in respect of stocks carried by the Iscor centre

"It is no longer necessary for the consumer to stockpile stocks for a month or two If necessary, he can collect supplies from Berlin on a daily basis



A general view of the interior of Iscor's steel distribution centre at Berlin.

"Nor are customers bound by quantity restrictions A purchase, for example, could comprise one small item

"Besides pig iron, the Berlin centre offers a wide range of flat and profile steel products The flat products include plates, hot-rolled and cold-rolled sheets, galvanised sheets, colour-coated sheets and electrolytic tinplate

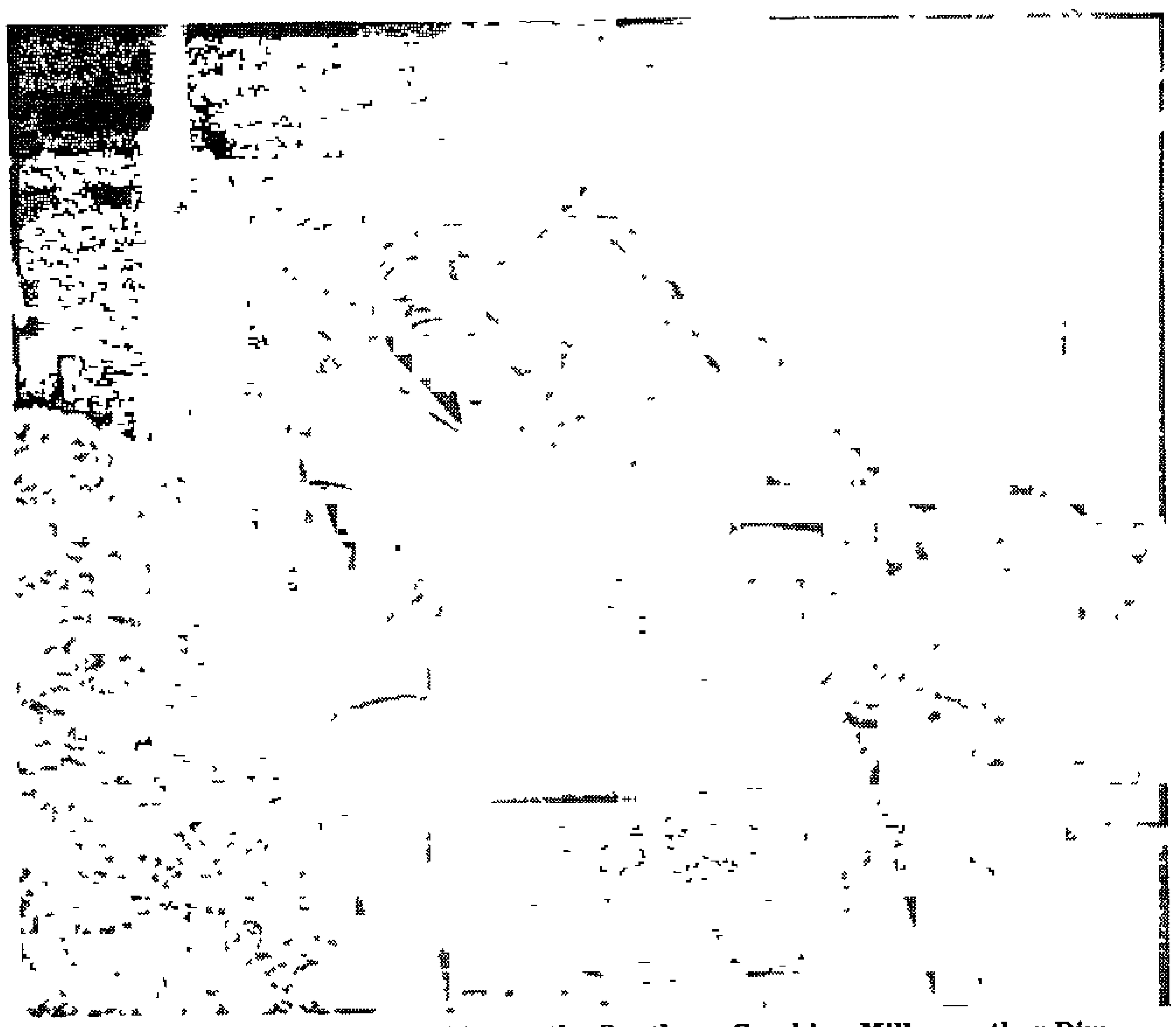
"Profile products include I-sections, channels, angles, flats, rounds and wire," he said

Up to June this year the Berlin centre had supplied over 60 000 tons of steel worth approximately R22 million to the Border region

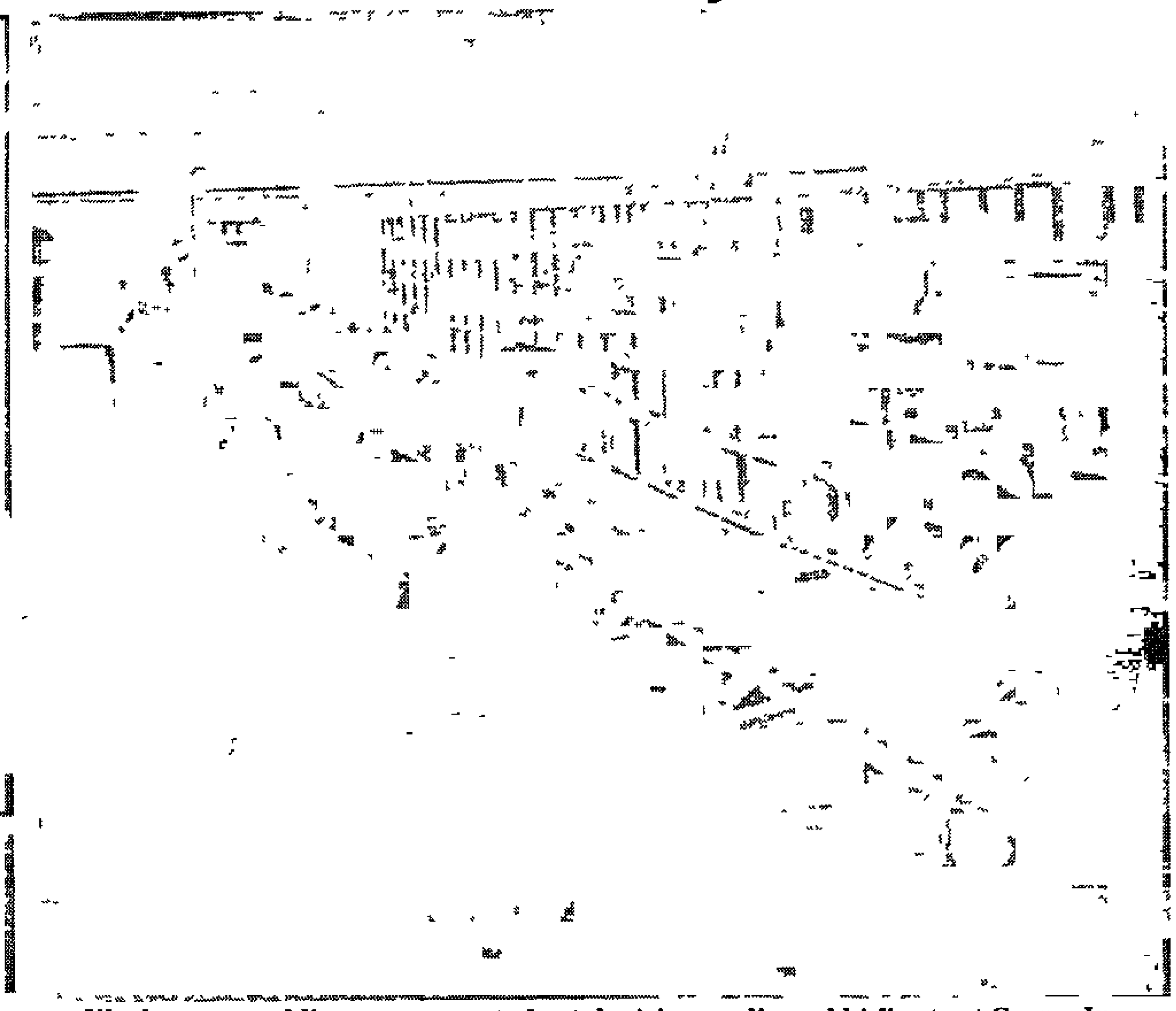
Total investment in stocks at present is valued at R2 million

"Today, more than ever before," Mr Nortje said, "steel is of great economic and strategic importance It still remains the foundation of any region's industrial structure "

Two Dimbaza factories built by LTA



Mohair being sorted for washing at the Southern Combing Mills, another Dimbaza factory built by LTA Construction (Ciskei).



Workers assembling components for television, radio and hi-fi sets at Crama Industries, one of the factories built in Dimbaza by LTA Construction (Ciskei).

PG's new silent car alarm.

Silent car alarm launched in SA

Thieves beware!

A new "silent" vehicle alarm has been introduced to the South African market by PG Glass

Called the Theft Alert, it comprises a sonic device and is linked to a pocket pager which relays a coded radio signal to the carowner when activated

The tiny sound sensitive device is installed in the car door and operates immediately someone tries to break into the vehicle

While the thief is unaware of detection, the pocket receiver carried by the car-owner sounds an instant alarm

PG offers two models, operating over a 1,6km and a 5km radius Costing from R145 fitted, each Theft Alert system operates on its own frequency and no licence is required An optional extra is a siren which is triggered immediately the vehicle is tampered with

The alarms are proving as suitable for motorcycles as for passenger and commercial vehicles

Sensitivity can be adjusted and the device will operate as a small microphone to transmit a warning signal when a motorcycle is tampered with

Installation is relatively easy and the Theft Alert is sold on either a D-I-Y or installed basis

The introduction of the Theft Alert system is in line with PG's move into the motor accessory market

Last year the company launched a range of car sunroofs

Known as the Skyroof range, the three models (glass flip-tops, vinyl folder-tops and metal slide-tips), are proving popular in South Africa Now the sliding tops are available in a deluxe electrically operated model obtainable in the larger metropolitan areas

Insurance to cover jewellery, diamonds

A new insurance department to handle the special needs of the diamond and jewellery trade is to be launched by Priceforbes Federale Volkskas, South Africa's largest insurance broking house

According to Mr Reg Buckland, managing director of PFV, the new department will be known as PFV's Specie Division

A wide definition of risks could be covered under the heading of "specie insurance," says Mr Buckland

The division will incorporate all facets of cover from manufacturing through to the final retailing of jewellery, including precious and semi-precious stones and precious metals

"It is our belief that each of these facets has a different need and it is our intention to tailor our cover to suit the requirements of each sector of the trade

"This is particularly important in current times of depressed diamond markets where insurance is an all-important and yet expensive part of the jewellery business

"We believe that PFV will be able to offer something very worthwhile to the trade with wide cover and extremely competitive rates," Mr Buckland said

Suzuki joins Tony's crew

In the past four years boating in the Border area has virtually become a way of life

The reason is that more people are talking boats, fishing, waterskiing and fun and thus more people are buying boats

Tony's Boating Centre is responsible to a large extent in promoting this most enjoyable pastime

Tony Lindhorst and his crew have specialised in Mercury outboard motors and sterndrives for the past four years, believing that the products which they sell are the very best That has enabled them to gain a major portion of the outboard market

Now, Derek Petzer, of Border Used Boats, and Tony Lindhorst have amalgamated, so bringing together the combination of Mercury outboard motors and Suzuki outboard motors

Mercury are world renowned as a top quality outboard motor and Suzuki are a fast growing name in the marine field, as well as being the first manufacturers in the world to introduce a range of Suzuki oil-injection outboards, which have already proved a major success in the motorcycle market

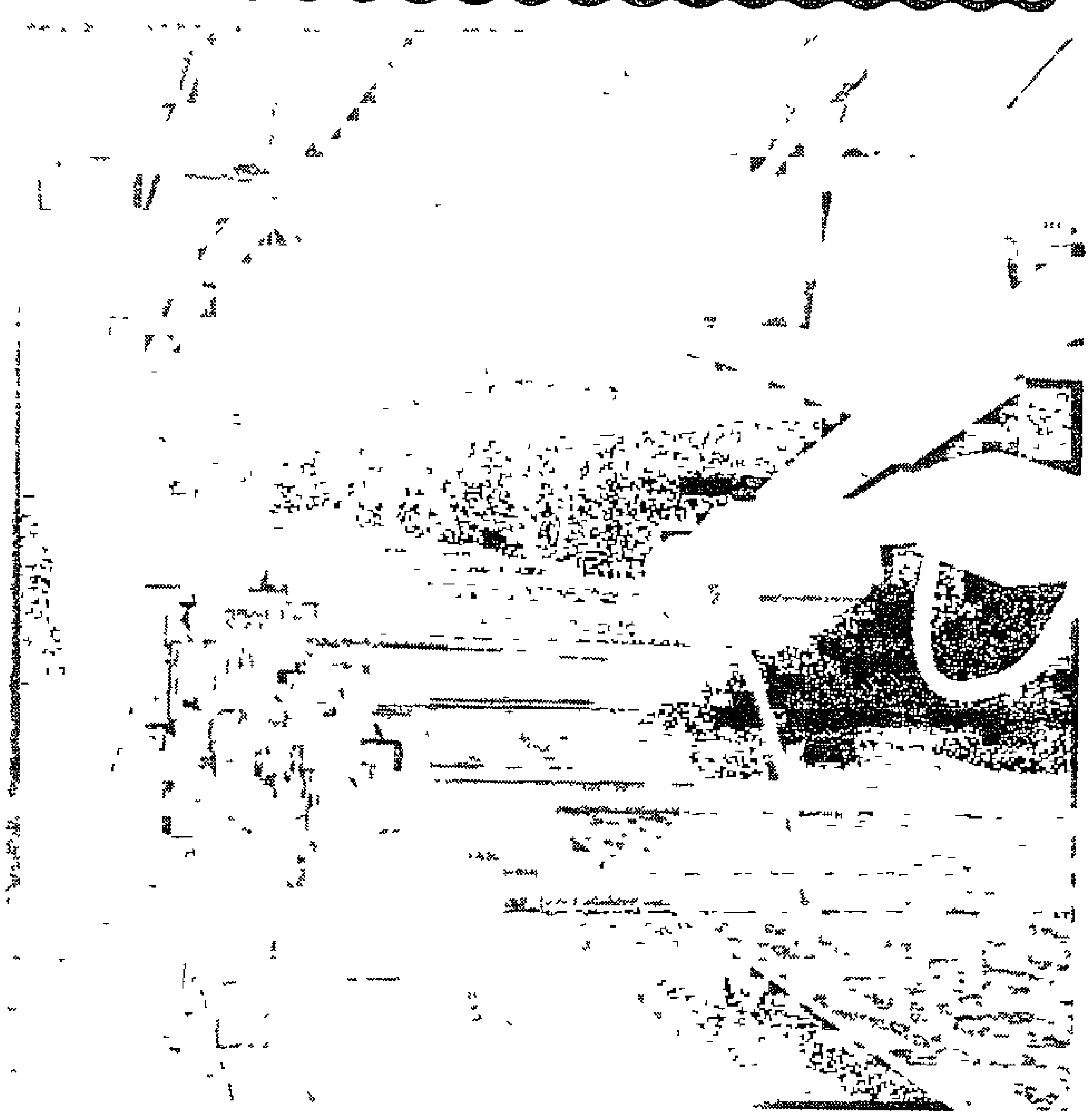
That means Tony's Boating Centre can now sell completely rigged boats and outboards to match everyone's pockets

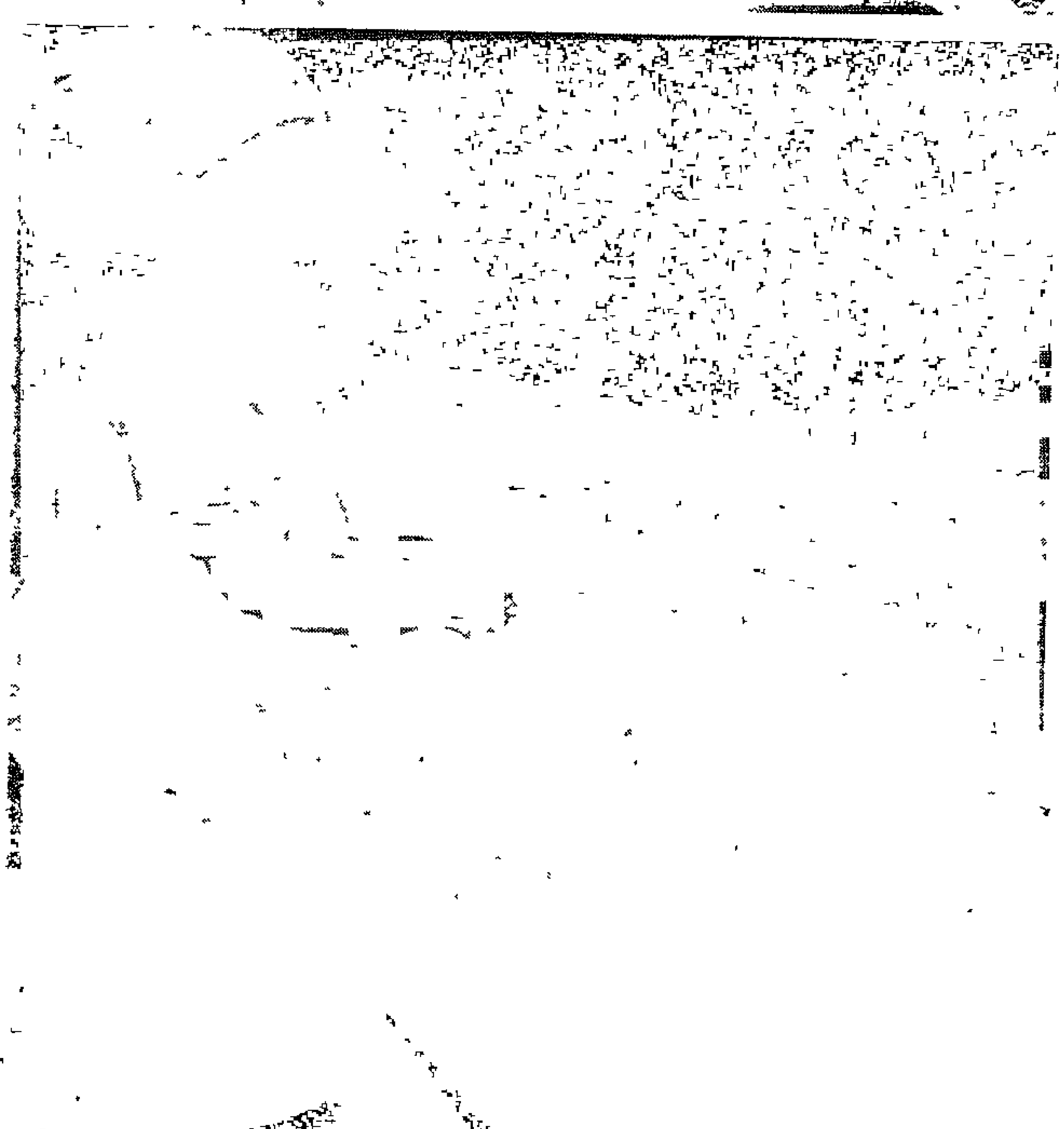
Tony's Boating Centre are also sole franchise holders of Boat Locker boats, Crestrider, Robcraft and Angler boats

They carry a large selection of boating accessories and have one of the best equipped outboard workshops in the country

Ready for fun and action on a Suzuki Wetbike.

Daily Dispatch photographer PETER WARE recently visited Da Gama's East London Plant (previously known as Cyril Lord). This is his photographic essay of his visit ....





R98 000 machine at Microturn

Mr I D. Schonknecht, the owner of the specialist engineering shop Microturn Engineering, has been aiming — with a good deal of success — to attract the more sophisticated quality of work which usually gets sent out of East London.

"Everyone runs to Johannesburg and Port Elizabeth," he says, "without realising we can do most of those intricate jobs right here."

Microturn's workshop is outfitted with four milling machines, tool and cutter grinders, a surface grinder and an extensive range of measuring equipment. The firm specialises in high quality moulds, press tools, jigs and fixtures and precision parts of machinery.

In addition Microturn acquired an extremely intricate, fully computerised turning centre — the TMC-4 — from Japan earlier this year, which was in fact East London engineering's entry into the computer age.

The machine, with accessories, cost Microturn R98 000 and replaces the conventional centre lathe, doing the same work piece in 15 per cent of the time with more precision.

Mr Schonknecht, who started off in 1965 as an apprentice fitter and turner, is geared up for growth.

"If we get more work we will put in more equipment," he says, adding that he will soon be aiming for work outside East London as well.

Everyone runs to Johannesburg

A large inflow of work this year has meant he has had to increase his staff from two artisans to four as well as putting in more equipment to meet the quota.

"But the really important thing is to ensure that East London industry spends its money here rather than sending money out of the region to other centres."

NEW BRICKFIELD AT MOUNT COKE

EAST LONDON — A new brickfield, which could bring welcome relief to the construction industry in the region, is to be opened up at Mount Coke in the Ciskei by Kei Brick and Tile (Pty).

The company has been started up with the backing of the Ciskei National Development Corporation (CNDC) and the Corporation for Economic Development (CED) and the Mount Coke brickfield represents an initial capital investment of R1,25 million.

The company aims to be labour rather than capital intensive and will initially employ about 200 labourers.

Mr John Davis, managing director of Kei Brick and Tile, said that because of the shortage of bricks in the region they had searched for a suitable site to launch their first project.

East London is not well-endowed with good clay, but the clay at Mount Coke is both long in depth and good in quality. From our drilling we have established that the shallowest extent of the clay is 33 metres and the deepest 47 metres.

"Also being 45 km from East London and 18 km from King William's Town we are in a central position to provide these towns with our products.

"We aim to provide a good quality product so that if there is a slump in demand customers will still come to us first."

Mr Davis said the first common or stock bricks would be ready by the end of November and the first face bricks would be ready by February. He sai[d] forecasts indicated the[y] would be able to produc[e] 18 million bricks a yea[r] two and a half million c[of] which would be fac[e] bricks.

"We aim to diversif[y] our products once the in[i]tial stage of the project i[s] off the ground. Thus w[e] aim to produce ventilatio[n] blocks, cable covers, quarry tiles and pavin[g] blocks.

"Before we think of ex[pansion], however, w[e] must see how the marke[t] develops. The Borde[r] region is our stampin[g] ground and we have n[o] plans at the moment to ex[pand] into other areas."

Mr Davis said the bul[k] of the labourers would vir[tually] be starting fro[m] scratch and he hoped tha[t] the brickfield would serv[e] as a training ground fo[r] Ciskeians.

Typical Wild Coast beach scene. This one is at Wavecrest. The TDC is presently upgrading all of its Wild Coast holiday resorts.

TDC backs new industrial area

The Transkei Development Corporation is now more than ever geared to a programme of positive action for the future development of Transkei with certain fixed goals in its sights

Major policy strategy will be to implement government policy and hand over commercial projects run by the TDC to Transkeian businessmen so as to encourage the establishment of a strong middle class Transkeian business core to boost the country's economic progress

This policy is being carried out with great success. During the past nine months the corporation has handed over 12 of its going concerns to Transkeians and assisted businessmen to purchase a privately-owned hotel In the process the corporation made approximately R5,6 million available as loans to the new owners.

The concerns include six Tembalethu Wholesale branches at Viedgesville, Flagstaff, Mount Frere, Cofimvaba, Bizana and Engcobo The rest involves six garages and a loan made available to buy the Needles Hotel at Port St Johns.

The Tembalethu branches at Butterworth, Engcobo and Cala will be handed over shortly The hand over of Umtata branch is under negotiation.

As further assistance to these wholesalers, Mr Sonny Tarr, managing director of the corporation, has announced that the TDC is setting up a central buying organisation to harness the purchasing power of the wholesale business in Transkei

This organisation will have stronger bargaining power to purchase goods at the lowest possible prices to the advantage of the Transkei economy

Ultimately goods will be bought on behalf of all TDC assisted wholesale groups in Transkei — a trade valued at over R60 million annually.

Because commercial ventures which the corporation took over from white businessmen in Transkei are limited, the corporation has made it a major task to continue establishing further viable commercial ventures which will ultimately be handed over to Transkeians

One prospect which is being examined, Mr Tarr said, was the further development of business centres

The corporation has certainly taken on a new look and is concentrating its energy on the industrial, commercial and tourist development of Transkei

A major development being undertaken on the Wild Coast is the new Holiday Inn Hotel and casino complex at Mzamba

With the transport and agricultural divisions now being divorced from the corporation, its resources are concentrated solely on these projects

The TDC has also set the wheels in motion for the development of a new industrial area at Ezibeleni in the north-west corner of Transkei near the Border with Queenstown

"This development is receiving preferential treatment from the TDC as we are anxious to create as many new job opportunities as possible in this part of Transkei," Mr Tarr said

He confirmed that negotiations for the establishment of several industries at Ezibeleni are already at an advanced stage The negotiations include a brickyard and furniture factory

Some 10ha have been provisionally zoned for industrial development and can be extended when necessary.

It is expected this development will also open up new avenues for Transkeian businessmen to expand into this area

Approximately R100 000 has been earmarked for developing the initial infrastructure The area is 12km south of Queenstown on the main East London Johannesburg railway line, easily accessible to major markets

This development could also open up a new route for Transkei Airways to include Queenstown on its flights to and from Johannesburg for the convenience of industrialists visiting the area

New development is also taking place at Ilinge The corporation has also committed itself to eliminating a major housing shortage which has reached a critical stage Negotiations are under way with the Transkei Government to provide the proper infrastructure for the construction of new dwellings

GREAT IMPROVEMENTS TO HOTEL RESORTS

The TDC has spent nearly R600 000 during the last four years on renovations and improvements to its Wild Coast holiday resorts At Umngazi Bungalows Hotel alone R180 000 has been spent on improving facilities

The TDC has ambitious plans for further developments along the Wild Coast without tarnishing its natural scenic and tranquil wildness

The corporation is acutely conscious of preserving the unspoilt environment along the Wild Coast, but is continuing to modernise the resorts for the benefit and comfort of tourists

Improvements have been carried out at a number of resorts

SEAGULLS HOTEL

Bar, lounge and recreation areas have been expanded and refurnished Nearby Trennerys has undergone substantial refurnishing and improvements to its bar and lounge and now boasts a floodlit tennis court

Wavecrest Hotel has a new bar-lounge, while general improvements have been made to all the rooms.

MAZEPPA BAY HOTEL

New attractive seafacing rooms have been added and general improvements carried out to existing rooms New bathrooms have also been built. The existing bar and lounge has had some alterations done and a new all weather court has been built

OCEAN VIEW HOTEL

At Ocean View new rooms have been built and considerable improvements are planned for this resort for the 1982 financial year

UMNGAZI BUNGALOWS HOTEL

The main buildings of the hotel have been reconstructed and now feature a new bar, new lounge, kitchen and dining room

At Second Beach near Port St Johns, the caravan site has been improved and new ablution blocks erected The bungalows are completely self-contained and fully equipped

FLY-IN-HOLIDAY PACKAGE

The airstrips at the various hotels will be improved to encourage more fly-in-holidays A fly-in-package is available from Johannesburg for eight days, which includes return flights, accommodation and all meals

Holidaymakers flying from Johannesburg can be on a Wild Coast beach within three hours of leaving Johannesburg

Apart from fishing and swimming, various other recreation facilities are available at the resorts Golf courses are available at three hotels and tennis courts at six hotels, while one hotel has a bowling green and another a squash court

Negotiations also are under way to take over the Lagoon Hotel at Coffee Bay and Kob Inn

One of the Wild Coast's best known scenic attractions — Hole in the Wall near Coffee Bay.

Berkshire geared up to meet new challenges

Berkshire International (SA) first started hosiery production in East London in 1949 and has grown from a single product manufacturer into a three-divisional, public quoted company with strong international affiliations

HOSIERY DIVISION

In 1949 the process involved dyeing and packing knitted hosiery imported from the parent company in the US

On May 25, 1951, however, the factory, situated in the Woodbrook Industrial Area, was officially opened and went into full production Berkshire thereby made the first stocking to be entirely manufactured in South Africa

Today the factory still manufactures hosiery of the highest quality, which is sold under the Berkshire label There are styles and colours to suit all tastes

In addition, hosiery under the prestige "Chrisian Dior" label is manufactured, distributed and sold exclusively by Berkshire International

KNITWEAR DIVISION

In 1965 the company entered the field of fully fashioned knitwear and after detailed research, the first Berkshire knitted garments for women were launched on the market in early 1966

This range has expanded over the years and the application of up-to-date knowledge has ensured that fashion trends and styles are fully catered for in an extremely diversified plant with the very latest in fully fashioned, circular and flat-bed knitting equipment

H. D. LEE DIVISION

In 1973, H D Lee Co (SA) (Pty) was established as a wholly-owned subsidiary of Berkshire International and in 1974 the "Lee" range of work and leisurewear was manufactured in South Africa for the first time

Full expertise gained since the formation of the H D Lee Company in Kansas City, US, in 1889 has been applied to the manufacture of the famous "Lee Riders", authentic Western-styled denim jeans and various other "Lee range" extensions

"Lee" branded shirts have lately been launched on the South African market to create the total authentic Western look in work and leisurewear backed by the promise of "Lee" quality and durability

VANITY FAIR

Berkshire International also imports and sells the famous "Vanity Fair" line of women's lingerie, manufactured and styled in the United States

GENERAL

Berkshire International is the only company with its head office in East London which is quoted on the Johannesburg Stock Exchange

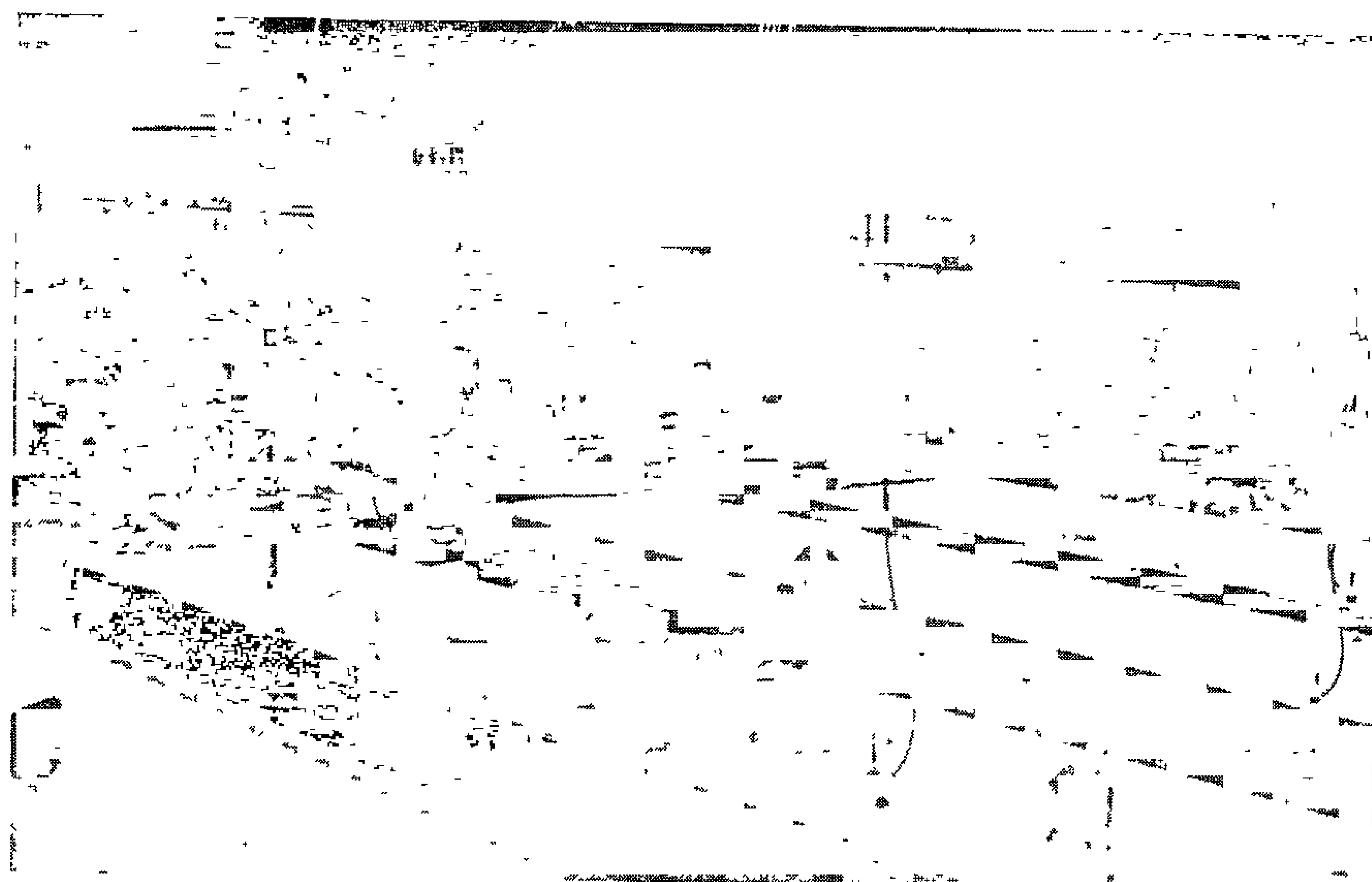
The company employs over 1000 people in its factory and in the countrywide sales and distribution structure

The company's labour strength and relatively low labour turnover can be ascribed to a modern management approach with accent on good human relations Full training is provided both on and off the job and good fringe benefits ensure a loyal and stable workforce

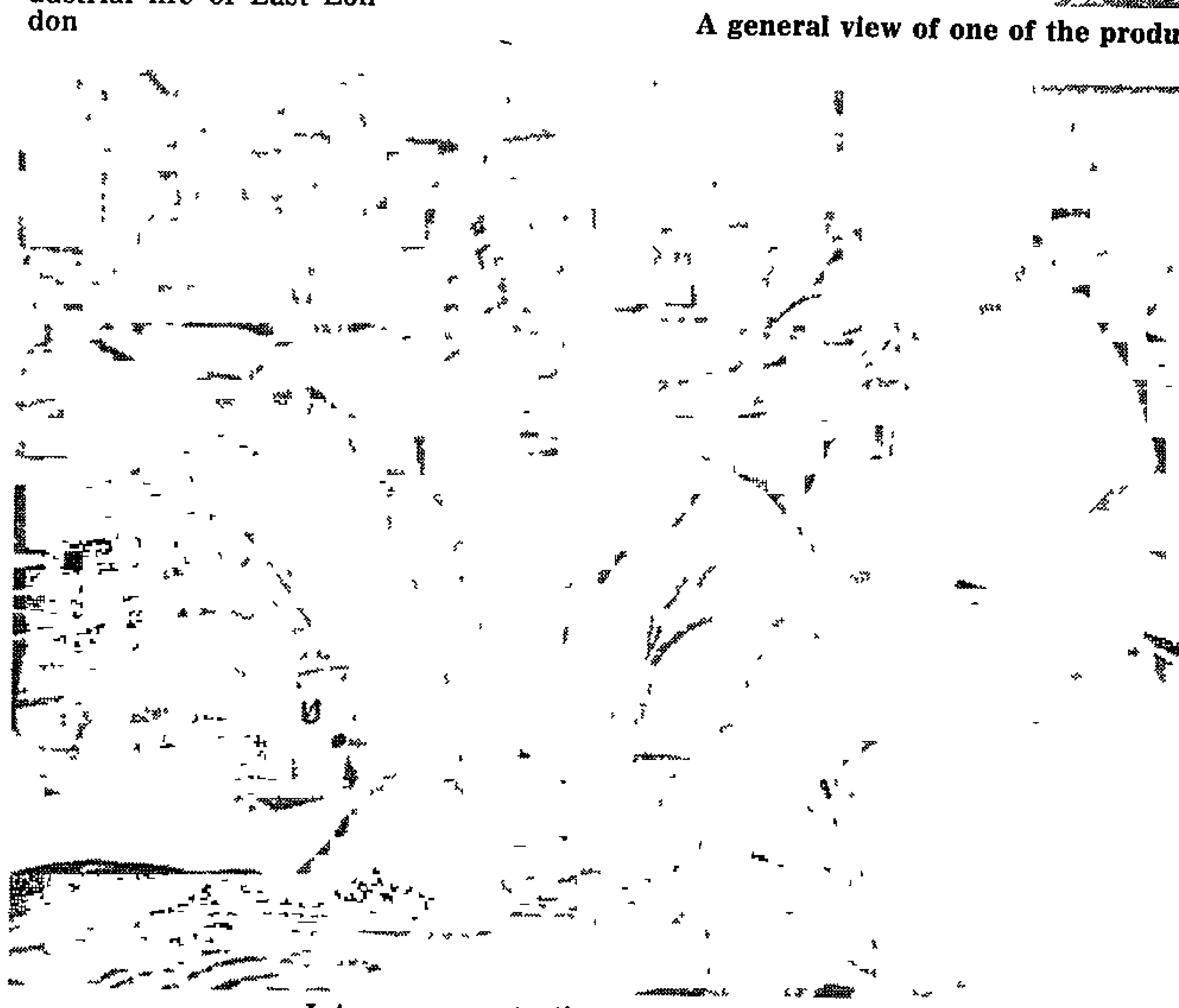
The company has entered a growth phase and expansion programmes are underway at present to meet the further challenge of the 80s

These include increased production facilities, especially in the hosiery and "Lee" areas — 60 of the latest electronic knitting machines with built-in mini-computers representing the most up-to-date hosiery technology are on order from overseas and will arrive in the next few days — as well as improved staff facilities, including a new staff canteen which has just been completed

The future of the company looks good and the name Berkshire will continue to provide a firm foundation stone in the industrial life of East London



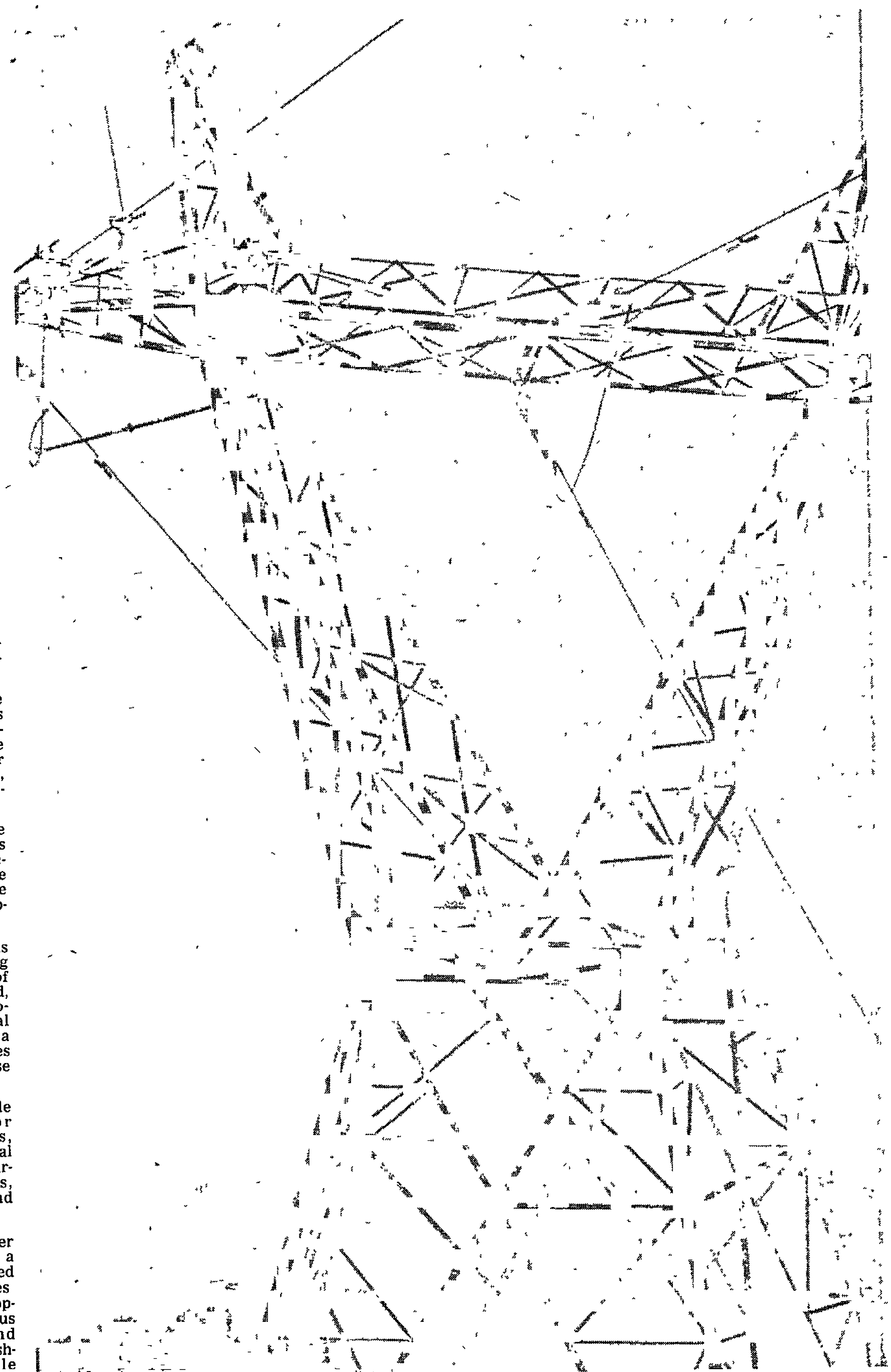
A general view of one of the production halls at Berkshire International



Intense concentration at a sewing machine.

Making pantihose at Berkshire International

Escom offers wide range of employment opportunities



Escom workmen on the job. Here a faulty string of insulators is to be lowered to the ground while the 132 kv conductor is held in working position by means of specially insulated sticks.

Escom is a utility corporation established to supply electricity where and when necessary. The head office is in Sandon and for Escom's management and administration purposes South Africa is divided into six geographical regions.

The Eastern Cape region stretches from beyond Humansdorp in the south, works its way through a large portion of the Karoo around Aberdeen, Victoria West and Britstown, incorporates part of the southern Free State from just south of Bloemfontein, goes via Smithfield and Zastron and then along the Transkei boundary. The area is now being extended west into the Langkloof.

The Eastern Cape region's headquarters are at Escom House in central East London and the total work force in the region consists of just over 2 000 people in the administration, planning, maintenance, operating and construction fields.

Senior engineering and all levels of administrative staff are based at Escom House and because of the nature of Escom's operations, senior technical personnel are also based at 15 major depots and four power stations in the region.

Escom's annual growth of around 10 per cent impacts on this region as much as on any other and as the local administrative department gears up to shoulder this ever increasing work load the demand for clerical, administrative and management staff increases.

In addition to the growth aspect, this department's administrative activities are being extended to cover new fields in accounting, personnel and administration.

The Eastern Cape region covers a wide cross section of Escom's activities and is responsible for extensive high-voltage networks and large substations.

Coupled with this, this region is unique in having three different types of power stations coal-fired, gas-turbine and hydro-electric. Our technical staff therefore cover a wide spread of activities resulting in a broad base of experience.

Such activities provide opportunities for electrical engineers, technicians (in electrical engineering and land surveying), electricians, fitters and turners and linesmen.

Escom, like many other organisations, is facing a critical shortage of skilled manpower in all spheres. The training and development of employees is thus a major priority and Escom's trainee establishment is due to treble within the next three years, offering excellent career opportunities to people throughout the region.

Diesel truck service centre at Malcomess

Malcomess Toyota have opened a specialised diesel truck service centre adjacent to their existing premises which border Cambridge, Union and Station Streets.

Managing director David Brierley was motivated by two factors in deciding to open the new facility — the advent of the Atlantis Diesel Engine factory and the high cost of downtime to operators should their trucks be inoperative.

Fitting a standard engine, manufactured by Atlantis Diesel, to all heavy trucks next year is going to make the technical variation between various truck types minimal.

Malcomess Toyota believe that in future the fleet-owner will view service facilities critically when making a buying choice.

Furthermore, with the anticipated dramatic increase in diesel truck prices, resulting in high capital costs, aggravated by the high cost of interest from banks and finance companies, it is essential for truck operators to minimise their downtime, thus obtaining maximum utilisation of their trucks.

To summarise, the Malcomess Toyota group believe that the public of East London is entitled to efficient and courteous service and confirm they will be offering such service from their new truck service facility.

CAREER OPPORTUNITIES

GRADUATES

PUPIL TECHNICIANS

APPRENTICES

LEARNER DRAUGHTSMEN

LEARNER DRAUGHTSWOMEN

LEARNER LINESMEN

We can offer you:

- Training and development
- Rewarding work
- Opportunities to advance
- Competitive salaries
- Excellent fringe benefits

Escom is today one of the largest Electricity Supply Utilities in the world. Escom's Eastern Cape Region, with its Head Office in central East London, plays a vital part in this operation by supplying electricity over an area of 200 000 square kilometres

Together with the Regional Staff at the 15 major depots sited in the Border, Eastern Cape and the Karoo the total staff complement is more than 2000 at present and planned expansion of the overall supply of electricity at an annual rate approaching 10% is raising this staff total continuously.

For the right person in this company, prospects are obviously unlimited both regionally and nationally and there are regular opportunities for self-development

Graduates:

If you have a B Comm, B Admin, B Sc (Electrical Engineering) or a Human Sciences Degree, then we have just the job for you There are career opportunities in our Accounting, Personnel, Administrative or Electrical Engineering Departments.

Pupil Technicians:

While receiving an excellent salary, you will receive practical as well as Technikon Training in Electrical Engineering (Heavy and Light Current) or Land Surveying. All you need is a Senior Certificate with a good pass in Maths and Physical Science

Apprentices:

Escom can boast of a 100% pass rate for Apprentices at the National Trade Test in 1980 If you are interested in becoming an Electrician or Fitter and Turner with Escom, all you need is Std 8 with a pass in Maths and Physical Science.

Learner Draughtsmen and Draughtswomen:

We are looking for people who will eventually take up permanent positions in Queenstown and Uitenhage Escom offers complete in-house training in Survey Draughting. All you need is a pass in Std. 9 and a love for drawing.

Learner Linesmen:

If you enjoy the outdoor life this may be just the job for you! We promise hard work and a definite career path All you need is to have passed Std. 8.

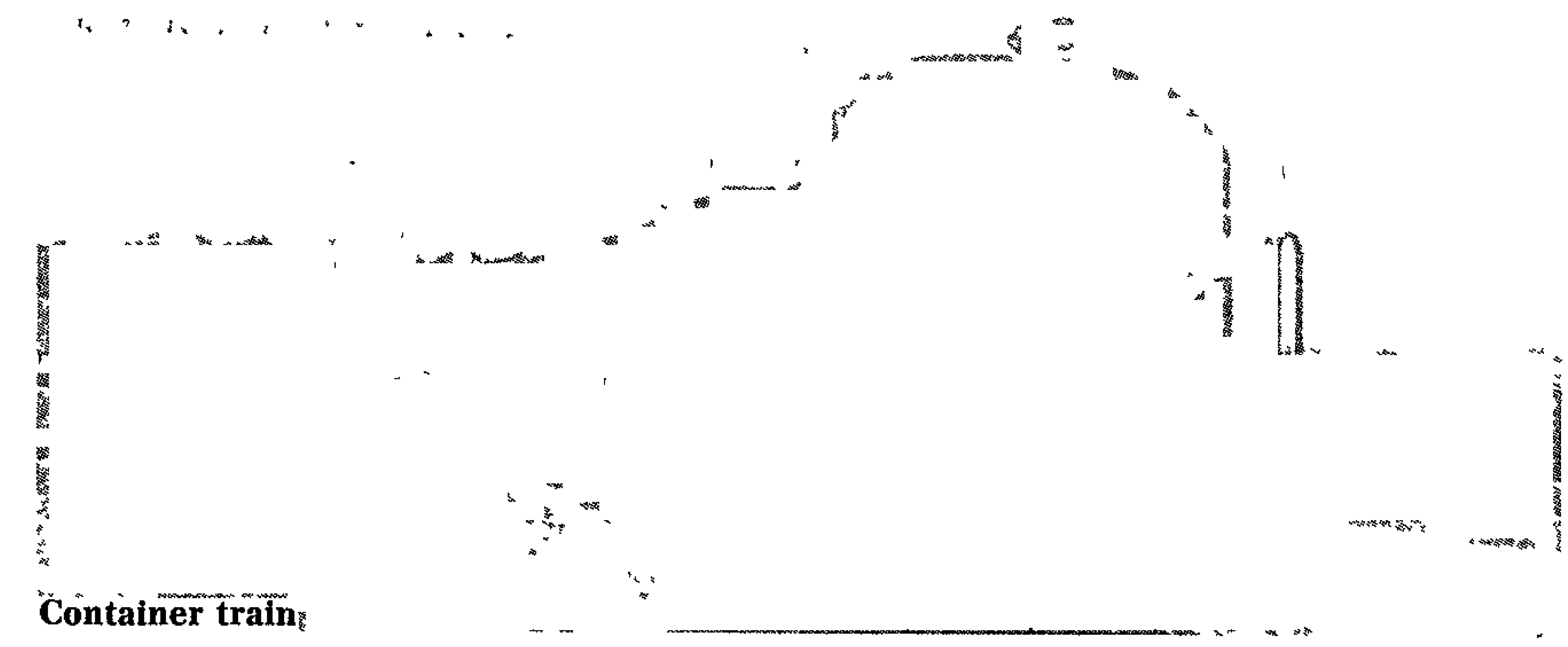
If you would like more details, please phone **Miss Diana Mildenhall** at **24271 (Ext. 90)** or write to:

The Regional Manager
ESCOM
P.O. Box 667, East London, 5200

(Application for employment)

The force behind the power

ESCOM



Container train

Concern over East London box train and container hold-up at City Deep

Because of the mammoth backlog in clearing containers from the City Deep terminal, the Border Chamber of Industries is concerned the daily express box train from East London to the Rand is in jeopardy

The chamber is concerned Border industrialists, worried about goods waiting up to a month to be cleared from City Deep, will revert to conventional rail traffic, at the expense of the special box train, to move their goods to the Rand

The box train, a fast train specifically for container traffic, was introduced in 1978 by the then Cape Eastern System Manager, Mr D Butler, at the request of the BCI

Introduced experimentally for one year, the box train was an immediate success, cutting end-to-end clearing from up to three weeks to six to eight days

But an immediate controversy also arose because of a new box rate — R482,40 for a 6m container — introduced at the same time

Because mass was not a factor, the rate favoured manufacturers of heavy products An East London battery manufacturer, for instance, could fill a 6m container with 17 tons of batteries Railage then cost R28,30 a ton compared with R62,20 by conventional rail

One of East London's biggest manufacturing concerns, Johnson and Johnson, reverted to conventional rail a year ago

Mr Norman Paine, who heads J and J's transport division, said the decision to revert to conventional rail was taken for two reasons — costs and time

"Because J and J's products are lightweight goods, it is cheaper for us to rail conventionally," he said "It also means we can bypass City Deep as conventional rail cargo goes to Kaserne "

Mr Paine also holds the transport portfolio on the BCI executive committee and wearing this cap he noted "Industrialists on the Border are going to have to look at their costing

"They will have to sharpen their pencils and decide whether to use containers and get jammed up at City Deep with one-month deliveries, or go to conventional rail and get six to eight-day delivery through Kaserne

"To assist the Railways in clearing the backlog at City Deep, the BCI would like to know if the SAR, as a temporary measure until the backlog is cleared, will consider allowing industrialists to use the cheaper box rate on conventional rail

"This means goods would be routed to Kaserne and it would help to relieve the situation at City Deep "

Mr Paine said the BCI was also concerned about the shorage of containers and particularly 3m containers The rate for 3m containers is half the rate of 6m boxes

"And what's happened to all the mobile containers — the so-called pakwas?" he asked "Because of their mobility they could be hitched up immediately on arrival at Kaserne and delivered immediately

"Now, when they are most needed, they seem to have disappeared completely" he said

Mr Paine also called on the Railways to allow private enterprise in the form of transport hauliers to help clear the City Deep backlog

Various reasons have been put forward for the congestion at City Deep, including mismanagement by the Railways

Mr Paine says he believes the Railways "were caught with their pants down" because of the sudden surge in volumes being handled at the huge container terminal in the wake of the general economic upsurge in the country

"They were just not geared up to handle the increased volumes," he says

Mr Paine has also been commissioned by the executive committee of the Federated Chamber of Industries to investigate the SAR scheme which offers wholesalers a 33,3 per cent rebate on handling charges if they keep their warehouses open 24 hours a day and allow night-time off-loading

"It's fine for big concerns," says Mr Paine, "but it becomes ludicrous when you look at it from the point of view of smaller companies

"It costs R60 to offload a container The R20 saving for night-time offloading is totally non-viable for smaller concerns The costs of retaining labour to handle the containers at night-time are far above the R20 saving and that's the aspect I have been asked to investigate

Questions put to SAR

A number of questions were put to the South African Railways arising from points made by Mr Paine.

These were:

1. Will the SAR consider compensation in applying the box rate on conventional railage as a temporary measure?

2 Has any other industry on the Border, Transkei or Ciskei indicated it is considering withdrawing from using the box train?

3. Why is there such a shortage of containers and particularly 3m containers?

4. What has happened to all the pakwas? Where are they?

5. What is being done to alleviate the City Deep situation?

6. When will an extra air-brake train be introduced?

and the reply

We're doing everything we can

As far as the backlog of containers at City Deep is concerned, the Railways and organised commerce and industry have worked in the closest co-operation to alleviate the position

The facts are that at the beginning of April this year the number of containers on hand for delivery at City Deep and the transit times from all the ports were normal, but because of two long weekends in April and one in May when container vessels continued to arrive and discharge containers, and trains were running with containers to City Deep, the private sector had almost a complete shutdown which naturally caused a congestion and backlog

Furthermore, while trains are run seven days of the week to City Deep, only about 23 per cent of container-users in the Pretoria and Witwatersrand area are prepared to accept containers after normal working hours on week-days and over week-ends Until recently that figure was less than 10 per cent

In connection with the rebates on cartage charges which are offered to receivers of containers prepared to accept deliveries outside normal working hours, the question could seriously be asked whether the private sector, having regard to the huge sums of money tied up in containers, should not as a matter of course work seven days a week as the shipping lines, the harbours and the Railways are forced to do?

Apart from the reasons mentioned for the backlog, there were other contributing factors of which the most important was the down time on the computer, particularly during the month of May, which caused serious documentation problems

The Railways also experienced problems — like all other industries in the Pretoria, Witwatersrand and Vereeniging area — with drivers not returning punctually from homelands after the long week-ends

The daily train which conveys containers from East London to the Reef is not in jeopardy and it is certainly not our intention to withdraw it This train also conveys other urgent traffic

However, containers are transhipped from this train to a fast airbrake train at Bloemfontein and under normal conditions a container will take between five and six days from acceptance at East London to delivery to the consignee on the Reef

During the last few weeks the delivery time has been about 12 days

The suggestion that private enterprise should be allowed to deliver containers out of the City Deep terminal cannot be entertained for various reasons The Railways deliver 50 FCL containers nightly to SACD, which is situated next to the Railways terminal, from where these containers are delivered by private hauliers

This is the maximum number of containers private hauliers can handle because of a lack of suitable equipment

The answers to the questions posed are as follows

1 The Railways administration has no intention of applying the box rate on conventional traffic as a temporary measure.

2 No other industry on the Border, Transkei or Ciskei has indicated it intends withdrawing from using the box train

3 Although the backlog at City Deep has caused a temporary shortage of three-metre containers in some areas, the local demands at East London have been fully met except on two days during June when five and two three-metre containers respectively could not be supplied on the days ordered

4 The mobile container or "pakwa" was introduced in the 1950s as a form of container, but because of the unfavourable weight ratio of the "pakwa" to the mass of the goods that can be conveyed by pakwa, the use of these units is totally uneconomical to the Railways and they are being phased out of the system There are now only 590 units in service and they are supplied when available

5 Steps which have been taken to alleviate the position at City Deep are as follows

(i) The computer and documentation problems have been temporarily solved by making use of relief staff and by reducing inefficiencies in the system to a manageable level

(ii) Endeavours are made to handle the overflow of empty containers for export (due to the import-export trade imbalance) during the night from container parks

(iii) Urgent containers nominated by container operators are normally brought from Durban to City Deep by special trains

(iv) Citrus containers which are packed by the Railways at Kaserne are now loaded on trains direct from Kaserne and not via City Deep A large percentage of empty citrus containers which are to be used for citrus is also railed direct to Kaserne

(v) In the same manner copper for export containerised by Freight Services and empty Saftainer containers returned overseas are railed direct from the private siding on the Reef to Durban and are not routed via City Deep

(vi) With effect from July 1, for a trial period of six months, containers delivered outside normal working hours on a Friday and on a Saturday will not be subject to detention charges provided one third are released before 10h00, one third before 14h00 and the balance before 18h00 on the following working day

6 An extra container train will be introduced when justified by the number of containers dispatched from East London, but for the last two months the average number of containers conveyed on the daily train to the Reef was only 10 a day

Improvair lead in air-conditioning and fire protection

A significant number of changes have taken place at Improvair in the past year These changes have occured due to the expansion of work obtained in the air conditioning and sprinkler fields

Due to the increased turnover it became necessary to increase the office accommodation and as a result the office accommodation was increased by approximately 50 per cent That was completed in December, 1980

In addition, rest room facilities and ablution facilities for the black staff was increased

A number of internal changes also were effected, including

1 The appointment of additional directors to the local board of Improvair in East London,

2 The appointment of a service manager,

3 The appointment of additional supervisory staff to cope with an increased work load in the field,

4 The increase of office personnel to cope with a larger work load

The changes brought about by the management of the company will improve the overall efficiency of the operation

In addition, greater emphasis has been placed on the training and retraining of staff and as a result equipment to the value of R7 500 was acquired during the past financial year to assist training

These training aids comprise a carrier cycle trainer, fault stimulator and audio visual programmes consisting of 32 functions, each function lasting approximately one hour

The policy of the company has been to try and recruit local people where possible, but in view of the shortage of skilled labour, a certain amount of recruitment has been undertaken overseas

To date an additional five office and workshop staff have been recruited from the United Kingdom

During the past six months there has been a significant increase in the number of air conditioning and fire protection contracts

Recently Improvair secured a contract to the value of R127 000 for the automatic sprinkler installation at Consolidated Textile Mills

A contract to the value of approximately R80 000 for the sprinkler protection at the new shopping complex at Mdantsane has also been secured

A multi-service contract for the installation of air conditioning, vacuum services, de-ironized water, gas installation, water pressurization, water treatment, refrigeration cold room installation and steam installation was recently awarded to the company at an approximate amount of R970 000.

This is the first complete multi-service project of this nature awarded to Improvair

The contract is for the University of Fort Hare and in addition to this multi-service contract, an additional contract to the value of R81 000 for the supply and installation of central systems for the two women's hostels at Fort Hare University was also awarded to the company

At present Improvair is in the process of completing the air conditioning and sprinkler installation for the arts block at the University of Fort Hare

In line with the policy of diversification, a recent contract completed for King Tanning was the supply and installation of a 10-zone drying oven worth approximately R100 000

In addition, a smaller four-zone drying oven was built simultaneously, which is also in the stages of final commissioning

More recently Improvair secured a contract for the air conditioning of the Checkers complex at Mdantsane, which has an approximate value of R200 000

The overall project must be complete by November, 1981 with a contract period of five months Due to the extremely tight programme it has been decided to utilise a new method of joining ducting together on site and this new method has contributed to an overall saving in time on site

Smaller contracts such as the air conditioning of Dyers Self Service Store, SATV office block and the air conditioning of the new Eastern Province Building Society offices in East London have been awarded to the company in the past three months

Work has also been undertaken in Bloemfontein, Kimberley and Kuruman on behalf of the Improvair offices in Bloemfontein and further work has been completed recently at Noupoort and Graaff-Reinet on behalf of the Port Elizabeth offices

While the Improvair office in East London has been accustomed to working in the country, it has seldom required for Improvair to work as far afield as the sites mentioned here

The increase in work load has been brought about primarily due to the upturn in the economy and is an indication of the company's ability to meet an increased work load and without undue strain being placed on the organisation

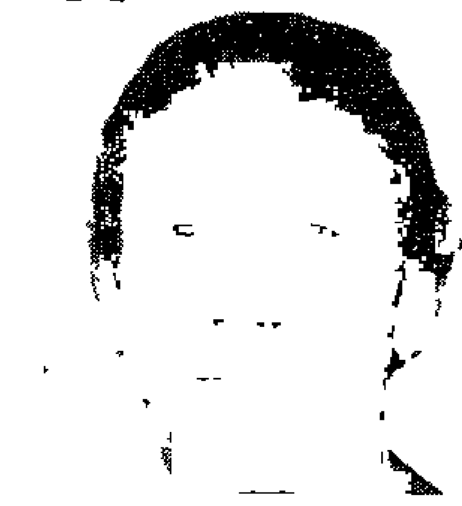
An aspect of the organisation which continues to receive much attention from management is the service and after sales aspect and as a result two new positions have recently been created to improve the overall efficiency in this department

All plants installed by the company are serviced and maintained at no extra charge to the customer for a period of one year from date of hand over

Thereafter all customers are notified of the expiry date of the free service and a service contract is offered to ensure optimum utilisation

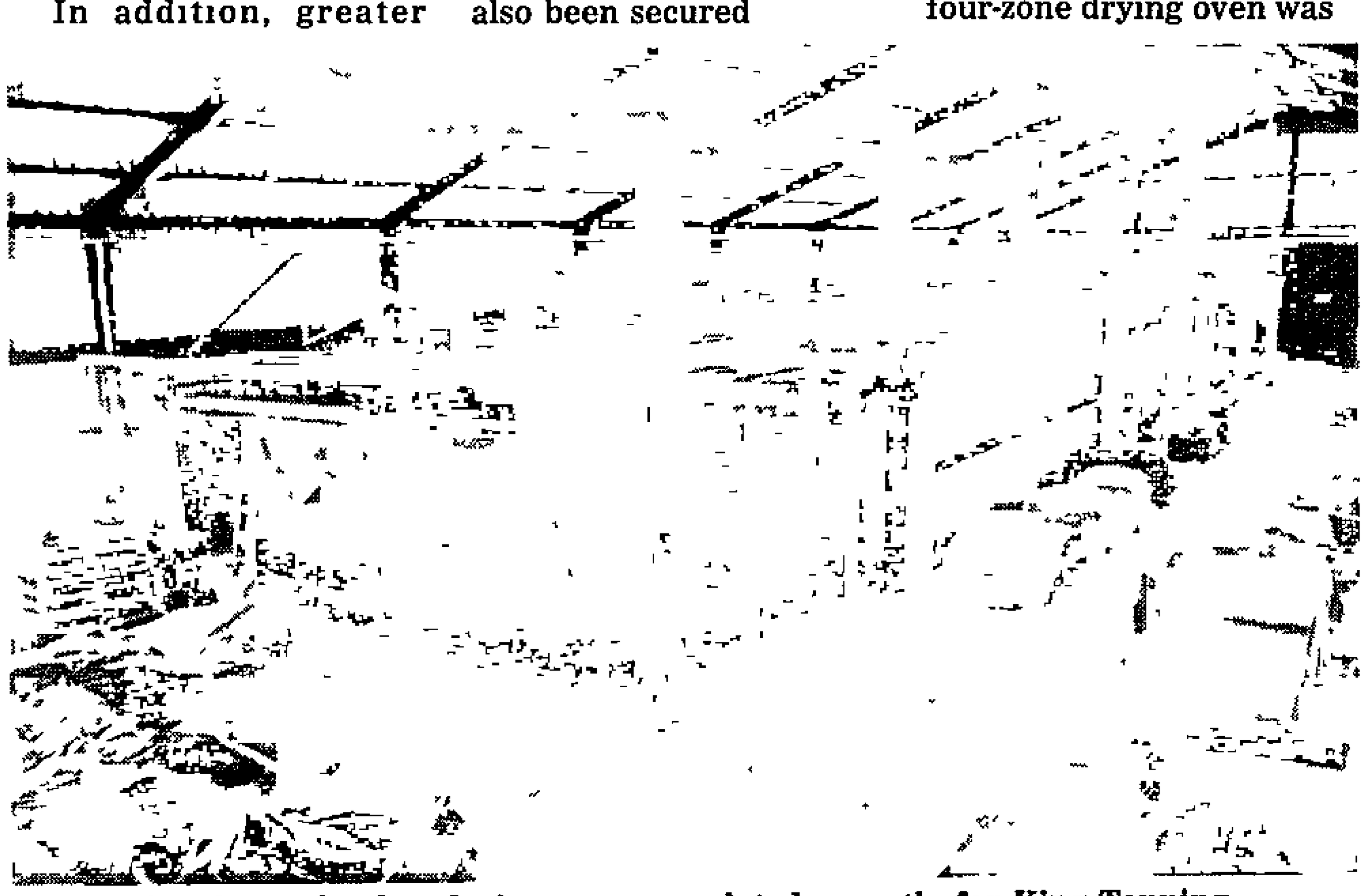
Much emphasis is being put on the aspect of correct maintenance and we believe that the contribution to the company's image will be enhanced greatly by our after sales service

Additional directors appointed

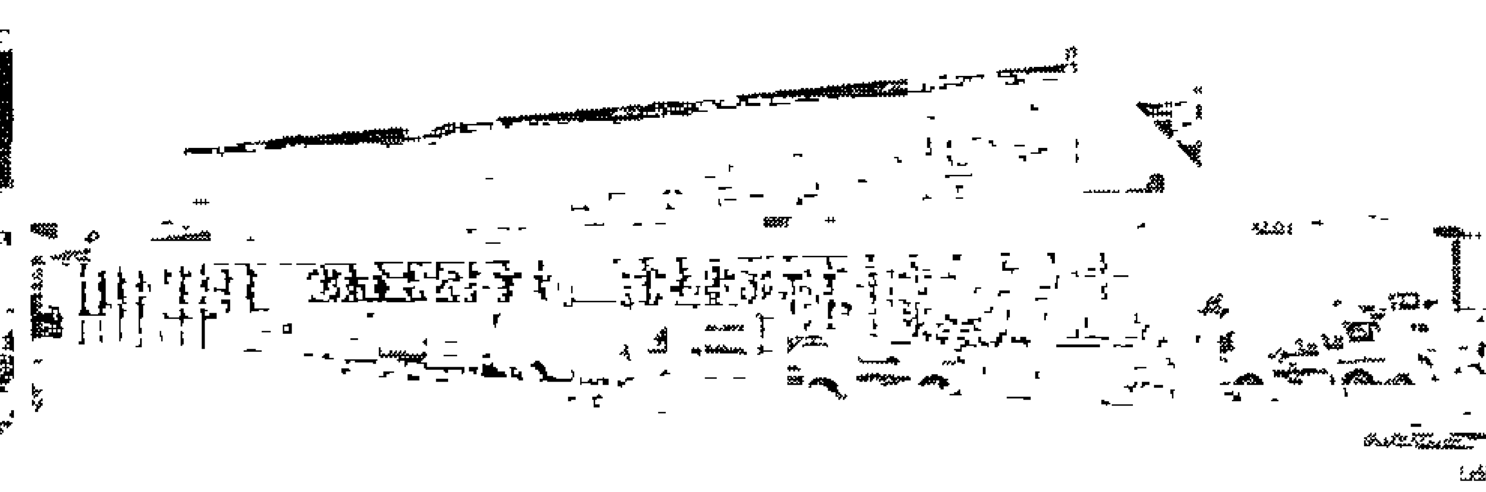


Mr Julian Seymour has been appointed to the board of Improvair (Border) (Pty) with the respon sibility of financial director He matriculated at Cambridge High School in East London and served five years articles with the East London branch of an international firm of chartered accountants After completing his articles he worked in local industry before joining Improvair in April, 1979

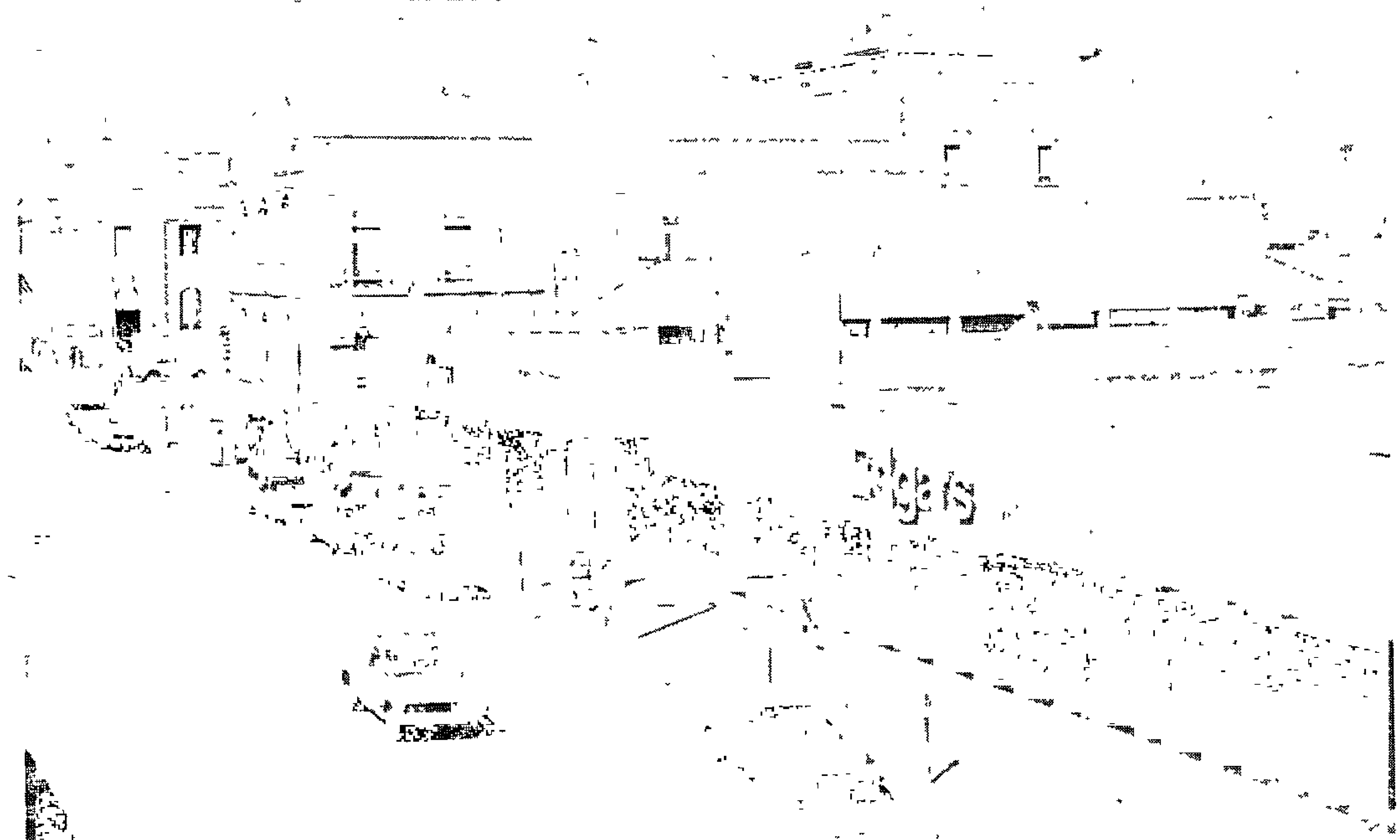
Mr Peter Smurthwaite has been appointed to the board of Improvair (Border) (Pty) with the responsibility of contracts director He completed his education at the National College for Building Services in London in 1963 and worked in the air conditioning industry in London He emigrated to South Africa in 1975 and joined Improvair the same year



The 10-zone leather drying oven completed recently for King Tanning.



The increased office accommodation at Improvair to cater for additional staff.



Part of the King William's Town Market Square shop development — built by LTA Construction (Ciskei).

LTA has R30 million work in Border and Ciskei

With R30 million of work in the Border and Ciskei, LTA continues to play a prominent role in the development of this region

At Queenstown, LTA is progressing with its R5,6 million contract to extend the Komani Hospital and at Fort Beaufort with the R4,3 million extensions to the Tower Hospital

In East London work on the R1,3 million Fleet Street police station is nearing completion and in King William's Town, the R1,3 million Market Square shop development is almost complete

In the Ciskei, LTA Construction (Ciskei) which is 45 per cent owned by the Ciskei National Development Corporation, has recently been awarded contracts totalling R7,5 million to add to the R9,5 million work already in hand (Five per cent of LTA Construction (Ciskei) is now owned by Ciskeians and 50 per cent by LTA)

New contracts include a R2 million shopping centre at Mdantsane, the R1 million Ntaba-kandoda stadium-monument, three new factories at Dimbaza (R1 million), an agricultural college extension at Fort Cox (R2 million), the Keiskammahoek magistrate's courts (R980 000); a foundry extension at Dimbaza (R200 000), and the CNDC administration building at Dimbaza (R320 000)

Earlier contracts now in progress include the R2,25 million arts block for Fort Hare University, the Maqoma Technical Institute at Alice (R840 000), the Mdantsane magistrate's courts (R3,2 million), the Dr Rubusano Training College (R1,5 million); and the Mdantsane sewage disposal works (R1,8 million) now nearing completion

Altogether LTA has been awarded contracts for 15 factoriss in Dimbaza

LTA Construction (Ciskei) was incorporated in June with shares held by LTA Ltd, holding company of the LTA Construction group of companies, the Ciskei National Development Coporation and Ciskeian citizens

From its inception the company set a high priority on training Ciskei workers and establishing working conditions that would ensure stability of staff and labour

The success of this policy has been shown in the company's highly successful tendering and the significant contribution it has been able to make to the Ciskei's industrial, commercial and educational progress

Kohler Brothers pioneers in printing and packaging

Kohler Industries started life in the Border Area as an agency for the African Container Company in Port Elizabeth, at that stage Kohler Brothers one and only corrugated plant. The agency proved so successful that Kohler Brothers decided to establish a depot in East London. This was done in stages and was completed when a board machine was installed in the sixties. Today the factory, which incorporates the original depot, covers approximately 2,5 ha. Over the last decade or so, industries have bloomed in the Border area and the volumes produced by the factory have increased steadily. Kohler Industries supply corrugated fibreboard containers and a significant slice of their production is taken up by the agricultural, textile, canning and confectionery industries. The company is well situated to take advantage of the future development of the Border industry. Kohler Industries are amongst the leaders in corrugated container development field. Some examples of their successes have been the development of a pineapple container used for exporting to the U K. and Europe. The pineapple container used for airfreighting fresh pineapples to U.K is reputed to be one of the best in the world to-day. They were also the first in the country to introduce the tomato container as a replacement for wood. This container has been fully accepted by the Border Tomato industry and the remainder of the country are now following this example

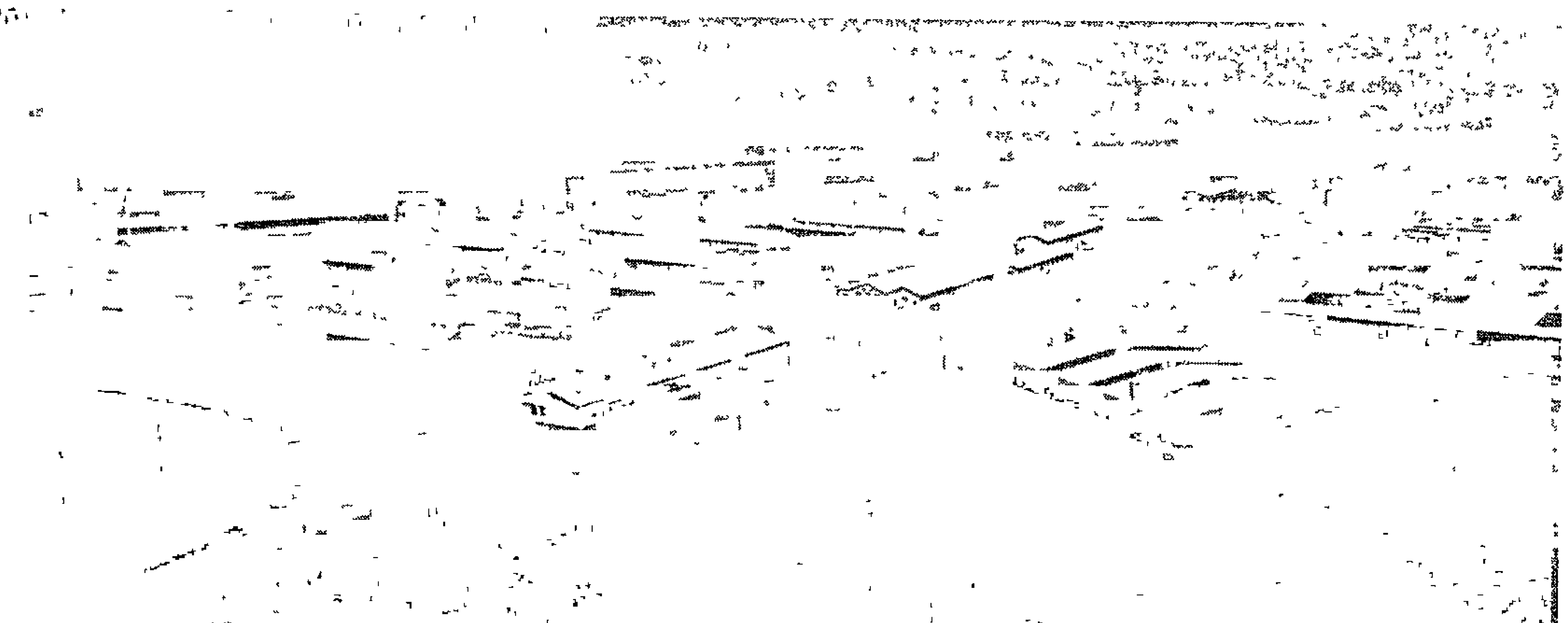
Hayne & Gibson and Kohler Industries have a stable and contented work force of approximately 300 people Both companies are heavily reliant on the Border Industrial area and are fully committed to development and growth within this area.

Kohler Brothers Ltd investment in the Border Area consists of two factories, Hayne & Gibson Border Ltd. and Kohler Industries Ltd.

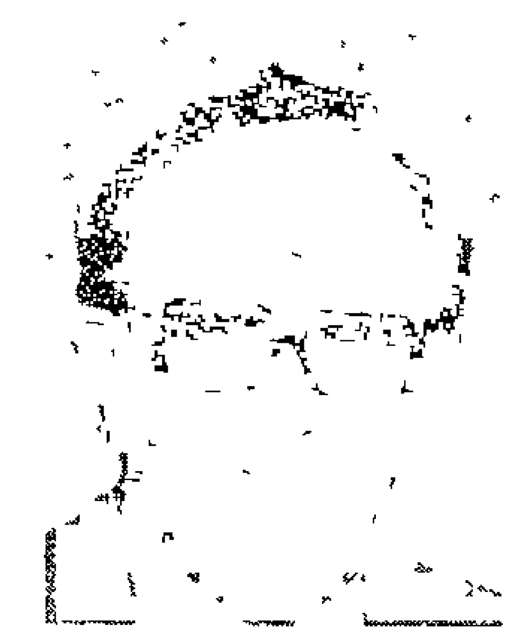
Although Hayne & Gibson's association with the Border Area goes back many years the existing factory was only opened in 1971. Prior to the opening of this factory all business was conducted by its Natal based counterpart. Initially the main product range consisted of lithographic cartons and labels. This range has since been extended and now includes Commercial printing, E. Flute cartons and flexographic wax wrappers.

The factory is situated in the Woodbrook Industrial Township and covers 5500 m² on a 4 ha site. The factory is designed to be a model of its kind, with a layout that makes for a smooth production flow and very advanced machinery.

The manufacturing programme has been continually broadened to meet the challenges of modern packaging trends The first Ultra Violet Printing System was introduced into Hayne & Gibson Border Ltd. and is still the only system of its kind in the Republic This system was installed primarily to meet the demand from our quality conscious customers and the need for increased productivity and diversification The latest expansion has been the entry into the wax paper market. The wrappers are flexographically printed and then coated both sides with wax, and are used mainly by the confectionery industry The marketing of these wrappers is handled on a national level. In 1977, Hayne & Gibson were one of the first printing works in South Africa to gain a 5 star NOSA grading which it has maintained ever since



A section of Dimbaza, which presently accommodates 33 factories representing an investment of R34,3 million.



The general manager of the Ciskeian National Development Corporation, Mr Frans Meisenholl, asks:

WHAT HAVE YOU DONE?

'he Ciskeian National ›evelopment Corporation CNDC) is directly con-erned with the economic evelopment of Ciskei Its ›rimary function is that of ttracting industry to :iskei through the con-essions offered to in-ustrialists

The success of the cor-›oration's activities can ›est be gauged by the ›umber of industries that have been established in Ciskei, the investment that has been attracted, and the employment opportunities created

In 1974 there were only four small factories in Dimbaza employing 172 Ciskeians When the CNDC was established in April 1976, the industrial development of Ciskei became the corporation's top priority

By June 1981, a total of 33 industries had been established in Dimbaza, representing an investment of R34,3 million and providing employment opportunities, at full production, for about 2 878 Ciskeians

Besides the industries in Dimbaza, seven other industries have been established in various towns in Ciskei under the concessionary scheme and five others by the CNDC itself

This brings the total number of industries presently operational in Ciskei to 45, involving an investment exceeding R50,3 million and employing 4 922 Ciskeians This represents an effective cost per job opportunity of R10 219, which compares favourably with other developing areas

Products manufactured by industries in the Ciskei include carbon and manganese steel castings, protective leather clothing, bicycles, extruded plastic, wool washing and combing, paint, electronic components and furniture

The CNDC's activities in Ciskei have stimulated a total investment of R97,3 million in the country We have illustrated briefly the success of the corporation's industrial recruiting and establishment programme, which constitutes roughly 50 per cent of the investment that has been stimulated, but how many people know what other investment and activities constitute the remaining 50 per cent?

For instance, housing and business loans to Ciskeians are granted on a continuous basis To date 2 522 Ciskeians have been assisted with housing loans, representing an investment of R9,4 million, while 414 Ciskeians have business loans with the CNDC Investment in the latter is R5,9 million

The CNDC is a 50 per cent shareholder in the CTC Bus Company, which provides an effective transport network throughout Ciskei Its 277 buses daily transport more than 163 000 people over some 51 000 kilometres

The corporation also operates two garages — one at Alice and the other at Peddie

Five hotels, situated at Hamburg, Peddie, Whittlesea, Keiskammahoek and Mdantsane, form part of the CNDC's activities while the Mpekweni Holiday Resort was recently added to the corporation's commercial projects.

The corporation also operates a sophisticated sorghum beer brewery in Mdantsane, a five-factory complex in Sada producing jerseys, toys, clothes, carpets and bread, a ceramics factory in Alice; and a cinema in Mdantsane

The Tainton pineapple complex near Peddie grows about 10 000 tons of Cayenne pineapples for canning for the export market

Well, you might be asking, where does all this leave us?

For many years the Ciskei-Border area has lagged behind the rest of South Africa in its economic growth Civic leaders have pleaded with the South African Government, politicians have lobbied in Govern-

Continued on page 37

Unathi Timber Products, a factory in Dimbaza, produces a variety of office and other furniture. Here a wooden salad bowl is being turned by a Ciskeian trained on the floor.

Indwe Pottery, a CNDC project at Alice, produces exquisite ceramic articles. Each item is individually hand-painted by highly skilled Ciskeian women.

There is still much to be done

ment circles, sociologists, psychologists, planners and developers — all have had their say

But when all has been said, there is really only one question each person needs to be asked "What have you done?"

"What concrete contribution have you made towards improving the lot of the people in this area?"

In this regard the Ciskeian National Development Corporation stands back for very, very few As I mentioned earlier, the CNDC is a development agency established to develop the Ciskei economically so obviously this is where our greatest contribution is to be found

But the surrounding towns have benefited directly from the spin-off — from architects, quantity surveyors, builders and contractors right down to the estate agents and small shopkeepers

The CNDC's activities have directly stimulated the creation of 10 093 jobs for Ciskeians, thereby substantially easing the unemployment problem in the whole area

Extending this further by applying the multiplier factor of one and a half jobs being created outside industry for every one created in industry, and again multiplying this figure by six, the average size of a Xhosa family, one sees that more than 100 000 Ciskeians have benefited from the corporation's avtivities

Can one truly appreciate the sociological implications of this contribution?

Not only has the CNDC done much economically and socially, but we have also contributed to the political stability of the entire Ciskei-Border region through our development actions.

In answer to the question, we have done much, but we will not rest on our laurels There is still much to be done We believe, too, that we have provided all the people in this area with an example that can be followed to a greater or lesser degree

Perhaps, though, as a little exercise, test yourself and your organisation by answering the questions "What have I really done?" "What contribution have we really made?"

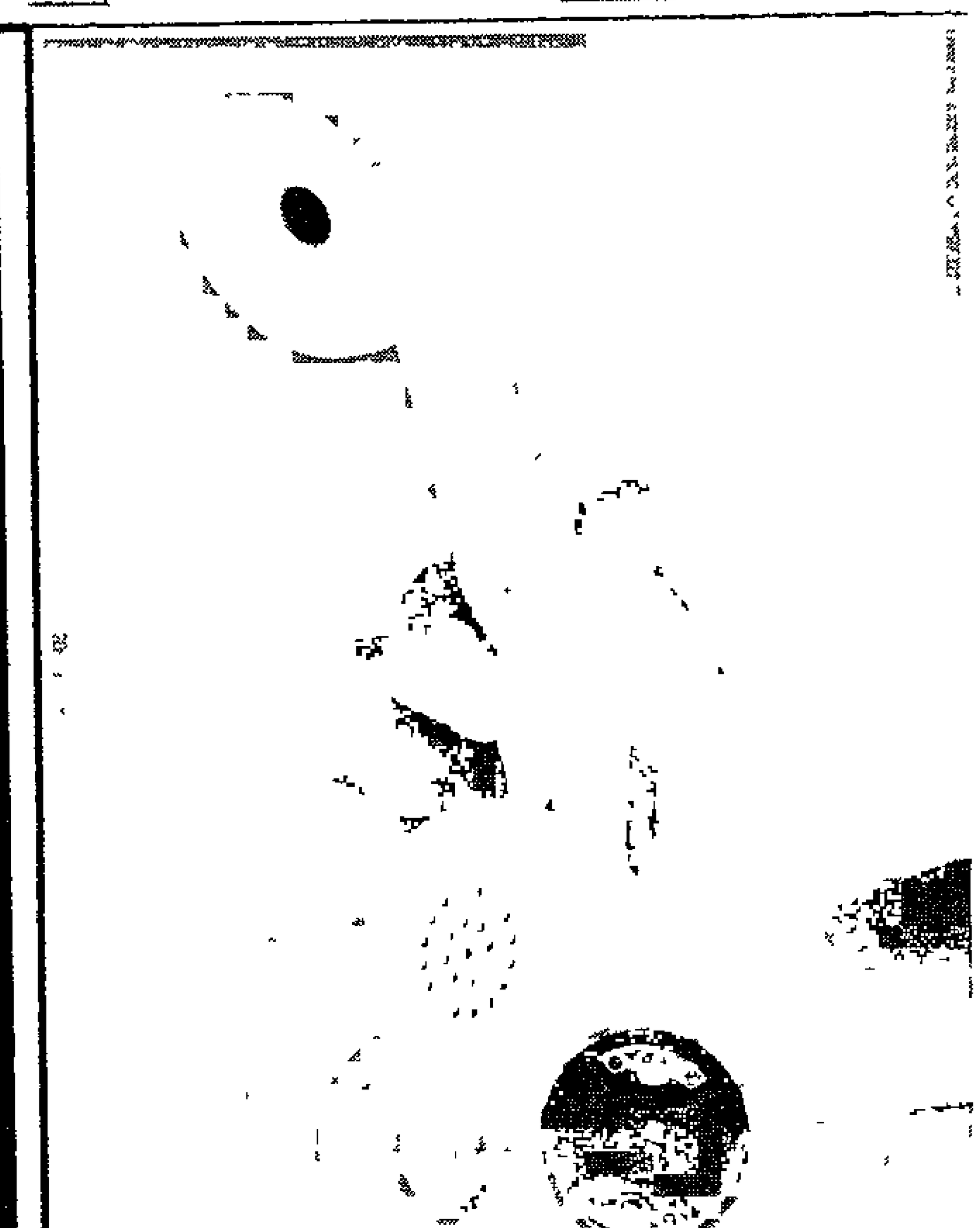
Unusual export order

It could just be South Africa's most unusual export order of the year.

And it's not Lindi Gosling that's about to be shipped from our shores, but 10 000 of the small vinyl sheets she is holding.

Blue Circle Products, manufacturers of Sandtex paints, has just received a request from its sister company in Malaysia and Singapore for 10 000 of the vinyl sheets the South African company recently used locally to publicise the "stretch" features of the wall coating.

The request to add strength to the launch of Sandtex in the Far East follows a recent lecture on the success of the South African Sandtex marketing campaign by Blue Circle Products, South Africa's marketing manager, Ray Asiroglu, during a visit to Malaysia and Singapore.



Better phones next year

The transmitters and receivers used in South African telephones will be replaced by more effective transducers during the course of next year

The locally-produced rocking armature-type transmitter and receiver currently used in the mouth-and-earpiece will be replaced by a disc armature transducer when the new "Disa" push-button telephone is introduced in the second half of 1982

Telephone Manufacturers of South Africa (Pty) — (TMSA) — who manufacture telecommunications equipment and telephones, have announced they will invest more than R0,5 million this year in plant and test gear to equip the company's factory to produce the disc armature transducer — which serves as both receiver and transmitter — starting early in 1982

The investment includes the purchase and installation of a 250-ton press

The new transducer capsule will be produced under licence from a Japanese company

TMSA's managing director, Mr Fred Williams, said "To the best of my knowledge, South Africa will be first manufacturer of this capsule outside of Japan Local production will be introduced in phases and ultimately we hope to have 100 per cent local content "

The capsule will be made under licence from Kanda Tsushin Kogyo Company in Tokyo and will be suitable for inclusion in the new Disa push-button telephone next year The telephones will also be manufactured by TMSA

Mr Karl Hartyani, TMSA's technical project manager who has spent the last 18 months negotiating with Kanda of Japan, said "Although the new capsule is simpler than the present rocking armature capsule, it is at least as effective The major advantages are cost-effectiveness, reliability and consistency of performance

"The capsule's superior performance is the result of extensive research and development "

For improved reliability, the new 1982 push-button telephone will use three capsules — one in the earpiece, one in the mouthpiece and one in the telephone itself The latter will be for "tone-calling" (ringing)

South Africa's present telephones use only two capsules, both in the handset, with the mouth-piece capsule doubling as a tone caller

TMSA's licence from Kanda covers the whole of Southern Africa

Paving the way for concrete

Concrete blocks, or concrete masonry to use the modern terminology, have been around a long time

At one stage their use was restricted and few local or government authorities would permit building with them However, with the advent of better and more sophisticated machinery, a better class block became available

As manufacturing technology advanced even further, manufacture throughout the country formed the Concrete Masonry Association One of the association's prime objectives was to standardise specifications and, even more important, qualify control

Today, as in the rest of the world, South Africa boasts many beautiful buildings of concrete design

Concrete face bricks of various colours and sizes have made marked inroads in architectural circles and load-bearing concrete face blocks are being used throughout South Africa

One of their main attractions — apart from the fact they are asthetically pleasing — is the fact that building with concrete masonry can represent a saving of up to 40 per cent on building costs

The use of concrete masonry has been approved in almost all areas of the country, provided certain rigid specifications are adhered to

Building societies, with their own rigid standards, now accept concrete masonry as a medium of building, but one of the main prerequisites is that the blocks bear the South African Bureau of Standards mark

To this end, Border Concrete are in the process of building a fully equipped laboratory to meet these requirements

Another important factor, as far as building societies are concerned, is the matter of quality control As long as a manufacturer does not have the SABS mark, building societies are reluctant to accept those units unless the manufacturer is a member of the Concrete Masonry Association

They are then assured that the products of a particular manufacturer are being subjected to constant testing by the association

Part of the concrete block-making plant at Border Concrete.

Border Concrete were the first ever members of the association in the Border area and their commitment to the association's standards are total

Mr Gene Saunders, the managing director, is chairman of the local branch and one of the eight members on the association's national executive committee

The Border concrete factory on the West Bank of East London were pioneers in this field and their record stretches back 25 years

Concrete bricks and building blocks have been supplied to all corners of the Ciskei, Border and Transkei areas

Realising the need for better products and a longer output, the chairman of the company, Mr K N Paterson, initiated the company's expansion programme

Three additional plants were acquired last year and the first has already been installed Another five are in the process of being set up

The first plant, near Mdantsane, has been erected at an overall cost of nearly R0,5 million Once the current cement crisis has been overcome, this factory will produce the equivalent of close to 2 000 000 bricks a month

However, the company plans to produce far in excess of that figure once the other factories come on stream in October

In addition to concrete bricks and blocks, the company will produce a new range of paving bricks Developed by Concor Precast in conjunction with various overseas research work, concrete paving bricks have come to the fore in South Africa They are easy to lay allied to a tremendous cost saving factor

Following successful negotiations with Concor Precast, Border Concrete is to manufacture the paving bricks under licence — a major breakthrough for the Border area

In recent months the company has diversified into a full range of precast products, boosted by the acquisition of Williams Precast Concrete Works, a leading manufacturer of precast concrete products

To meet demand, Border Concrete now has a fully fledged construction unit and is involved in various building projects in the Border and Ciskei areas

Reflecting his confidence in the area, Mr Paterson said "We are investing in the Ciskei and Border areas We hope that other companies will follow suit and that local people and business houses will support them"

Deltaweld is versatile unit

Induna Industrial Units (Pty) are the exclusive national South African distributors of the Miller Blue line range of MIG welding machines which cover a range of models from 150 amps through to 830 amps

The Deltaweld unit is ideal for metal fabricators requiring versatility, with a power source for welding both thick and thin metals on a day-to-day basis

Not only can it weld thick metal plate, beam, angle iron and heavy pipe, but it is also capable of welding thin metal down to 14 gauge

Deltaweld is also suitable for both semi-automatic and automatic welding processes It can handle short circuit transfer, spray transfer, flux core, submerged arc and air-carbon-arc applications It's also capable of handling many different sizes and kinds of wire — from 0,8mm to 3,3mm

A solid state contractor eliminates contact points, making Deltaweld ideal for processes requiring high cycling rates (turning the contractor on and off) such as spot welding, tacking and stud welding

The equipment also features line voltage compensation which adjusts for changes of incoming power, resulting in a more stable arc

And power failure reset, which prevents the unit from coming back on after a power outage or intentional shutdown

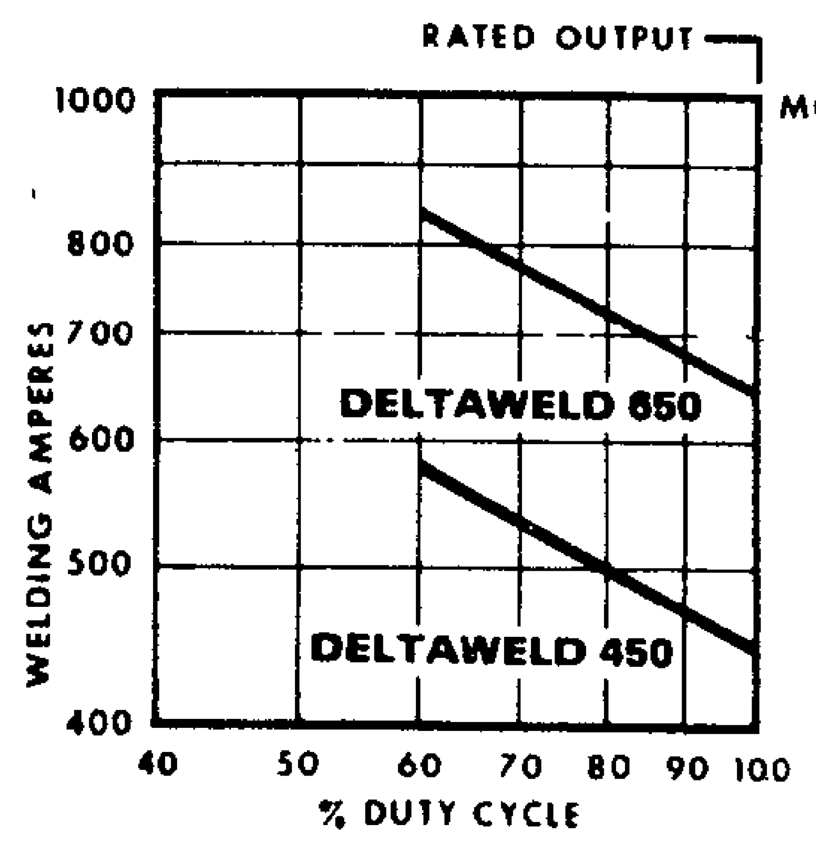
A solid state DC constant potential power source, Deltaweld has many quality features of the nature welders have come to expect and rely on from Miller It is available in 450 or 650 ampere models and each is rated at 100 per cent duty cycle

It is thought of as the versatile welding power source of most continuous wire welding processes — the power source that will stand by you through thick and thin

Induna, through their various centres throughout South Africa, are offering the introduction from the phenomenal versatile range of Miller Blue Line welding machines, imported from Miller, US, who are the largest manufacturers of electric arc welding machines in the world and who command over 30 per cent of the total US market, to interested users on a "no obligation" free trial basis so as to help ensure absolutely correct decisions being made into type of units relative to the client's requirements, even if considered purchasing is only to be done at some future date

ADVANCED PERFORMANCE DESIGN FEATURE

Duty Cycle Chart — The advanced leading performance in terms of high duty cycle ratings of the "INDUNA" Miller Blue Line Deltaweld Power Sources can be clearly seen on the following graph

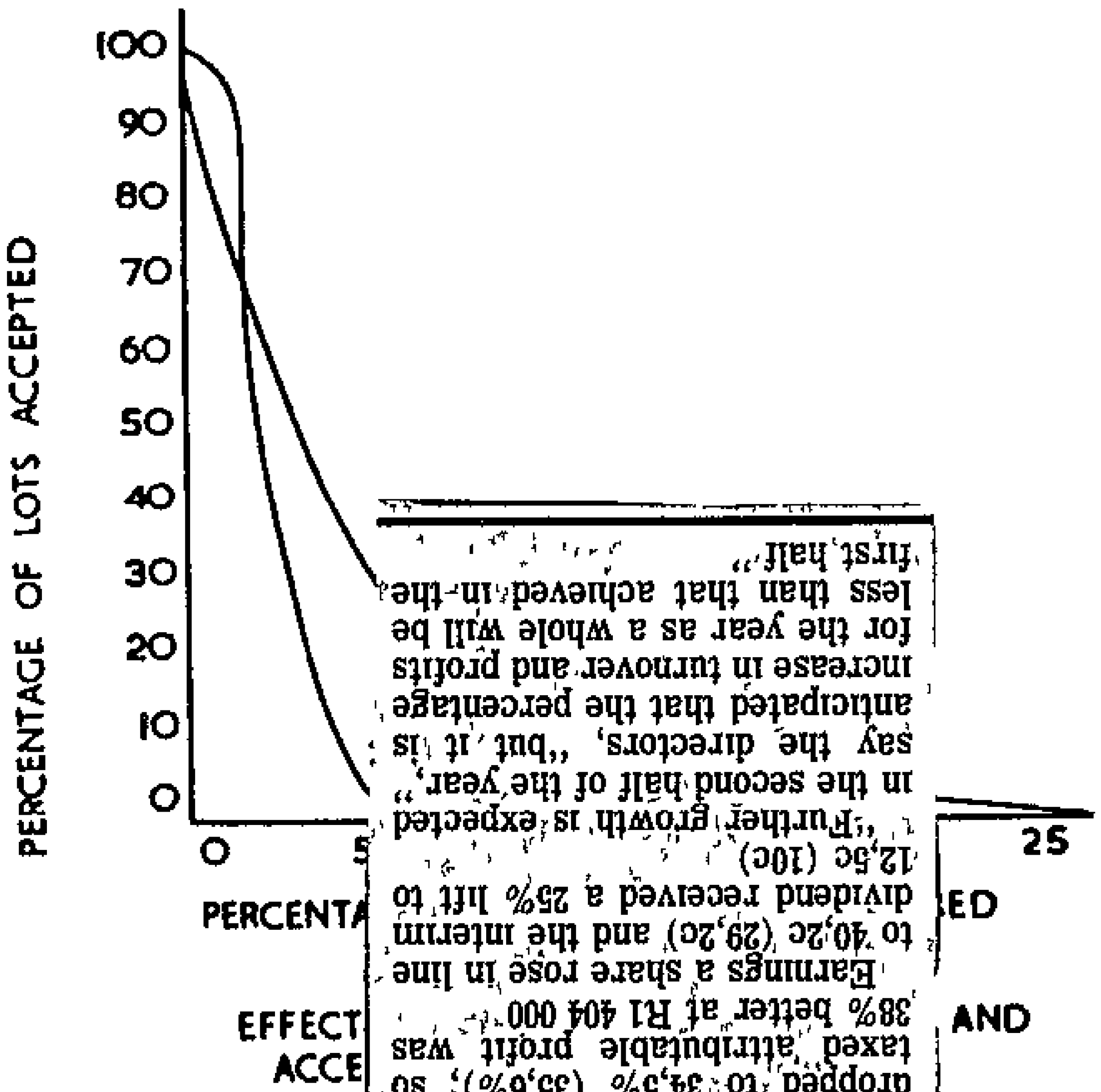


Increasing the sample size has ensured that the percentage of defectives accepted by the customer 1 in 10 times has fallen, but at the same time, in order to ensure a reasonable chance of acceptance, the producer must make a marked improvement in his quality. This means that better protection is achieved by the customer, but it is forcing the producer to make a much better product than is really required - with additional expense which will probably be passed on to the customer.

If at the same time as increasing the sample size, a smaller number of defectives is allowed to occur in the sample, increased protection for the consumer will not put as heavily a penalty on the producer. Compare the two sampling schemes:

SAMPLE SIZE	20	200
Acceptance Number	0	5
Lot Tolerance Percent Defective (Consumer's Risk 1 in 10	12%	4,6%
Acceptance Quality Level (AQL)	0,25%	1,3%

The following diagram shows the operating characteristics of these two sampling plans on the same scale, and it is clear that the operating characteristic of the second scheme is much closer to that of the ideal sampling plan.



Cadswep

SOFT-DRINK and sweet sales continued to soar in the 24 weeks to June 20, carrying Cadbury Schweppes to another earnings record.

Sales surged 32% to R24 055 000 and pre-tax profit 35% to R3 114 000. The tax rate dropped to 34,5% (35,6%), so taxed attributable profit was 38% better at R1 404 000.

Earnings a share rose in line to 40,2c (29,2c) and the interim dividend received a 25% lift to 12,5c (10c).

"Further growth is expected in the second half of the year," say the directors, "but it is anticipated that the percentage increase in turnover and profits for the year as a whole will be less than that achieved in the first half."

Expert throws doubts on new growth point

By Rob Soutter
CARE Reporter

A new town such as the proposed Bronkhorstspruit development requires far more than Government legislation for success, says an urban geography expert.

Professor Keith Beavon, head of the University of the Witwatersrand's geography department, said in an interview with CARE.

"It is not acceptable simply to create a town by legislation without an economic justification, an adequate permanent workforce, and assurance that the aim of the development is a stable, contented community.

"The costs of establishing a town from scratch and providing an economic base to attract residents and support a community are the key issues.

CHOICE

"I would anticipate that the generation of self-supporting urban growth at Bronkhorstspruit will be extremely costly — especially when better alternative sites may exist closer to the central core of the Witwatersrand."

Accommodating the future growth of this area was not simply a choice between an expanded Johannesburg and the creation of a new population centre at Bronkhorstspruit, he stressed.

"It would be cheaper and easier to focus the anticipated expansion on existing population and industrial centres within easy reach of Johannesburg, such as Benoni, Springs or Krugersdorp.

"These towns are well established and expanding through their own efforts, with firm industrial bases, good infrastructure and access to labour."

Throughout history, urban centres had been sited for various reasons, such as existence of a river fiord, defensive position, mine or natural harbour, and these acted as focal points for a community, he said.

Further growth depended on the importance of the site and the ability of the pioneer community to become self-perpetuating and attract further residents, services, and labour intensive industry.

"Bronkhorstspruit has been singled out by the Government as a future industrial growth point. But industry needs a permanent, contented workforce and good infrastructure, while the workers need jobs and accommodation.

"All this would have to be built there from scratch," he said.

"Although it appears that the Bronkhorstspruit development will be sited near a proposed SAR marshalling yard, this would have to employ an immense workforce to support and sustain the growth of a large town.

"Yet this is the only apparent economic justification for Bronkhorstspruit."

Professor Beavon wondered whether the town's future black residents would work in local industry or if the SAR yard would be built as the hub of a rapid rail system, transporting workers to other industrial areas.

COERCION

"Towns and cities are successful because people want to buy houses and live there."

Professor Beavon said Sasolburg was becoming the chemical capital of South Africa, due to the secondary industries established on the by-products of the Sasol oil-from-coal process. These industries were crying out for workers.

Secunda had many highly skilled workers who had the money to attract services. Both these towns had economic justification, a reason for the siting, and a prosperous, contented and self-perpetuating community.

A NEW WAY
a CARE campaign

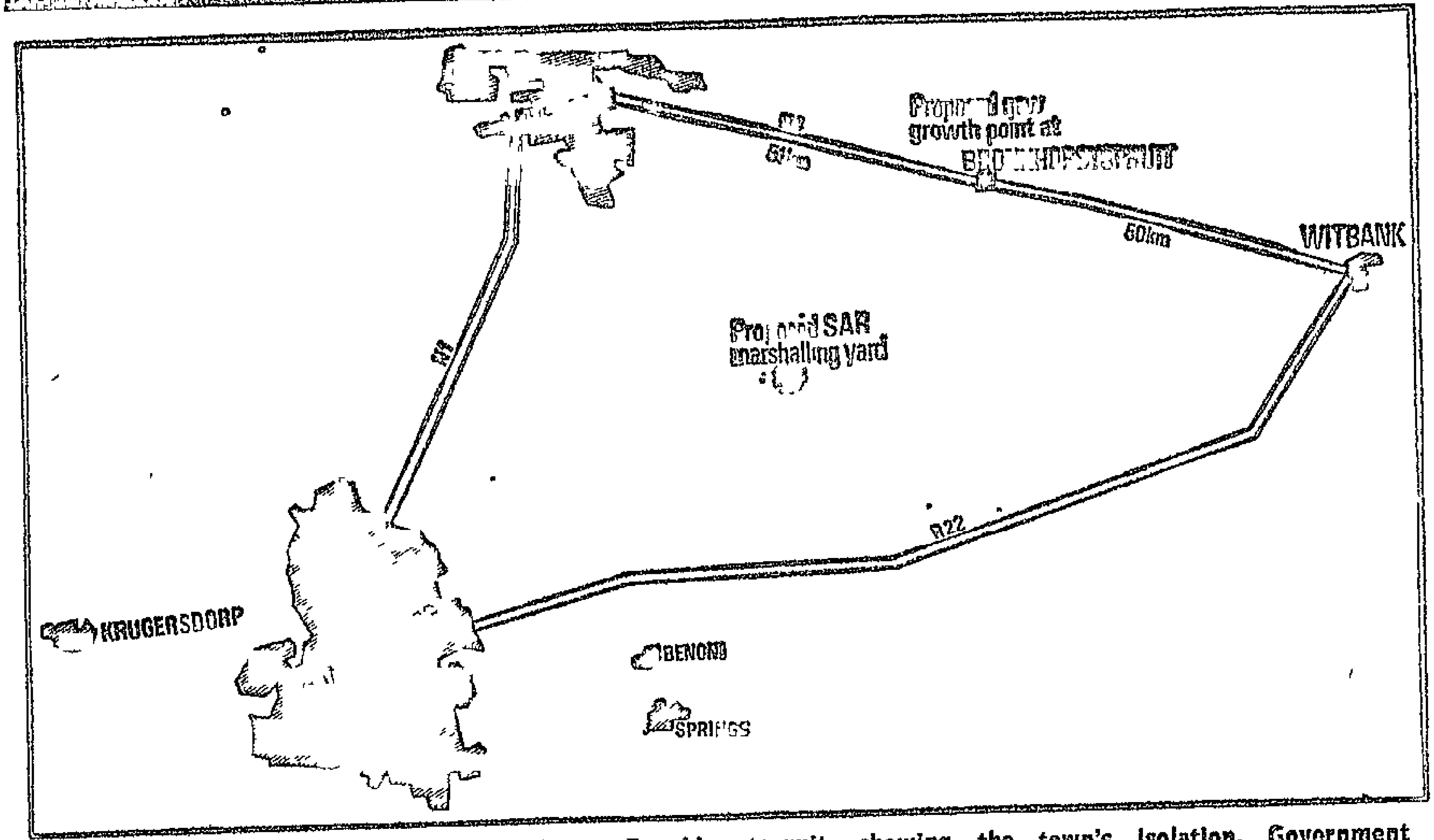
"I would like to see a clear statement detailing how black residential movement to Bronkhorstspruit will be initiated and sustained," he said.

"There would be few reservations if blacks were to be attracted to the new town by free market competition and economic opportunities — but the use of legislative coercion to create population centres is unacceptable.

"What will the proposed new town offer to attract people?" he asked.

"If there is a free choice for all South Africans, it is hard to see how Bronkhorstspruit can survive, whether economic incentives, transport benefits or rate rebates are offered."

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.



The location of the proposed growth point at Bronkhorstspruit, showing the town's isolation. Government planners say it is designed to benefit from the metropolitan area's economic services. Critics are asking why Bronkhorstspruit was chosen and how the town will be populated.

Star 6/4/86 (14) (180)

Farmers condemn new industrial site

CARE Reporter

Controversy surrounds the proposed siting of an industrial growth point north of Bronkhorstspruit.

The planned industrial centre is a key element in the Government's development strategy along the Middelburg-Rustenburg arc.

The black township projected for the area is expected to eventually equal Soweto in size.

Government planners say this development is needed to accommodate future urban expansion in the central Witwatersrand, and is designed to be within the economic influence of the Pretoria-Witwatersrand-Vereeniging (PWV) region.

Mr Rob Pullen, a senior government planner, told The Star that about R300 million will be invested in infrastructure development around an expanded Bronkhorstspruit — which is going to become a "properly planned city with new residential areas for black and white people."

However, farmers and the Transvaal Agricultural Union have condemned the siting, saying it will mean the loss of thousands of hectares of valuable agricultural land.

Development economists have also criticised the proposed development, emphasising that growth points should be established inside the borders of homelands, not 40 km outside, as at Bronkhorstspruit.

Professor J H Smith of the University of Port Elizabeth said the extension of the PWV metropolis to Bronkhorstspruit would have a devastating effect on the neighbouring kwaNdebele homeland, keeping it in a state of stagnation and backwardness.

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Industrial area plan pushes on

13/8/81

Political Reporter

PLANNING of the massive regional industrial growth point at Bronkhorstspruit had reached an advanced stage and tenders for the establishment of infrastructure would probably be called for within a month, it was announced yesterday

Mr Noel Viljoen, a senior planner in the physical planning branch of the Prime Minister's Department, said the detailed planning of the area was almost complete

The first phase of acquiring land by purchase or expropriation had also almost been concluded

Mr P W Botha announced last year that the project would be implemented as a high priority

It has been reported that the black town to be built to supply labour to the area could grow into the size of Soweto This has caused angry reaction from local farmers, many of whom are losing their land because of the new development

REMBRANDT GROUP (180) FM 14/8/81

Changing profile

Activities: *Diversified tobacco and liquor multinational Other interests include mining, banking, insurance, engineering, printing and packaging, adhesives and detergents and petrochemical products*
Chairman *Dr A E Rupert, managing director J A Rupert*
Capital structure. *52,2m ordinaries of 10c Market capitalisation R517m*
Financial: *Year to March 31 1981 Borrowings long- and medium-term, R76,7m Net cash R26,8m Debt equity ratio 17,3% Current ratio 1,9 Group cash flow R178,2m Capital commitments R33,6m*
Share market: *Price 990c (1980-81 high, 1 000c, low, 590c, trading volume last quarter, 500 000 shares) Yields 32,8% on earnings, 3,7% on dividend Cover 8,8 PE ratio 2,7*

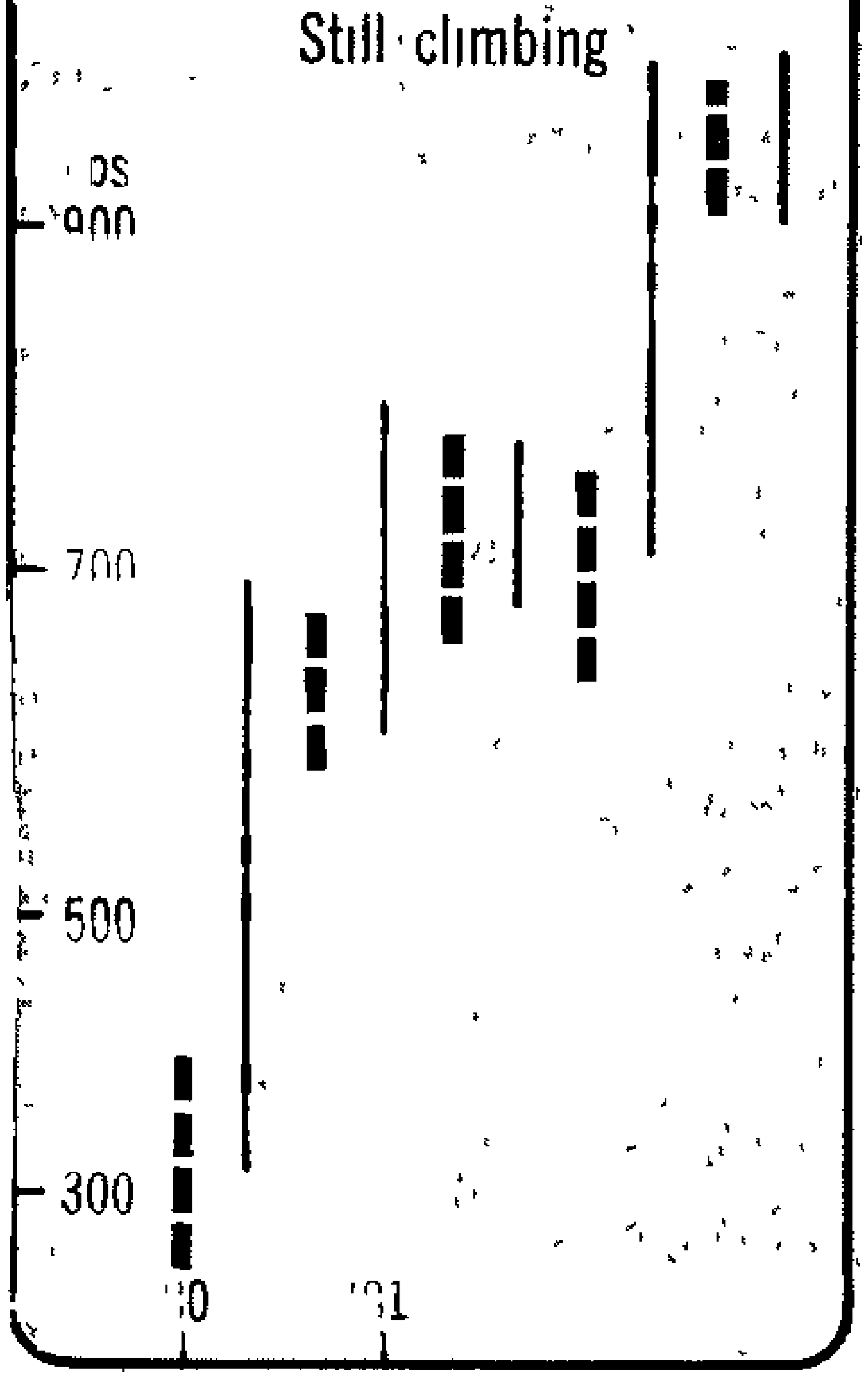
	'78	'79	'80	'81
Return on cap (%)	13 7	16,7	17,9	19,6
Turnover (Index)	100,0	107 8	120 8	143,7
Pre-tax profit (Rm)*	100	114	141	203
Earnings (c)*	150	181	220	288
Earnings (c)**	84	97	142	182
Dividends (c)	22,5	25,5	30	37
Net asset value (c)	902	1 253	1 449	1 751

* Includes retained earnings of associates
** Excludes retained earnings of associates

Two points emerge clearly from the Rembrandt annual reports firstly, the very sharp swing away from the tobacco and liquor industries as the main sources of income, and, secondly, the probability that this trend will benefit future earnings growth

REMGRO

Still climbing



DIVISIONAL CONTRIBUTIONS

	Net Profit				Capital Employed			
	1980		1981		1980		1981	
	Rm	%	Rm	%	Rm	%	Rm	%
Tobacco/liquor	85 4	72 0	84 2	49 6	474 2	56 8	488 3	50 7
Mining	15 7	13,2	31 0	18,3	100 2	12,0	134,3	14 0
Banking/insurance	1,7	1,4	2,1	1,2	16,5	2,0	23 3	2,4
Cash/investments	15,5	13 1	36,4	21 4	164 4	19 7	229 8	23 8
Other	0 4	0 3	16,0	9 5	79 3	9 5	87 5	9 1
	118,7	100,0	169 7	100,0	834 6	100 0	963 2	100 0

Over the past two years the proportion of net income attributable to tobacco and liquor has declined from over 84% to just under 50% And unless there is an absolute boom in profits on this side during the current year, a further decline can be expected because results for the year to end-March do not take into account the sale of half the group's interest in Rothmans International (RI)

As regards future profit, it is significant that last year's gain came entirely from diversified interests, the main increases being in mining and investment, including interest on cash resources

Tobacco and liquor profits were hit, according to the company, by the first full year's effects of the November 1979 restructuring of the liquor industry and the performance of "certain overseas associated companies" — undoubtedly a reference to the profit drop at Rothmans International

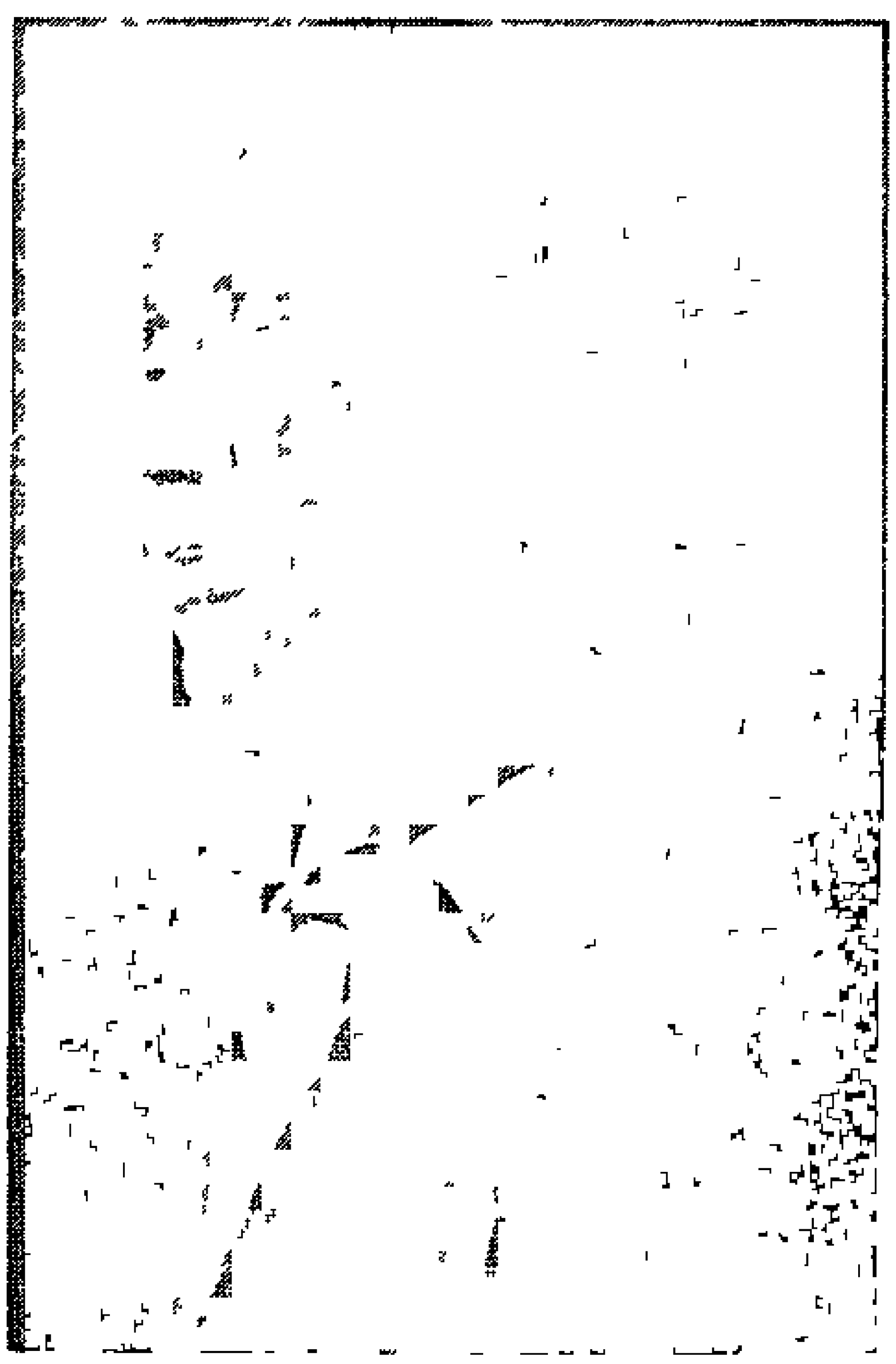
The sale of half the group's holding in RI to Philip Morris, together with certain trademark user rights yielded Rembrandt R297m — a R160m surplus over book value Net worth per share can therefore be expected to increase by more than 300c (17%, based on the current value of 1 751c) when the effects of this transaction are brought to account in 1982

The report gives no indication of what Rembrandt intends to do with its vast cash resources, at present totalling about R400m And considering that the group invested over R200m last year, of which only R51m is detailed as being applicable to the 12 months to March, prospects of shareholders ever finding out what they own do not look promising It is believed however, that a large proportion of the funds are earmarked for investment in the US A reasonable guess might be expansion of the group's interests in mining and energy-related industries

On the subject of investment, it is interesting to note that cash resources dropped by only R5m last year to R113m, despite the fact that net new investment (after disposals) almost doubled to R116m (R61m) — an indication of the huge cash flow of the group

Because of the extent to which the profile of the group could change as these funds are invested, it is impossible to predict future earnings with any degree of accuracy The dividend picture, however, may be a little clearer Although management has never disclosed a formal dividend policy, the principle in recent years seems to have been that not only should the payout be maintainable, but also the growth rate So, after a 23% improvement last year to 37c, I would not expect less than 46c to be distributed for 1982

This, working up the line, should lead to payments of 33,5c (27c) from Rembrandt



Rembrandt's Rupert . . . eyeing new pastures

RAIL NEWS

Govt is accused of wasting transport

Star 19/8/81

180

By Richard Paris, Transport Reporter

The Government was encouraging industry to waste fuel, time and money through its illogical method of granting temporary licences to road hauliers, say transport spokesmen.

Criticising the Local Road Transportation Board, which grants temporary licences to haul goods, a Reef transport haulier, Mr J W S Lategan, said. "I applied for a permit to transport a lorry load of soft drinks which were in short supply, to the Northern Transvaal.

"My lorry can hold 2 160 cases of canned beverages but the permit finally approved by the Road Transportation Board was for only 1 000 cases.

"This means I have to send a large vehicle as far as Louis Trichardt less than half full, wasting petrol, a driver's time and money"

He said permits were often refused altogether or the quantity requested was cut by half or more without reasons supplied to the applicant

An attorney acting for several road hauliers told The Star road transportation boards in South African cities had gone from one extreme to the other in just two years

"Before 1979 it was so easy to get a temporary permit to transport goods that many transport companies were created which could thrive without ever bothering to get permanent licences

"Admittedly this had to be stopped

"Since that time the number of permits granted has been greatly reduced but there does not appear to be any logic in the system applied

"It is making life very frustrating indeed for road hauliers"

The attorney said it was not unusual to have an application turned down by the board only to have it accepted half an hour later without the transport company making any alterations to the form.

"Of course South African Railways has to be protected along with the permanent licensees but the local Road Transportation Board is seriously holding up urgently needed goods when it turns down an application

"At best all the officials will say is that there are already permanent licence holders on the route in question

"In fact the services are inadequate for the demand otherwise the client would not employ a haulier that has to get a temporary permit," he said

There was no central record office for road hauliers to determine which company was licensed to transport what and where.

Another transport spokesman, Mr Nel Swart, said he believed companies were turned down for temporary permits often because they lacked the motivation to give sufficient reasons for the necessity of a permit

"The applicant must prove the facilities that already exist for transporting goods are unreasonable.

Mr Nel said the board had to be careful not to grant permits too easily as "many of these companies wanted to take the cream of the crop to the detriment of the SAR and private companies which hold permanent licences"

But the attorney interviewed rejected this, pointing out that almost 80 percent of all applications to the board came from transport consultants who were experts on how the permits should be obtained, yet they still lost out much of the time

All road hauliers interviewed admitted that applications for temporary permits fluctuated rather than remaining constant throughout the year.

But the numbers, they said, did not increase greatly over a long period of time.

When asked why it did not give reasons for applications being rejected, the Road Transportation Board in Johannesburg referred The Star to the Director-General of Transport in Pretoria.

A spokesman for the Director-General said hauliers could appeal to the department to have their applications reviewed.

But as one haulier said "We try this and it usually amounts to nothing

"Anyway, temporary permits are for goods that need to go almost immediately so an appeal would be useless"

status which will ensure the economic and political equality which you are seeking",[137] or as the Burger puts it: "Die regering sal altyd probeer om aan die Slamse 'n hoër status te gee as wat hulle besit, en dit is gelyke regte met die blanke man."[138] He went on to show that these were not idle promises, but that the government was already moving in the direction of removing the colour-bar for the Malays and coloured people.

In conclusion, he said: "The interests of the Europeans are the interests of the Malays, and the policy for which the present Government stands is based on three great principles - South Africa first, co-operation of all the civilised sections

HUGH PARKER (180)

Overgeared

FM 21/8/81

Activities: *Holding company with subsidiaries in furniture manufacture, motor repair, tyre retreading and veneer board manufacture*
Chairman: *J H Pretorius*
Capital structure: *1,8m ordinaries of 50c Market capitalisation R1,5m*
Financial *Year to February 28 1981 Borrowings long- and medium-term, R1,8m, net short-term, R1,0m *Debt equity ratio 93,4%. Current ratio 1,2 Group cash flow R794 000*
Share market: *Price 82c (1980-81 high, 120c, low, 38c, trading volume last quarter, 634 000 shares) Yields 31% on earnings, 6,1% on dividend Cover 5,1 PE ratio 3,2.*

	'78	'79	'80	'81
*Return on cap (%)	16,7	14,4	16,3	16 8
Turnover (Rm)	9,0	9 8	9 8	11 7
Pre-tax profit (R000)	336	145	287	494
Gross margin (%)	7,1	5,9	8,7	9,8
Earnings (c)	17,2	4,2	12,9	25,4
Dividends (c)	2,5	2,5	3,5	5
*Net asset value (c)	80	90	98	167

* After asset revaluation

The sharp upswing in the economy helped Hugh Parker, but the company does not appear to have taken advantage of the good trading conditions to put its finances in order Gearing is still too high and, unless there is a substantial improvement in the financial structure, earnings are vulnerable

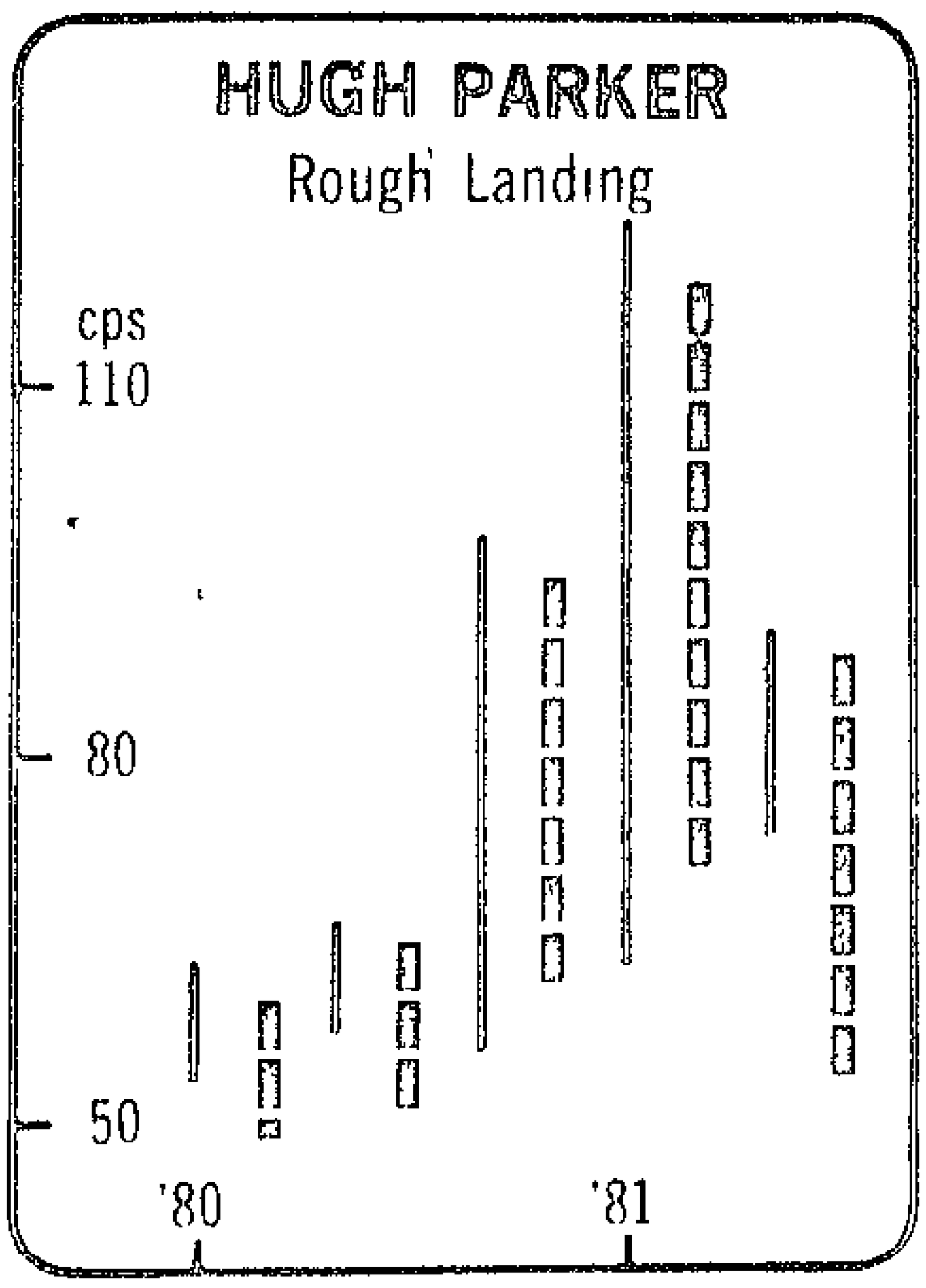
When earnings recovered in financial 1980, management lifted the dividend by 1c to 3,5c a share to indicate its confidence in the coming year In the event, earnings per share for 1981 nearly doubled to 25,4c (12,9c), before non-recurring items, and the dividend was hiked again The non-recurring and non-trading items comprise 12,6% of stated pre-tax profit

The dividend increases improved the share s rating, but it would have been more prudent to use the funds to reduce gearing At end-February — the annual report is late — total borrowings amounted to R2,8m (R2 4m) This equates to a debt equity ratio of 129% (134%) — before the R841 000 asset revaluation On the increased asset value the ratio was 93,4%

The annual cost of these borrowings amounted to R491 000 in 1981 and added to the leasing bill, absorbed 57% (66%) of gross profit Cover was only 1,8 (1,5) times which excludes leases capitalised So if gross profit dips slightly, attributable earnings will fall fast and dividends will be in jeopardy

The reason this level of gearing is unhealthy in Hugh Parker s case is that returns on assets are low Before the revaluation of fixed assets, return on capital employed was only 19,6% — 16 8% afterwards This return is insufficient to justify the high level of gearing particularly with the economy growing more slowly now and interest rates at record highs The dangers are further increased by the fact that 36% of indebtedness is short-term

In fact, chairman Hannes Pretorius warns that high interest rates and inflation will restrict SA business and could result in corporate profits decreasing In addition skilled labour shortages will also hamper activity Yet the annual report makes no mention of the level of gearing and the fact that any profit dip could result in tight liquidity and endanger the dividend



The forecast that all subsidiaries will improve this year does little to improve the investment rating of the company

Certain steps need to be taken expand the equity base reduce gearing and improve financial productivity A return on equity of 15 2% (13 2%) (after the asset revaluation) and a 5c dividend are not sufficient to justify the 82c share price On a low 6,1% yield, Hugh Parker is overpriced

Di Kilalea

Malbak pays R12,8m for two firms

RDM 20/8/81

232 180

By HAROLD FRIDJHON

MALBAK, the diversified investment group with assets of more than R80-million, has acquired two private companies for R12 800 000 which should raise earnings by 4c a share in the current year.

Last year's earnings were 91,6c out of which 27c was paid.

The two companies are Solid Hardware Manufacturing Company (Pty) and Kennet Unifoam (Pty)

The price will be settled by Malbak's raising R9-million thorugh variable rate redeemable preference shares and the balance of R3 800 000 will be funded from the group's resources.

Solid Hardweare is an engineering company which makes and distributes a wide variety of lock and locksets. The vendor is a consortium headed by Solid's managing director, Mr Ralph Goldblatt

Kennet Unifoam specialises in the manufacture and distribution of thermal and accoustic insulation materials, mainly for ceiling and panelling application The vendor is the founder of the business, Mr Eric Kennet.

Malbak's managing director, Mr Grant Thomas, says the two companies have been consistent performers with entrenched positions in their markets which he regards as expanding markets.

"Both companies will fit admirably into the Malbak group and will slot into the packaging, mining and construction supplies division. They will continue to be run by their management teams."

MALBAK

The big advance

(180) FM 21/8/81

The mid-Seventies were hard years for South African business and diversified holding companies were among the worst hit by sliding profits and restricted growth Despite the conspicuous success of such organisations as Barlows and Blue Circle, the word "conglomerate" still carries a stigma in some investing circles — a hangover from the days when diversified holding companies were labelled risky and often given inferior ratings on the JSE

Malbak, a group structured along classic conglomerate lines with five main operating divisions including farm machinery, packaging, engineering, electronics and motor and allied industries, was one of the companies affected by negative investment opinions

In 1975, Malbak fell from investment grace when the motor division was hit by losses which necessitated plans for switching to more profitable franchises That was compounded by a downturn in the market precipitated by the fuel crisis Ironically, it was the conglomerate structure which saved the group from marring its hitherto unblemished record of consistent profit growth since its formation in 1969 The agricultural machinery division, headed by subsidiary Malcomess, made record profits that year, enabling the group to turn in an overall profit gain for financial 1975

That, of course, is precisely the way a conglomerate is supposed to work A similar curb on profits growth came in 1979 when farming equipment sales were depressed by a severe drought and a simultaneous recession in the motor economy caused that sector to slump Again Malbak's strategic spread of interests cushioned the blow and the group was able to show an ultra-modest earnings advance of 0,5c a share to 33,5c

Since then, the picture has changed dramatically Aggressive acquisition growth added two new divisions — light product engineering, headed by Maccabee, and electronics/instrumentation, in which Process Control Instrumentation is the principal operating company Until this week, over the past two years, Malbak had acquired 12 companies at a total cost of R20m The importance management attaches to growth by acquisition is illustrated by the fact that the group's tiny head office — staffed by only three executives — includes an acquisitions manager

This week the group pushed its acquisition programme further along the road with the purchase of lock manufacturer Solid Hardware and insulation materials manufacturer Kennet Unifoam for a total of R12,8m Both companies have entrenched market positions and, Malbak believes, sound growth potential

Though this week's purchases are relatively large compared with acquisitions in the preceding two years, financing them need not result in hesitation over further external growth The purchase prices will be settled in part by the issue of R9m variable rate redeemable prefs and the rest in cash More to the point, the latest two group members have been bought as part of the policy of acquiring interests in fields which are not highly susceptible to cyclical trading operations

The benefits of Malbak's expanded divisions speak for themselves Turnover, which had increased consistently since 1969, took off dramatically in 1980 and 1981 after the inclusion of Maccabee and Process Control Instrumentation, and the strong upward surge in the economy In the year to March 31 1981, Malbak turned in a taxed attributable profit of R9,6m — exceeding 1980's profit level by 82% and outstripping the performance of all previous years

Despite the setbacks of 1975 and 1979, group MD Grant Thomas remains convinced that Malbak's conglomerate structure is sound He does, however, admit that the difficulties of the lean years resulted in a great deal of "soul searching" on the part of the company's top management and questions arose as to whether the system really worked

It is to Malbak's credit that, when the cracks began to appear at divisional level, top management moved quickly to correct the situation Despite criticism that the conglomerate structure is capable of producing only "unspectacular" profit advances, Thomas does not subscribe to what he calls the "boom or bust" psychology He explains that the structure has a "smoothing effect" on earnings, which makes for steady growth and a regular return on shareholders' investment

That argument has obviously instilled confidence in the group's institutional shareholders, which include Old Mutual (19,5%), Sanlam (17%) and Southern Life (9%) Malbak's directors collectively hold some 8% of the equity

Malbak differs from other conglomerates in that it does not believe that the important decisions should be removed from the "natural nerve centre" which is at the core of each division All divisions are totally independent and self-supporting. Each sector is run by an autonomous management team and divisional managers are free to develop their own style of operations and strategy

Autonomy is ensured in each of the group's separate businesses by adequate capitalisation As a matter of policy, no guarantees are issued on behalf of any division and there are no cross-guarantees The reporting system from divisions to top management is tight, but not cumbersome Thomas claims this is an important factor in preventing the structure from becoming unwieldy More important is the fact that Malbak's head office executives are closely informed as to progress in each division Disappointing results from one sector will have the effect of dragging down overall profit levels and Malbak has demonstrated that it has no room for a division which performs poorly

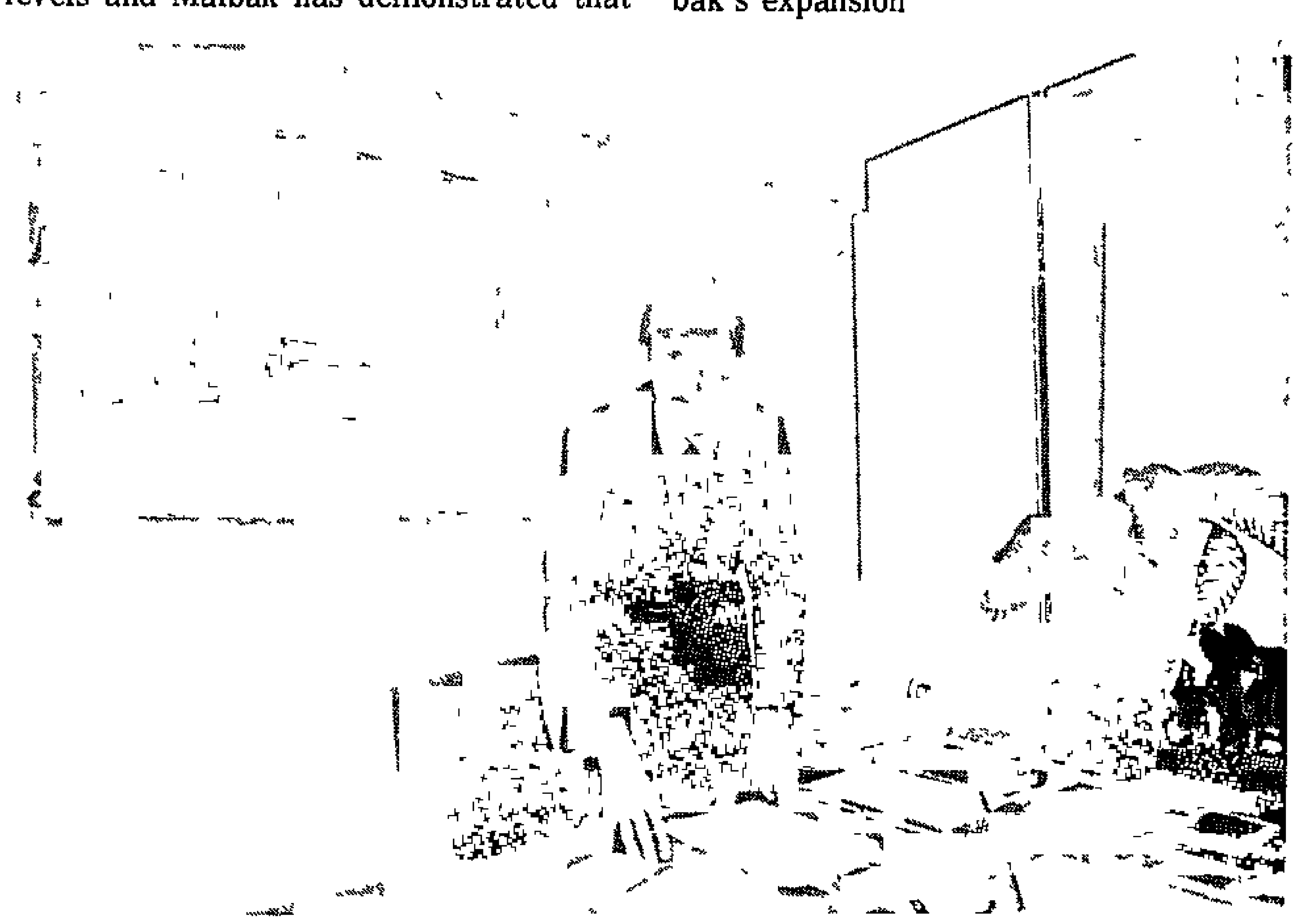
Thomas, who once headed the motor division, likens the function of Malbak's head office management to the way an intelligent owner would behave towards a business he does not manage That involves keeping a close eye on many diverse factors which could impact on the group's spread of interests

These factors vary from weather, in the farm machinery division, to general economic trends in the engineering, electronics and motor divisions, while packaging interests are less cyclical

Bakke has proved itself "by far" the most solid and consistent profit performer in the group, according to finance director Ben Dortmundt The company manufactures pulp sleeves to protect wine bottles, as well as delay-fuses and mining socket tamping equipment In addition, Bakke's polystyrene food packaging trays can be found on the shelves of most supermarkets

Bakke's market dominance is typical of many of Malbak's operating subsidiaries Thomas explains that the group aims at market dominance where possible — such as Malcomess' harvesters — and concentrates on "rounding off" its operations in others through "niche markets," arising from expertise, know-how or location This approach derives from the lessons learned, for example, from the motor division's mid-Seventies crisis The objective is diversification within divisions to minimise adverse divisional profit fluctuations

Apart from a brief foray into plastic injection moulding, which was quickly abandoned, management appears to have made very few mistakes in guiding Malbak's expansion



Malbak's Thomas . . . proving the conglomerate principle works

As part of its strategy of staying ahead, Malbak puts a premium on excellent technology in most of its businesses Thomas maintains that he does not see the emergence of any single division to the point where the group's other activities might be overshadowed But one major growth area is the electronics sector, which the group entered in 1979 with the acquisition of Process Control Instrumentation. Malbak's management is determined to participate in what it sees as a technological boom which has already begun and is likely to increase in importance

By comparison with some of the country's giant industrial holding companies, Malbak can probably be categorised as a midi-conglomerate (1981 turnover: R185,5m) But if the group continues to aggressively follow the takeover trail — as seems likely — it could quickly move into the big league along with Barlows and Blue Circle

Chris Wilson

labour' policy, and discriminated heavily against the African worker.[120] The 'civilised labour' policy was Hertzog's device to redress the wrongs done to the white workers in 1922, justified by him on grounds that "the native cannot blame us if in the first place we try to find work for our own class".[121]

The Cape Malay Association was not alone in its trust and flirtation with the Pact Government. The Teacher's League of South Africa was guilty of the same actions. The Conference of their Cape Association, held on the 22nd June 1925, in the Cape Town City Hall, was addressed by Mr C.W. Malan, the Pact's Minister of Railways and Harbours.[122]

A year later, the coloured and the Cape Muslim communities had cause to be disillusioned with the Nationalists. The Coloured People's Rights Bill of 1926, which separated the coloureds from the Africans, equally separated them from the whites. Although not enforced, it did not meet the pre-election call of cultural identity with the Afrikaner or the "enhanced status" promised by Malan from the platform of the Cape Malay Association's Conference in 1925.[123]

The Cape Malay Association's Conference opened in the traditional Islamic way, with a recitation from the Quran and a supplication

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GENERAL NEWS

Plan for future of PWV complex

Star 21/8/81

(180)

Pretoria Bureau

The Government has asked for comments from the public on its plans for the development of the Pretoria-Witwatersrand-Vereeniging complex

Details of the programme have been released by the Office of the Prime Minister and the public has until November 13 to reply

A report issued today says that the Witwatersrand "cannot be permitted to grow at historical growth rate"

Although the PWV complex as "the economic heart of southern Africa" will dominate the national scene for the foreseeable future, it will gradually become less important within the broader national context

In the national development strategy provision will have to be made for channelling new work opportunities to other favourably situated areas without harming national economic growth

The reports compiled by the Physical Planning Branch of the Prime Minister's Office, covers all aspects of the long-term "spatial" structure of the PWV complex and medium-term development strategy

It looks at the role of decentralisation in the long-term development strategy, the alternatives and policy guidelines

On medium-term development it looks at population growth, employment opportunities and labour supply and demand

Although the proposals are directed at physical and spatial development, they also take into account social and economic considerations.

The report says it is expected that the population of the PWV complex will increase by about 2,8 percent annually in the next 20 years — from the present 5-million to 8,6-million

"The number of motor vehicles in the PWV area during this time is expected to increase from the present 960 000 to almost 2,5 million

"The demands that will be made by this growing city region on both land and infrastructure make it imperative that distinct guidelines for the area's future development be formulated as a basis for more detailed planning on a sub-regional and local level," says the report.

The director-general of the Office of the Prime Minister, Mr J E du Plessis, said there was a great need for guidelines for the PWV complex as this area formed the social and economic hub of southern Africa.

introduced Dr D.F. Mal...

dispositi

3.3. ENTERING

3.3.1. VDU Ter

Each character ... keyboard of the terminal is
transmitted imm ... computer where it is held in a
buffer. The end ... ignalled by pressing <CR>. The
computer acknowl ... l of the line has been reached by
sending back a < ... the system is ready for the next
input line and p ... licate this.

Sometimes the ... computer is corrupted, causing a
parity error. I ... F> is followed by the message:

the line must the

If a mistake is ... ring a line (before <CR> is
pressed) the li ... in one or two ways before it is
operated on by th ... he line is to be deleted the
line deletion k ... ssed (normally <CONTROL X >).
This action is ac ... the <CONTROL> key down then
typing 'X'. If ... to be deleted the character
deletion key: <D ... terminals), <BACKSPACE>, or
<CONTROL> and ' ... nd 'Z' must be pressed once for
each previous cha ... d. Examples of terminal runs
using line editin ... pter 6.

3.3.2. U100 Termi

The method of corr ... fferent in that any string between the <SOE> character and the cursor can be sent to the computer. To do this there are four keys with arrows on them, indicating the direction in which they move the cursor, enabling the cursor to be positioned anywhere on the screen. Any character in a line can be changed by superimposing the cursor on the character to be changed and then typing in the correct character. The line can then be transmitted by moving the cursor to the end and pressing the transmit key. Additional characters and redundant characters in a string may be inserted or deleted before transmission by means of the <INSERT> and <DELETE> keys. If the <INSERT> button is pressed once, the right-hand part of the string starting at and including the character position where the cursor is situated will be shifted to the right by one space, thus making space for one additional character. If the <DELETE> key is pressed the character over which the cursor is situated will disappear and the right-hand side of the line will move one space to the left to close the gap.

Anglo-Alpha's net income doubled

8/9/ 21/8/81 180

Anglo-Alpha, the cement, lime, stone, industrial minerals and textiles group, is experiencing another excellent financial year. The group's net income after taxation is up 100,3 percent for the half-year.

In the 1980 annual report, Mr Hans Byland, who recently retired as chairman of Anglo-Alpha, says the group is budgeting for a 20 percent increase in net earnings in 1981.

But the group managing director, Mr Dave Baker, says the interim results for the first half of 1981 point the way to an even greater rise in earnings by the end of the current financial year.

The good performance for the half-year is attributed to favourable conditions in the building and construction industries, increased investment income and the full results of the new subsidiary, Cappa Sacks, for the first time.

The unaudited results for the six months ended June 30 compared with the first six months of 1980 show a 25,9 percent increase in turnover from R85,2-million to R107,3-million.

Net operating income rose by 56,4 percent to R30,6-million (19,6-million).

Anglo-Alpha, however practises inflation accounting, and the real net income amounts to R13,3-million (R6,6-million). This is an increase of 100,5 percent.

Earnings a share are up from 37,0c to 62,6c. The interim dividend is 16,0c (11,5c), up 39,1 percent.

Throughout the group, a five-year capital expansion programme is proceeding at the rate of about R75-million a year. — Sapa.

R400-m-TURNOVER INDUSTRIAL GROUP SEES NO SLOWING IN GROWTH RECORD

Investment of billions should benefit D & H

S. Times 23/8/81 (180)

By Andrew McNulty

THE industrial holding company, Darling and Hodgson (D & H), has diversified into a position where it anticipates no slowing in the coming 12 months of its impressive growth record of the past year.

The group, whose turnover should exceed R400-million this year, is a prime example of a company that should benefit enormously from the billions of rands of capital investment committed to expansions and infrastructural development programmes in the past 18 months

"We are well protected from the downward economic cycle," says the chairman and chief executive, John Hodgson

He adds that the economic growth rate measured by GDP (gross domestic product) is far less important to D & H than GPFI (gross domestic fixed investment), which remains very high — and growing

Mr Hodgson spoke after the group had reported interim results for the half-year ending June 30 with attributable profits up 46% to R8,622-million, earnings a share up 30% to 43c and dividends up 55% to 14c

He says that

- A compound annual growth rate of 26% and return on shareholders' funds of 32% achieved during the eight years since the company went public is expected to continue, even if an economic downturn develops in the next two years
- Further diversification and growth — within the existing operating divisions of construction, coal, industrial materials (including stone quarries), services (including road transport) and engineering — are planned until each contributes about 20% of group profits, probably in five years

By the end of 1982, the profit contributions are expected to be construction 30% (compared with the present 37%), coal 10% (10%), engineering 5% (currently a loss maker), materials 30% (32%) and services 25% (27%)

- It is planned to spend more than R275-million in capital investment, at an annual rate of R55-million, over the next five years on replacement costs alone, to maintain up-to-date equipment with a low average age

Further spending on new projects and acquisitions is likely to add a significant amount

- All this would be comfortably financed internally There are retained earnings of R40-million, and gearing, now as a low as 45%, could be raised to 70% within 18 months if the opportunity arises

Barring compelling strategic factors, return on capital employed of at least 30% is required on new projects

- Strong growth is forecast for the smaller profit contributing divisions coal mining and engineering

After spending five years "learning the business" and assembling reserves, the coal division is poised for compound profits growth of 40% to 50% in the next five years

D & H Coal Mining now has coal reserves with an estimated life of 20 years at a mining rate higher than the current rate, and is supplying steam coal and anthracite for domestic and export markets

The group could be in line for an export allocation for Richards Bay Phase 3, it is also known to be in the final stage of evaluating a coking coal prospect

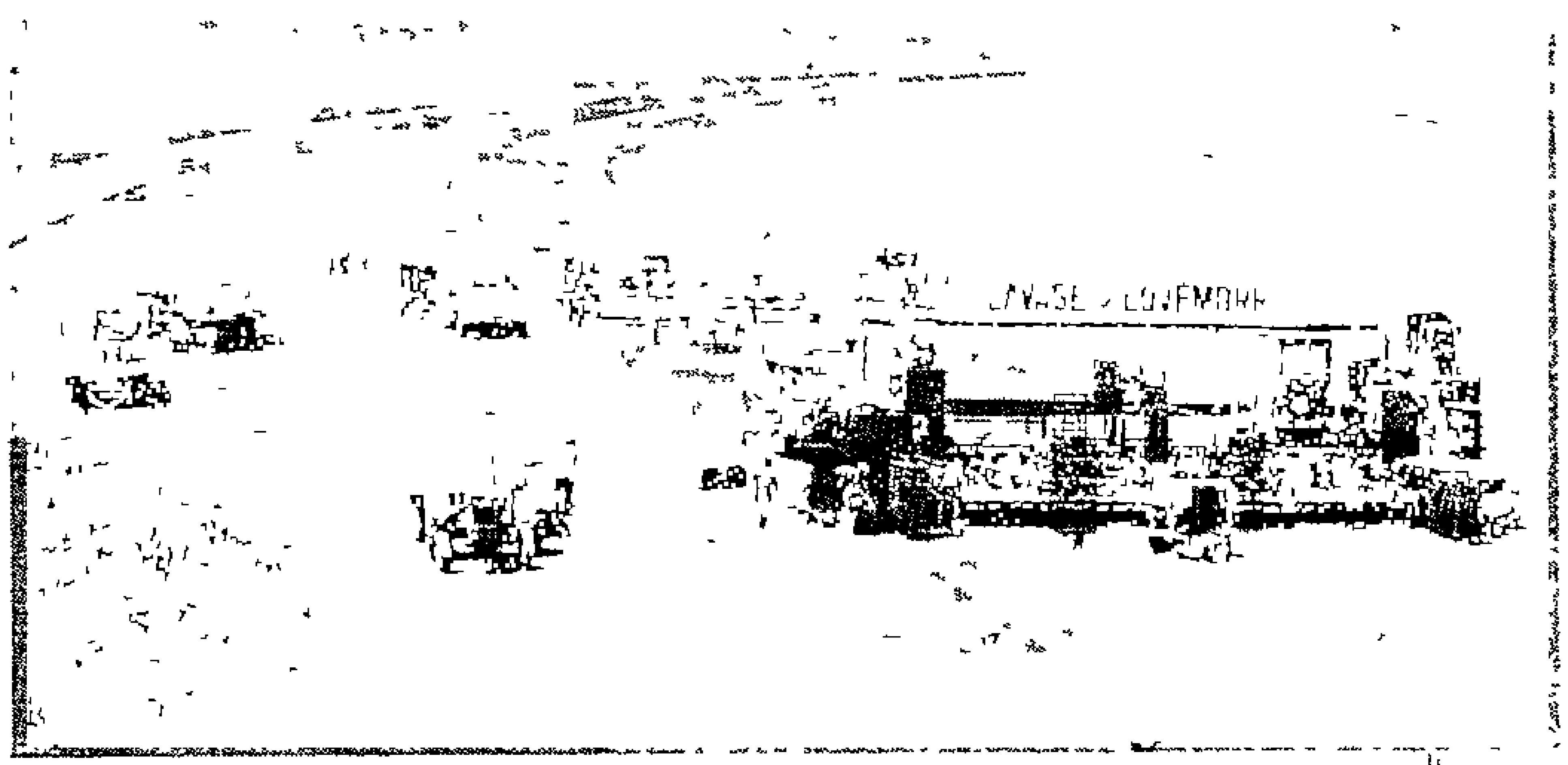
In the loss-making engineering division, the year so far has been spent on carrying out and absorbing structural changes, but Mr Hodgson now expects expanding profits from this area, growth to be achieved both organically and by acquisitions

Construction, newly restructured into six sub-divisions, is particularly responsive to fixed-investment programmes, and stands to benefit from new projects or expansions planned by synfuel developers, Escom, the mining industry, the chemical industry, transport and huge expansions by companies such as Sappi and Mondi

Mr Hodgson says he remains convinced that the next Budget will bring a major initiative to develop mass housing and is preparing to grasp this opportunity with a new, specialist company

In the services division, bulk road haulage may level off after the heavy demands during the growth phase, although here, too, there will be benefits from expansions and new projects

Amardah Shipyards, a company spawned last year by D & H, which now holds 50% with Murray and Roberts, constructs oil rigs for export — and planned to reach a rate of four per year — will earn an annual R100-million in foreign exchange


A slipform concrete paver on the D & H Grasmere, near Johannesburg, contract

Govt plans to change PWV population trends

Star 24/8/81 (180)

By James Clarke

The Government wants to curb certain population and industrial growth trends in the central Witwatersrand and divert them nearer the homelands north of Pretoria.

In a scenario for the future shape of the giant Pretoria - Witwatersrand-Vereeniging (PWV) complex, released at the weekend by the Prime Minister's Office, the Government's planners call for more scattered urban development away from exisiting metropolitan areas but linked by efficient public transport

It sees the future PWV as a megalopolis — a region of metropolitan areas and peripheral industrial towns linked by efficient public transport but also by modern communication techniques which reduce the need to travel

The PWV guide plan, released at the weekend, is not a blueprint but a guide to indicate the way the central Government wants to manipulate growth trends and population densities

Its broad aim is to avoid high density cities being created and to encourage businessmen to invest over a broad area to provide jobs "in such a way that national objectives will be promoted"

It defines the objectives for the PWV as aiding sustained economic growth of the subcontinent even distribution of economic activities and the improvement of the general quality of life

It intends giving priority to growth areas outside the metropolitan regions, especially to the arc of towns north of the PWV (Rustenburg to Middelburg) and its proposed city north of Bronkhorstspruit and to the Far East Rand

It estimates the present population of the PWV to be 5-million and believes the complex will grow to 8,6-million by the end of the century.

It will not discourage small industries being established in metropolitan Witwatersrand but when they get to a certain size they will have to move to border areas connected to the PWV

Important points in the strategy are

- It supports the need to expand certain black residential areas by an overall 5 000 ha these include Soweto extending westwards, expansion of Daveyton ("immediately") and the fusion of Katlehong, Tokoza and Vosloorus "without any noteworthy expansion"
- It estimates that the black population of the central Witwatersrand will need to accommodate only 700 000 more people between now and the end of the century
- It accepts that cur-

To Page 3, Col 5

Plan to limit population

Star 24/8/81 (180)

from page 1

rent trends show the public is not enthusiastic on public transport but says public transport is crucial.

- It accepts corridor development between existing metropolitan areas but warns that over-development of urban corridors will be counter-productive to efficient public transport.
- It says current growth in the central Witwatersrand must not be disturbed in the short term and that its role as the commercial hub will continue indefinitely
- It does not accept that all 150 000 undeveloped residential stands existing in the PWV need be developed for houses and it believes some erven earmarked for industry could go to other uses.
- It believes highway configuration should avoid concentrating traffic on the metropolitan centres And it warns that the car population of the whole PWV will grow from just under 1 million now to 2,4 million in the year 2000

It emphasises the need for parkland systems, for far more open space for recreation and for the east-west belt of mineland to be viewed as potential recreational land as well as for additional transport lines.

Record gains in Anglovaal group

25/8/81

All eight Anglovaal group industrial companies that published unaudited results today declared increased dividends for the year ended June 30 and higher attributable after-tax profits — seven of them at record levels

T W Beckett — the packer and distributor of teas and coffees — raised its annual dividend by 9c to 40c a share and announced a record consolidated after-tax profit almost 31,5 percent higher at R5 232 000 (1980, R3 979 000)

Claude Neon Lights lifted its dividend by 3,5c to 16c a share on consolidated taxed profit of R2 202 000 (R1 799 000), which was a new high.

The dividend of **Consol** — the group's glass and plastic container manufacturer — was increased by 30c to 105c a share and the company announced a record consolidated taxed profit which was 55 percent higher at R16 935 000 (R10 914 000).

Globe Engineering Works — the marine, electrical and engineering company — increased its dividend by 7,5c to 42,5c a share following a consolidated taxed profit that rose to R2 673 000 (R2 447 000).

Irvin and Johnson — the trawler operator, fishand frozen food processor and distributor — declared at 3c rise in annual dividend at 14c a share and a record consolidated taxed profit that was 43 percent higher at R8 892 000 (R6 213 000).

National Bolts, the industrial fastener manufacturer, pushed its dividend up by 8c to 33c a share on an estimated consolidated profit after tax that was almost 32 percent higher at a new high of R4 641 000 (R3 521 000).

The industrial holding company, **South Atlantic Cokrporation**, raised its dividend payment by 9c to 34c a share and announced a record consolidated after-tax profit 34,5 percent up at R12 594 000 (R9 360 000).

The engineering supplier and contractor, **Steelmetals**, announced a 5c rise in its dividend at 40c a share and a consolidated taxed profit that established a new high of R3 706 000 (R1 461 000).

However, the 1980 figure, taking into account an extraordinary item of R931 600, the write-off of a premium on the acquisition of a subsidiary.

Where applicable, the profit figures shown take into account losses, but not profits, in respect of extraordinary items.

As mentioned above user files stored on drum are not backed up. In fact they are liable to be lost if the system has to be 'rebooted', for example after a system crash. Furthermore the operators normally run a program called REMDRUM each morning. This program deletes user files from the drum without making a backup copy.

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Backup of f

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Tapes can b ... They are available ... st from R13 upwards (ca ... m time to time. Use ... e users.

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF ACCOUNTING

TAXATION AND ESTATE DUTY II - 1981

COURSE OUTLINE/READING LIST - 3rd & 4th QUARTER

LECTURE DATE	LECTURE NO.	TOPIC	THE INCOME TAX ACT	MEYEROWITZ	ILLUSTRATIVE EXAMPLES	TUTORIALS
31 August	20	Tax Planning for Asset Acquisitions - leasehold improvements - lease or buy decisions - leverage leasing	ss.1 'gross income' definition paras.(g),(h); 11(f),11(g),11(h),12,13, 8(4),8(5)	513 - 524, 765 - 786, 534 - 537, 1423 - 1426	-	T.1319 T.1409 T.1411
14 September	21	- acquiring shares - interest payable on acquisition				
21 September			REVISION			T.1424,T.1425 T.1431,T.1432 T.1525, 14.5 16.7,16.9

Consol and I & J star for Anglovaal

RDM 25/8/81

(180)

By DAVID CARTE

CONSOL Ltd, South Africa's biggest bottle-maker, and Irvin & Johnson, its biggest white fish and frozen food group, were the brightest in a constellation of stars among Anglovaal's industrial companies in the year to June.

All eight Anglovaal industrial companies hoisted their dividends and seven achieved record profits

Consol, the near-monopolist in glasses and bottles, rode the crest of the consumer boom, raising taxed profit R6-million, or 55%, to R16 935 000 (1980: R10 914 000) and its dividend 30c to 105c

I & J, the frozen food giant, shrugged aside higher fuel costs to lift taxed profit R2 700 000, or 43%, to R8 892 000 (R6 213 000) and the dividend 3c to 14c

T W Beckett, SA's biggest packer and distributor of tea and coffee, notched up a 31% improvement in taxed profit to R5 232 000 and lifted its dividend 9c to 40c a share

Steelmetals, the engineering supplier and contractor, was another bright performer, raising taxed profit 154%, or R2 245 000, to R3 706 000 (R1 461 000) and its dividend 9c to 34c Anglovaal says the 1980 figure took into account a R931 000 goodwill write-off

National Bolts, the industrial fastener group, also had a good year, lifting taxed profit 32% to R4 641 000 (R3 521 000) It increased its dividend 8c to 33c.

Illuminated sign-renter, Claude Neon, shone less brilliantly, but beat inflation, increasing taxed profit 22% to R2 202 000 (R1 799 000) and its dividend 3,5c to 16c

Globe Engineering, the marine electrical and general engineering company, increased taxed profit 9% to R2 673 000 and its dividend 7,5c to 42,5c.

Anglovaal's industrial holding company, South Atlantic, showed the benefit of these good figures, lifting taxed profit 34% to R12 594 000 (R9 360 000)

EXAMINATION - OCTOBER 1981

N.B. THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THE QUESTIONS ARE UPDATED BY ONE YEAR.

As mentioned above user files stored on drum are not backed up. In fact they are liable to be lost if the system has to be 'rebooted', for example after a system crash. Furthermore the operators normally run a program called REMDRUM each morning. This program deletes user files from the drum without making a backup copy.

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Users frequently corrupt (or accidentally delete) elements rather than whole files. Recovering the whole file from backup involves losing all changes made since the backup copy was made. If an ea... ...pted copy of the element (or the accidentally de... ...in the file (i.e. if the file has not been ... r the user since the corrupted elemen... ...tion occurred) it can be reinstated. This ... See 'Tips for Users'. However RESCUE c... t. It is unfortunately necessary for S ac... ...SCUEd by the HOT SEAT advisor.

Backup of files tha...

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If it is known tha... ...e user should arrange his own backup on ta... ...nt in the case of programs developed o... ...an individual. Such programs tend to be ...

Tapes can be purchas... ...eception. They are available in three si... ...oot and cost from R13 upwards (cash or orde... ...letin from time to time. Users' tapes c... ...or by the users.

Micor turns in huge profit rise

By Mervyn Harris

Scintillating results from its finance and transport subsidiaries helped Micor Holdings boost taxed profit by 85 percent from R1,13-million to R2,09-million in the year to June.

The group, whose activities also range from insurance and travel services to commerce and industry, lifted pre-tax profit by 86 percent from R1,8-million to R3,4-million.

Profits attributable to shareholders increased by 66 percent from R1,07-million to R1,77-million. Earnings a share were up by 61 percent to 64,8c.

The directors say all divisions made a contribution to growth in a year of generally favourable business conditions.

The results reflect a 47 percent return on shareholders' funds and means Micor has achieved a rise in earnings of an average annual compounded rate of 47 percent for the past six years.

The directors attribute this success to efficient management of the group's resources which enabled it to fund the considerably increased turnover.

Recently acquired subsidiary, Cohen and Sons of Germiston, contributed 7,9c to the group's earnings a share.

This is considerably higher than the interim profit forecast and reflects better than expected trading results together with the tax benefits from investment in fixed assets.

Banks to assist small business

Star 24/8/87

The chairman of the Small Business Development Corporation, Dr Anton Rupert, has announced the commencement of a bank guarantee scheme as a further step in the development of support for the small businessman in southern Africa

This scheme aims at mobilising the extensive bank network of the commercial banks throughout southern Africa to bring financial assistance to the doorstep of existing small entrepreneurs — and new ones — irrespective of race, colour or creed

The agreement concluded with the banks entails the following

- The banks will consider loans up to R25 000 which comply with the norms set by the SBDC at branch level

For approved loans the bank will arrange for the necessary security while the SBDC will guarantee 80 percent of the financing facility

- For amounts in excess of R25 000 but no more than R150 000, the banks will submit applications to the SBDC for consideration The SBDC will guarantee up to 80 percent of approved financing facilities

- The guarantee scheme will be monitored and adjusted in the light of experience and it is intended to extend the scheme in the future.

At this stage, agreements have been concluded with the five major commercial banks: Barclays Bank, Nedbank, Standard Bank Trust Bank and Volkskas

As a next step the SBDC intends to extend this scheme to include the smaller banks as soon as possible — Sapa

TERMINAL 3-3

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BUSINESS

R3 700-m under control of Rembrandt

Star 28/8/87 180

Own Correspondent

CAPE TOWN — The Rembrandt group and its associated companies controlled assets worth R3 700-million and had an annual turnover of more than R6 600-million. Dr Anton Rupert, chairman and founder of the company, said in Stellenbosch yesterday.

In addition the group had substantial investments in mining, banking, insurance, engineering and petro-chemicals, he told the annual meeting

The sale during the year of half of the group's interest in Rothmans International for 350-million dollars and other disposals had given the group substantial liquid funds.

Suitable investment opportunities were being continually reviewed and Dr Rupert said that in the past five years the group had greatly diversified its interest in South Africa.

As a result it now owned 30 percent of Federale Mynbou, 20 percent of Volkskas, 49 percent of W and A Gilbey, 20 percent of Legal and General Volkskas Insurance, 50 percent of Henkel SA, 20 percent of Total South Africa, 54 percent of Trans Hex, 20 percent of Metkor, 10 percent of Stewart and Lloyds South Africa and 30 percent of Cape Wine and Distillers

All these companies had shown sustained growth in the past year

The sale of IL Back would have no significant influence on Rembrandt's financial results Dr Rupert said that a successful longterm investment in the clothing industry called for a substantial investment in chain stores or retail-tied financing in order to secure turnovers.

If a mistake is made while entering a line (before <CR> is pressed) the line may be edited in one or two ways before it is operated on by the computer. If the line is to be deleted the line deletion key must be pressed (normally <CONTROL X >). This action is achieved by holding the <CONTROL> key down then typing 'X'. If characters are to be deleted the character deletion key: <DEL> (on STN type terminals), <BACKSPACE>, or <CONTROL> and 'H', or <CONTROL> and 'Z' must be pressed once for each previous character to be erased. Examples of terminal runs using line editing are shown in chapter 6.

3.3.2. U100 Terminals

The method of correcting lines is different in that any string between the <SOE> character and the cursor can be sent to the computer. To do this there are four keys with arrows on them, indicating the direction in which they move the cursor, enabling the cursor to be positioned anywhere on the screen. Any character in a line can be changed by superimposing the cursor on the character to be changed and then typing in the correct character. The line can then be transmitted by moving the cursor to the end and pressing the transmit key. Additional characters and redundant characters in a string may be inserted or deleted before transmission by means of the <INSERT> and <DELETE> keys. If the <INSERT> button is pressed once, the right-hand part of the string starting at and including the character position where the cursor is situated will be shifted to the right by one space, thus making space for one additional character. If the <DELETE> key is pressed the character over which the cursor is situated will disappear and the right-hand side of the line will move one space to the left to close the gap.

Sinclair Holdings takes over more companies

Star 31/8/81

180

Sinclair Holdings, acquired last December by a consortium headed by Mr Bazil Shlom, today announced the takeover of two more companies and the option to take over another in which it already has a one-third shareholding.

This brings to five the number of acquisitions Sinclair has made in the past nine months

CONCLUDED

In statements published today, Sinclair said it had concluded negotiations to

● Acquire the entire and paid-up share capital of Sun Chemical Corporation, manufacturers and distributors of a wide range of swimming pool and other chemicals and distributors of swimming-pool equipment and accessories, for a consideration of R1,2-million, effective from last July 1,

● Acquire the same of Premium Acceptances which, on its own account and through its subsidiary, Anchor Leasing, is in the leasing and hire-purchase financing business, for a total consideration of R674 000 This transaction is also effective from July 1

● Acquire through its wholly owned subsidiary, Poolquip ~~Industries~~, a third of the share capital of Peacock Investments, manufacturers and distributors of the Poolranger swimming pool cleaner and the Chlorobelle pool chlorinator, with the option to acquire the balance of the shareholding before March 1, 1985. This transaction is effective from last July 31.

The R1,2-million consideration for the shares in Sun Chemical Corporation is to be discharged by the issue of 1 330 000 ordinary shares in Sinclair at 90c each fully paid-up and payment of the balance in cash. In respect of the acquisition of Premium and its subsidiary, Anchor 741 633 ordinary shares in Sinclair at 90c each are to be issued and the balance in cash.

ANTICIPATED

The managing director and chief executive of Sinclair, Mr Shlom, said he anticipated no significant change in the after-tax earnings of the Sinclair ordinary share for the current fiscal trading period as a result of the three deals.

The Sun transaction would, however, raise the net asset value of a Sinclair share from 38c to 44c and the Premium transaction would increase it by an additional 1,5c to 45,5c

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.

Afrox shares in Dowson sold

Star 2/9/81

180

By David Bamber

African Oxygen has sold its mining, railway and engineering - contracts divisions in Dowson and Dobson to Coalequip for R20-million

In a joint announcement Afrox and Coalequip said, "Disposal of these assets of Downson & Dobson will have no material effect on the earnings a share of Afrox"

Stockbrokers generally agreed with this statement They noted that these sections had been a drag on Afrox who could put the R20 million (equal only to the net asset values of these divisions) to far better use elsewhere

Payment will be over a three-year period and dealers are expecting this income to be used for expansion projects by Afrox

The divisions retained by Downson & Dobson include the manufacturing of pipes and irrigation, consumer products and marine electronics

From the Coalequip point of view, the deal is probably also a good one

The jointly Boart International/General Mining Union Corporation owned company is a leading supplier to the coalmining industry

The divisions being bought from Dowson & Dobson will therefore be completely "at home" in their new surroundings

Coalequip's close association with the mining industry should also be able to inject some new life into these activities

About 900 Dowson

About 900 Dowson & - fected by the sale They move to the Coalequip group

CALAN (180)

Greater strength

FM 4/9/81

Activities: *Industrial holding company with subsidiaries in plastics, rubber, footwear, lighting, electrical wholesaling and packaging Directors hold 5,7% of the equity*

Chairman and managing director. *P Grobbelaar*

Capital structure: *8,4m ordinaries of 25c Market capitalisation R52,9m*

Financial: *Year to June 30 1981 Borrowings long- and medium-term, R30,5m, net short-term, R16,9m Debt equity ratio 84,3% Current ratio 2,0 Group cash flow R17,1m Capital commitments R5,6m*

Share market: *Price 630c (1980-81 high, 630c, low, 370c, trading volume last quarter, 412 368 shares) Yields 21,3% on earnings, 7,6% on dividend Cover 2,8 PE ratio 4,7*

	'78	'79	'80	'81
Return on cap (%)	15,1	15 6	17 7	24 9
Turnover (Rm)	132	148	183	240
Pre-tax profit (Rm)	6 9	7 4	11 3	21 0
Gross margin (%)	7 5	7 3	8 9	11 2
Earnings (c)	69 4	76 9	95 7	134 3
Dividends (c)	32	33	40	48
Net asset value (c)	433	439	500	614

*Includes proposed but not declared final dividend

If market whispers are correct on the 670c a share price which will be offered to Calan minorities, the 1981 annual report is largely academic Acceptance of the offer would seem assured as the market has always under-rated Calan, making the share one of the better income buys in the past

The 1981 report reflects solid improvements throughout the group with profit above budget and finances even more healthy than at the beginning of the year Last year chairman Peter Grobbelaar forecast earnings growth of at least 15% in real terms In the event growth was closer to 25% in real terms — 40% in rand terms — though dividends (paid and proposed) advanced at a slow 20% in line with management's intention to lift cover to three times this year

This trend to greater internal funding follows Grobbelaar's caution last year on the longevity of the boom and group capex requirements It does not, however, suggest any squeeze on Calan's liquidity, though it could be a result of the recently announced offer to minorities as Grobbelaar told the *FM* in September 1980, and again in February this year, that cover would remain around 2,5 times While many listed companies are moving towards higher dividend cover, Calan does not appear to need the increased retention

□ Total borrowings last year advanced to R47,7m (R38,6m) — equivalent to 84% (89%) of shareholders' funds And the annual interest/leasing bill was covered a comfortable 4,6 times by 1981 gross profit On the basis of expected profit growth and borrowings capacity, capex funding should thus present no problem

Last year's profit improvement stemmed from continued strength at major subsidiaries Omega-Barfel, Lascon and Litecor with a return to the black in Natyre and the expansion of the shoe division adding to earnings Omega remains the largest single profit contributor with a pre-tax profit believed to be around R5,5m of the group's R21m total

This year all subsidiaries expect improved performances though Natyre notes that pricing arrangements in the tyre industry make marketing structures inflexible As a result, the company is looking into importing tyres And subsidiary Wayne Rubber expects the re-location later this year to be disruptive

On the basis of these prospects Calan is looking for earnings growth of around 20% this year which would produce attributable profit of R13,6m On earnings of around 161c Calan would pay a dividend of 54c (48c), placing the share on an 8,6% prospective yield at the current 630c Prior to the announcement of the offer, Calan traded as low as 410c, an obvious misrating of the group On the basis of a prospective PE of four, the offer price is likely to be around 670c, which leaves little to chase on the market at present

Des Kilalea

COMPANY COMMENT

By Mike Chester

Leaner Afrox is worth a look

S Tribune 6/9/81

~~221~~ 180

ONE OF the more interesting companies investors might look at on the industrial boards is a much leaner Afrox, which hit the headlines this week when it announced that it would divest itself of three divisions of its mining and engineering subsidiary, Dowson and Dobson.

The mining, railway and engineering contracts divisions of D and D have been sold to Coalequip — jointly owned by Gencor and Anglo American's Boart International — for its net asset value of around R20 million.

This sale represents half of the Afrox subsidiary, according to the oxygen group's managing director, Peter Joubert ("depending on which way you divide it"). It follows four disappointing years when the engineering firm failed to live up to its parent's expectations.

In 1980 it was merely able to maintain trading profits (prior to interest) despite an 11 percent improvement in turnover.

Some stockbrokers have said that D and D has effectively "dragged down" the Afrox group's performance. So that while a joint statement from the vendor and purchaser said "Disposal of these assets of Dowson and Dobson will have no material effect on the earnings a share of Afrox" this should be read as the short term scenario.

Afrox has a historic dividend yield of 5,7 percent and an earnings yield of 11,11 percent. In the past two months to Thursday it had gained in price 1,4 percent in its sector and is trading around 545c.

"As a result of this (sale) and other things, the company will continue to increase earnings," Joubert told me.

When asked the obvious — why Afrox got rid of the divisions — he diplomatically replied that certain parts of D and D had not "matched" the earnings performance of other sections of the group.

"The opportunity arose that someone was interested and we managed to come to a satisfactory agreement," he continued. And while some observers have labelled the sale, to be settled over three years, as a bargain, to Joubert it was that rare thing — a "lovely market agreement" in which both sides were satisfied.

Back in 1976 D and D added some 29 percent (R5 million) to Afrox's gross profit (R19,5 million). Next year it was down to 27 percent of the total (R5,3 million) and in 1978 the contribution was 23 percent.

From then on it was downhill all the way — 1979, 19 percent of the total of R4,5 million and last year the contribution slumped to R2,9 million or only 10,1 percent of the Afrox group earnings.

This sale is not the first, or possibly the last, surgery Afrox has undertaken to amputate a gangrenous limb. Last year the then new managing director presided over the sale of D and D's electronics division for R753 000.

The remaining D and D divisions, engineering consumables, pipes and irrigation, consumer products and marine electronics activities apparently "fit in" better with this sleeker Afrox.

"D and D is itself a conglomerate and the bits staying are the most suitable," Joubert said. "We hope in the longer term to be able to concentrate the business."

"There will be some consolidation now in the D and D business which, will be brought more tightly into the central fold, and we will then go on for organic growth and eventually, when the time is right, acquisition."

Some company observers have speculated that the rest of D and D will be sold off piecemeal and that ultimately Afrox will revert to a core gas and welding concern. That sort of talk is branded by the Afrox man as "sheer and misinformed speculation".

Despite the negative effect parts of the engineering subsidiary, over the years Afrox has done well. Although the return on capital has slipped gradually back from 22,1 percent in 1977 to 17,6 percent last year, turnover has gone from 1977's R132 million to R179 million last year.

Pre-tax profit rose from R18 million to R27,2 million in the same period.

Earnings a share have leaped from 34,4c a share to 60,6c, dividends a share from 14c to 29c and net asset value from 241c to 400.

This year, despite a disappointing pre-tax profit, which rose only 15,4 percent from R12 million to R13,9 million despite a turnover up 30 percent, the group is looking to a slightly better second half.

Chairman Bean Sutherland has said the latter half will reflect a slightly better share of total earnings.

This is supported by the fact that in recent years Afrox has averaged 60 percent of total profits in the second half — in 1980 for example the split was R7,5 million in the first half — in 1980, for example, the second.

So, with a tighter, leaner and more specialist Afrox continuing a policy of rationalisation, the future does indeed look brighter.

Commercial/industrial/mining concerns

Hans. 7 Q.s 399

380. Mr H H SCHWARZ asked the Minister of Statistics (2) (180) ~~(215)~~

(1) How many (a) commercial, (b) industrial and (c) mining concerns are there in the Republic,

18/9/8

(2) how many of the concerns in each such category employ (a) fewer than 10, (b) between 10 and 50, (c) between 50 and 100, (d) between 100 and 200, (e) between 200 and 500, (f) between 500 and 1 000, (g) between 1 000 and 2 000 and (h) more than 2 000 persons?

The MINISTER OF STATISTICS

(1) (a) 82 675 (1977 Census)

(b) 27 353 (1976 Census)

(c) 771 (1978 Census)

(2)

	Commercial	Industrial	Mining
(a)	63 861	10 657	163
(b)	16 497	10 651	318
(c)	1 702	2 551	72
(d)	409	1 624	50
(e)	206	1 255	49
(f)	387		28
(g)	228		24
(h)			67

Cullinan turnover exceeds R100-m

Star 24/9/81 (180)

By Patrick McLoughlin

Cullinan Holdings — the diversified refractories, electrical products, mining, bricks and property company — has reported exceeding R100-million in turnover for the first time and directors are predicting bigger profits and dividends in the current financial year.

Group turnover jumped 59 percent for the year to June 30, from R76,3-million to R121,3-million and this boost in sales brought with it a 47 percent improvement in operating profits.

This jumped from R7,8-million to R11,8-million.

Earnings a share, worked out on the basis of FIFO, went from 84c to 121c and after-tax profit was R11,8-million (R7,8-million).

Best news for shareholders is that dividends have been raised by a third — from 27c to 36c.

Chairman Mr Neil Cullinan, in his first annual review, said that their previously defined objective of achieving a growth in earnings of "at least 20 percent" a year would, in the light of present economic circumstances, appear a little optimistic

Therefore, for the next three years, the company's objective will be to achieve a 16 percent compound growth-rate.

In line with general economic forecasts for the country, "the year ahead is seen to be one of adjustment and consolidation," he said.

"After a period of rapid growth and expansion a breathing space is to be welcomed ."

Mr Cullinan predicted that Fifo-based group earnings for the current financial year would be around 135c a share — "which would allow us to declare dividends in the region of 40c."

Hand for teachers

TWO large Pretoria factories situated near Mamelodi have jointly decided to subsidise salaries of the science and mathematic teachers at Mamelodi High School.

180

This week the two teachers were presented with the first cheques which will in future be added to their salary cheques received from the Department of Education and Training.

Spokesman for the two factories, Sigma Motor Corporation and Norristan Laboraties said the aim of the subsidy was to prevent the teachers from quitting their profession at the school for the private sector.

SOWETAN 24/9/81

The spokesman said it was common knowledge that science and maths teachers were endangered species in the teaching profession as they were swallowed by the private sector.

He said the two firms decided on the subsidy to keep the two teachers' services at the school which they regarded as a reservoir for future labour force.

The two companies, jointly with Silverton Engineering are presently running adult classes at junior and senior certificate levels for their employees try This, Beard says, made production scheduling impossible and led to a build-up of finished goods

An area of concern in this division is the axle manufacturing company This company is still awaiting the outcome of its application eight months ago to the Board of Trade for approval of a comprehensive manufacturing activity in terms of the overall programme for the local manufacture of drive and steering axles for heavy-duty vehicles Beard says continued delays have made forward planning difficult, not to mention the effects of inflation on the planned investment in capital equipment and tooling

Beard also expects a temporary decline in the off-take of existing products as a result of the considerable advance buying of heavy vehicles which has occurred ahead of the introduction of locally produced engines and gearboxes

As far as the protective clothing division is concerned, only moderate growth is forecast for existing companies But overall results will benefit from the acquisition since year-end of Marburg Manufacturers — this will boost capacity of the division by over one-third

Financially, the group continued to meet all its objectives in terms of profitability and balance sheet structure, but an increase in the debt equity ratio from 54% to 70%, coupled with future capex needs, has prompted a decision to increase the permanent capital base This is being done through a rights issue of automatically convertible 14% debentures, the R12,2m raised will reduce the June 30 debt ratio by about ten percentage points With a self-imposed debt ceiling of 80%, total financing capability of the group after the issue will be about R30m

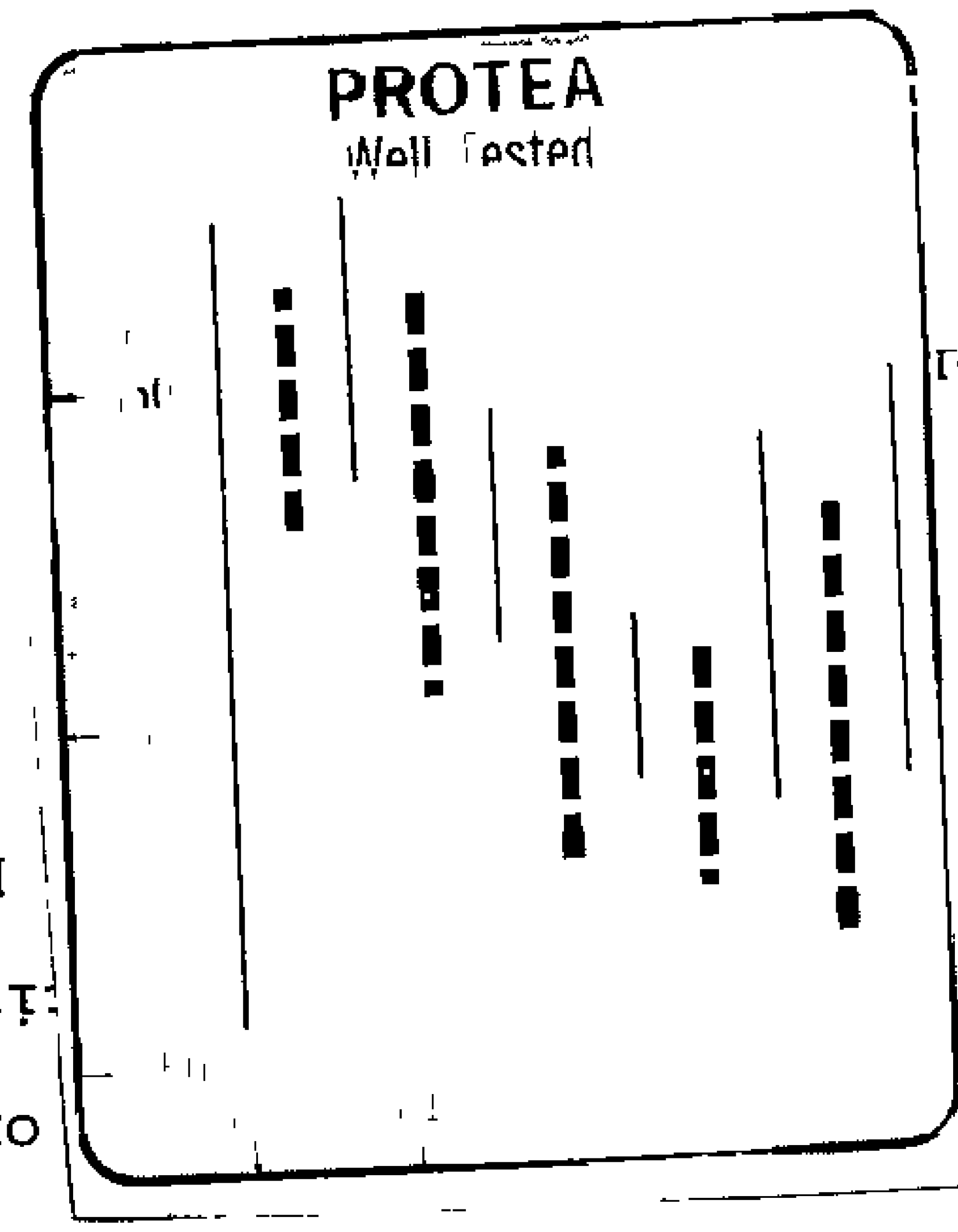
This will give adequate scope for growth for some years but there will be earnings dilution of about 90% when the debentures are converted The effects will, however, be spread as holders have options to convert half the debentures into equity in September 1984 and the balance a year later. Compulsory conversion will occur in September 1986

Last year certain group companies changed over to lifo and at June 30 about 30% of total stocks were valued on this basis The change, however, had no effect on published results as the group is using a lifo reserve system whereby the net taxed difference between lifo and fifo profits (R1,3m for 1981) is transferred to a non-distributable reserve By the end of the current year about 70% of group stocks will be on lifo

Despite substantial profit growth in recent years, the share has the low market rating typical of conglomerates This is reflected both in the current dividend yield of 8,8%, more than two percentage points above the industrial sector average, and the PE of under five. For the current year, I expect the company will maintain dividend growth of around 20% (21% last year) On the basis of a 35c payout, the prospective yield is 10,5% at 335c

Brian Thompson

Protea's Beard . . . strengthening finances



PROTEA HOLDINGS (180)

Still growing

FM 25/9/81

Activities: *Industrial holding company with interests in chemicals, consumer products, electrical goods and electronics, instrumentation and laboratory equipment, metals and engineering, and protective clothing*

Chairman: *F G Beard, managing director L A Beard*

Capital structure: *30,5m ordinaries of 10c, and 4m 12,5c dividend red prefs of 10c Market capitalisation R101m*

Financial: *Year to June 30 1981 Borrowings long- and medium-term, R37m, net short-term, R13,3m Debt equity ratio 70,2% Current ratio 1,8 Group cash flow R26,7m Capital commitments R3,7m*

Share market. *Price 330c (1980-81 high, 385c, low, 255c, trading volume last quarter, 935 000 shares) Yields 21,2% on earnings, 8,8% on dividend Cover 2,4 PE ratio 4,7*

With the economy likely to grow by a nominal 19% during the 12 months to June 1982, it is a reasonable bet that Protea Holdings will be able to top the 15% earnings increase forecast by chairman Fred Beard

All seven divisions are budgeting for improved results this year but, according to MD Aiden Beard, the main growth areas are seen to be chemicals, electrical goods and electronics, metals and engineering and protective clothing

In the chemicals division, results are expected to benefit from a number of new products which were either launched last year or are due to be launched soon Growth should continue well into 1983 as the grou

	'78	'79	'80	'81
Return on cap (%)	23,7	25 3	31 6	33,
Turnover (Rm)	178	214	277	34
Pre-tax profit (Rm)	14,2	18 1	28 2	36
Gross margin (%)	10 1	10 3	11 6	12
Earnings (c)	27,4	33 6	53 6	69
Dividends (c)	14	17	24	2
Net asset value (c)	145	162	199	22

has two important manufacturing project which will come on stream late this yea The first involves the manufacture of vanadium pentoxide catalyst, used in th manufacture of sulphuric acid, under joint-venture arrangement with ISC Chem cals of the UK The second project will b the manufacture of previously import phenolic moulding powders under a licen ing agreement with an Italian company

In the case of the electrical/electroni division, improved profit expectations ste mainly from the rationalisation of certa activities of the two electronics supply co panies This particular sector did not pe form well last year because of increas competition (both domestically and fro imports), but the shortfall was made up buoyant demand for electrical goods T result was that this division not only ma tained its position as the largest contribut of increased profits, accounting for 36% the group's overall pre-tax profit rise, h has also become the biggest single pro source (see table)

There is also an element of recovery as ciated with the inclusion of the metals a engineering division as one of this yea major growth prospects This division w the only one to record lower profits l year, mainly as a result of substantia reduced earnings by the international tr ing company which imports and exp steel and engineering products, paper chemicals Although world steel mark are still weak, this company is expecte reverse part of last year's downturn Be results are also forecast for the commer refrigeration company which was adver affected by delays occasioned by o stretched conditions in the building in

	Turnover Rm		Pre-tax profit Rm		Gross return on averag fund %	
	1980	1981	1980	1981	1980	198
Chemicals	58,4	67,5	6,0	6,9	34,8	37
Consumer Products	22,2	27,2	1,9	3,3	23,1	29
Electrical/Electronics	70,2	87,2	5,1	7,9	30,7	38
Instrumentation	37,1	46,3	5,2	6,2	48,8	45
Medical	22,5	28,7	3,2	4,0	33,0	29
Metals/Engineering	34,7	41,7	6,9	6,4	57,5	46
Protect Clothing	32,4	44,8	2,5	3,9	27,2	3

Pickard expects group's growth levels to continue

25/9/74 (180)

The four companies in the Pickard group reporting annual results today show good growth levels for the year to June and indicate that similar performances may be expected in the current financial year.

UNION WINE, which dominated financial news for most of March and lists Mervyn King and Natie Kirsh as directors for the first time, reports an increase in taxed attributable profit of 25 percent to R1,4-million.

Earnings a share were up 23 percent to 33,76c and the dividend was increased to 9c a share from 7c.

Commenting on the results, the chairman, Mr Jan Pickard, said that he was pleased with this year's performance and the steady growth of the company over the past five years.

The company has not yet felt the beneficial effects of the merger with Kirsh Industries which are expected to flow in the latter half of the current financial year.

"The government's announcement that they intend to legalise shebeens quite soon will affect Union Wine distribution through the Metro Stores link. This was the main reason for the merger."

Mr Pickard expected at least the same growth rate in the current year.

PICOTEL, in which Union Wine has an 80 percent stake, reports an increase in taxed attributable profit of 74 percent to R1,4-million.

Earnings were up 73 percent to 28,32c a share and dividends increased by 55 percent to 14c a share.

Wholesale turnover increased by 43,46 percent and retail turnover was up by 82 percent.

The acquisition of Premier Milling's wholesale liquor division and its nine liquor stores plus the Cellarmaster chain helped to boost distribution.

The fact that Kirsh and Pickard have each put R8-million into the company to assist in the acquisition of 75 additional liquor stores will ensure that Mr Pickard's forecast for a similar increase in growth this year will be met.

PICFOODS — whose main interests are a 39 percent stake in Karoo — which contributed 70 percent of taxed attributable profit — an investment in Tollgate and a cash holding of R13,8-million, reported an increase in taxed attributable profit of 30 percent to R4,7-million. Earnings a share were up 30 percent to 82c and dividends were two cents higher at 20c a share.

Mr Pickard says he is not certain about the current year's performance as it depends on Karoo, which Gencor has controlling interest, and on what is done with the R13,8-million which is at present invested short term.

PICPROP whose activ[ities] are divided betwee[n] property and clothing ha[s] declared a dividend fo[r] the first time in fiv[e] years. From earnings a share of 5,7c (3,5c) a dividend of 2,5c has bee[n] declared. Taxed attribu[table] profit was up 6[?] percent to R441,141. M[r] Pickard is pleased wit[h] the performance which he expects to be maintained now that all Picprop's buildings are on a positive cash flow. — Ann Crotty

SX 30/9/81

Titan revamp

180 232

Wholly-owned subsidiaries of Metkor Investments, the Titan Industrial Corporation group of companies, has been restructured.

Bright Metals, Renbolt Engineering, Titan Chain and Titan Industrial Corporation (1952) will operate, with effect from tomorrow as divisions of a newly formed company, Titan Industrial Corporation.

The former Bright Metals and Renbolt Engineering companies will become the Bright Bar and Bolt Division; Titan Chain will become the Chain Divison and the export and import steel trading operation, which formerly operated through Titan Industrial Corporation (1952), will become the Steel Export and Import Trading Division of the new company.

Assocom, and FCI may merge

RDM 2/10/81 ~~133~~ 180 ~~36~~

By HAROLD FRIDJHON

TWO of South Africa's largest employer organisations, the Association of Chambers of Commerce (Assocom) and the SA Federated Chambers of Industry (FCI) have recently held exploratory talks on the possibility of a merger at the national level between the two bodies.

Presidents of both organisations, Mr Issy Pinshaw of Assocom and Mr Chris du Toit of the FCI were very circumspect when asked to comment last night.

Both said that talks about a possible merger had been going on over a number of years but with no decisions having been taken Mr Pinshaw added, however, that as a result of fresh talks the matter had been taken a little further It would be more fully discussed by Assocom in the near future

Mr Du Toit said that the subject had flared up again but no one had taken any positions He gave the impression that the issue was wide open and that there were no commitments.

For many years past, leaders in both organisations have felt that the interests of industry and commerce would be better served by a single employer organisation representing the full weight of the business section of the community

Difference

There was some historical justification for two organisations years ago when the Assocom stance was for low tariffs, free trade and an open import policy, while the FCI stood for the encouragement of industry, protection and import control.

But that difference of attitude has long since disappeared Both organisations are at one when it comes to the encouragement of industry so as to create job opportunities for a growing population, and of working for the real and fundamental growth of the South African economy

The policy lines of both organisations are the same when it comes to education and training so that the country can provide its own skilled labour force

Both organisations have expressed their opposition to State interference in the business sector

If the two bodies can be welded into one powerful employer body, the unified structure will be more powerful and influential, particularly in Government cicles where it would represent the concerted view of private enterprise

Proliferation

Maintaining the two structures is costly, both in terms of money and also of the time which businessmen have to devote to chamber work It has been suggested that the larger business and financial groups which support both Assocom and the FCI would probably give added support to a more powerful and representative employer organisation.

There is another aspect that must be considered In recent years there has been a proliferation of smaller business organisations which have sought to plough their own narrow furrows

These organisations would be attracted to a strong power group which talks to Government and other authorities with one authoritative voice. In all probabilities, if the merger should eventuate it would attract wider a wider membership

MANUFACTURING (180)

Capacity ceilings

FM 2/10/81

The manufacturing industry is still near capacity ceilings despite the downturn in the economy

Slacker domestic demand and bottlenecks caused primarily by the continuing shortage of skilled labour are, however, likely to take their toll over the next few months

The level of utilisation of manufacturing production capacity stood at 89,8% in May according to Department of Statistics figures

Jan de Jager, of the FCI's Intelligence and Research Unit, points out that this was precisely at the previous highest level, which was in the boom period of November 1973

In the clothing industry, wood and wood products (excluding furniture) and paper and paper products, capacity utilisation was higher in May than in any quarter since 1971

In certain other manufacturing subsectors, "capacity utilisation levels are lower than the peaks reached during the current upswing but exceed the peak reached in any previous quarter, indicating that extensions to existing capacity have occurred in the latest upswing or that demand has started to decline," according to De Jager

Such industries include iron and steel basic industries (in which utilisation was at 92 1% in May compared with 94,4% in May 1980) textiles footwear and motor vehicles parts and accessories

One must be cautious about how one uses figures on capacity utilisation, since these are overall averages which may not reflect the situation in certain sections of an industry

The steel industry is near capacity ceilings says Highveld MD Leslie Boyd, but 'the major factor is almost at all times the marketplace — you've got to be able to sell what you produce "

Boyd says Highveld anticipates domestic demand, which has been very good over the past two years, will begin to weaken, but is confident that export markets will take up the slack as the economies of SA's major trading partners improve

In 1980 SA's steel industry produced a record 9,1m crude tons and it is expected that roughly the same will be produced this year, he says

There has not been a dramatic increase in investment to increase capacity in the steel industry, which continues to consolidate the period of investment of the mid-Seventies when Iscor built its Newcastle plant and there was extra steel for the country to digest

However, the industry is suffering from a shortage of skilled labour, as are most other sectors

The Stellenbosch Bureau for Economic Research's July survey said 87% of the manufacturers surveyed reported bottlenecks resulting from a shortage of skilled labour

The skilled labour shortage is not likely to improve in the near future and investment projects begun during the upswing are probably still going ahead In addition, demand for many products is already falling off, although consumer demand remained quite buoyant into the second quarter of this year

The result will be that capacity utilisation will fall off sooner or later But there is a chance that the domestic downturn may be cushioned in certain industries by an increase in foreign exports, provided Western economies are showing signs of recovering, as expected, within 18 months

Barlow Rand sells Placo

RDM 5/10/81 (180) BM 32

By JOHN MULCAHY

BARLOW Rand has sold its wholly-owned light aircraft subsidiary Placo (Pty) to the Heliquip group and a consortium of private interests led by Burad Securities.

Placo, the sole distributor in Southern Africa of Piper aircraft, operates from Rand Airport, and is one of the "big three" light aircraft distributors in South Africa

The corporate aircraft market is believed to be worth at least R25-million a year, and Placo has just unveiled a new Piper propjet to bid for a greater share of this business

Heliquip director, Mr Peter Piggott, said the Placo takeover took effect on October 1, but he declined to disclose the purchase price. "There are complicated financial arrangements"

Mr Colin Cohen, Placo's new managing director, said the Heliquip-Placo conglomerate would be a "very large company" in general aviation terms, but the aviation market was highly sensitive, and for competitive reasons operating results could not be published

The Piper Corporation of the US has been aware of the negotiations, and has approved the change of control, with Placo retaining the franchise for all Piper products

Barlows said Placo would continue to develop the Piper dealership and service network to support the expanding general aviation market in South Africa

"Heliquip and Placo will be rationalising their facilities to ensure that purchasers of Piper, Embraer, Aerospatiale (civil helicopters) and the US Hiller helicopters enjoy the most comprehensive range of products and continue to receive thorough product support"

Mr Cohen said Placo, with its new generation of turboprop aircraft, was poised on the same watershed as Heliquip Heliquip is now involved in new technology helicopters, which represent an advance on the "Vietnam era" of choppers

He described the takeover as a "meeting of minds", that Barlows did not hawk the business, and neither did Heliquip approach Barlows with an offer

The two companies would start working towards the same end, said Mr Cohen, providing complete service back-up and operational expertise

Mr Cohen said Placo would be aiming at growth which it should have achieved in the past

W & A FM 6/11/81

Retail gains

(180)

Activities *Clothing, textile and retailing conglomerate with motor spares mining supplies and scrap metal subsidiaries Owns Tri-ang, 56% of World Furnishers and jointly controls Bradlows*

Chairman *M Simchowitz managing director P H Jacobson*

Capital structure *4,8m ordinaries of 50c 150 000 6% cum red prefs of R2 4m 7,2% (variable) cum red prefs of 1c, 4m 6,75% (variable) cum red prefs of 1c**

** Issued during the year at a premium of 99c Market capitalisation R31,4m*

Financial *Year to June 30 1981 Borrowings long- and medium-term R33,7m, net short-term R1,0m Debt equity ratio 90,9% Current ratio 2,4 Group cash flow R8,5m Capital commitments R775 000*

Share market *Price 655c (1980-81 high, 700c, low, 440c, trading volume last quarter, 54 000 shares) Yields 23,1% on earnings 7,6% on dividend Cover 3,0 PE ratio 4,3*

	'78	79	80	'81
Return on cap (%)	16,3	12,8	13,2	19,6
Turnover (Rm)	65,4	79,2	128,5	159,5
Pre-tax profit (Rm)	4,7	5,5	10,8	15,0
Gross margin (%)	10,4	10,[illegible]	10,8	11,4
Earnings (c)	48,3	61,9	109,9	151,5
Dividends (c)	18	3[illegible]	40	50
Net asset value (c)	301	345	427	530

Despite poor results from loss-making divisions President Knitting and Lovable, W & A easily beat the directors forecast of 25% earnings growth last year The high level of consumer spending led to strong performances from Bradlows and World Furnishers and more than compensated for the losses incurred, enabling the group to lift earnings 37,9% to 151 5c (109 9c) a share

Chairman Mannie Simchowitz says the consumer boom placed intense pressure on raw material suppliers, leading to supply bottlenecks and late deliveries Despite the fact that W & A clearly benefited from the higher volume of sales, Simchowitz describes the high rate of inflation and the over-stimulation of consumer demand as "unhealthy"

Plastics and toy manufacturer Hygienia Tri-ang achieved record sales and coat and dress manufacturer Jardin des Modes reflected the buoyancy of the clothing industry by maintaining its high level of profitability, says Simchowitz The conglomerate structure provided a cushion against disappointing performances in other divisions The contribution of the group's retailing operations rose from 27% of overall net income to 40%, offsetting lower contributions from manufacturing and wholesaling

Acquisitions during the year included Winna stores — which failed to contribute significantly to overall income — while the group sold its holding in Universal Metal and disposed of 50% of the ordinary equity in President Both President and Lovable are expected to return to the black this year and Simchowitz says a turnaround by those divisions should more than offset any possible downturn in trading conditions

Despite the sharp increase in borrowings — from R25,8m to R39 4m — Simchowitz says the balance sheet is healthier than ever before While the current debt equity ratio of 91% may seem high, interest payments are comfortably covered by gross profit With lower demand expected this year supply problems should be alleviated and allow the company to reduce its stock levels Debtors are also likely to fall this year as sales taper off

The capital base was broadened with the issue of 4m variable rate redeemable prefs of 1c at a premium of 99c In addition 931 000 11% cumulative prefs of R1 were redeemed at par in December

Return on capital improved to 19 6% against 18,2% previously despite the increase in total shareholders fund for half the year Liquidity was also better with cash at R2 8m (R1 8m) and the current ratio a healthy 2 4 (2 2)

On the 50c dividend, cover was increased marginally from 2 9 times to 3 0 times However, that is unlikely to disappoint shareholders and last year's payout represents a 25% increase over the previous year That enabled controlling company Waicor to pay a total of 16c Waicor, which derives all its income from its investment in W & A earned 18c a share last year The Waicor directors say retentions are being made in order to repay a loan of R560 000 over the next few years

With improved expectations this year for the loss-making divisions together with a strong financial structure a 20% earnings advance looks easily attainable for W & A unless the retail markets fall badly That points to earnings of around 180c for financial 1982 and a total dividend of 60c On that basis, the share yields a prospective 9 2% at the current price of 655c and looks like reasonable value relative to the market

Hans 10 7/10/81 QC662

Ciskei manufacturing industry (180)

*19 Mr A SAVAGE asked the Minister of Co-operation and Development

How many establishments in the manufacturing industry in Ciskei (Region 1301) ceased to exist during the latest specified period of five years for which figures are available?

The MINISTER OF CO-OPERATION AND DEVELOPMENT

1976-'77	Nil
1977-'78	1
1978-'79	1
1979-'80	Nil
1980-'81	1

Hans Ciskei: manufacturing industry
10 7/10/81 QC 662-3 180

*21 Mr E K MOORCROFT asked the Minister of Co-operation and Development

How many establishments in the manufacturing industry are in existence in Ciskei (Region 1301)?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

54 as at 6 October 1981.

Hans 10 7/10/81 QC 663 (18G)

Border area: manufacturing industry

*22 Mr M A TARR asked the Minister of Co-operation and Development:

(a) How many establishments in the manufacturing industry in the Border area (Region 0602) employ more than 10 Blacks and (b) into which manufacturing groups do they fall?

†The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) 302.

(b) Food processing Wood and Cork Industry, Furniture, Printing and Publishing, Non Metal Industry, Fabricated Metal Products and Diverse Industries.

The above information is in respect of the year 1976 and it is the latest available information

Haus 10 8/10/87 QC 697 180

Border area/Ciskei: manufacturing industry

466. Mr H H SCHWARZ asked the Minister of Statistics·

What is the total number of persons in each race group employed in the manufacturing industry in (a) the Border area (Region 0602) and (b) Ciskei (Region 1301)?

The MINISTER OF STATISTICS.

	(a)	(b)
Whites ...	5 459	25
Coloureds .	2 137	6
Asians . .	194	0
Blacks. ..	28 650	690

Latest available information—1976 Census of Manufacturing.

Sowetan 8/10/81

War on shebeens

(169/363)

By ELLIOT TSHINGWALA

THE massive raids on Soweto shebeens at the weekend was a pre-planned effort to keep Soweto dry, Major Mazibuko has announced.

Several policemen in what is called "Operation Soweto Dry-up" raided thousands of shebeens and confiscated liquor amounting to more than R13 000.

Soweto Police Liaison Officer for the press Major Mazibuko said: "We are trying to prove the point that crime will go down if there is less liquor. Last month we issued details of our investigations and we found that liquor and shebeens were responsible for most of the murders in the township," he said

Major Mazibuko said last month 99% of the murders in the township occurred in the vicinity of shebeens, or the victims were participants in drinking sprees.

In Operation Soweto Dry-Up, police only cleaned shebeens of their liquor but did not arrest the operators. This is a new tactic, apparently aimed at totally discouraging the shebeeners from operating.

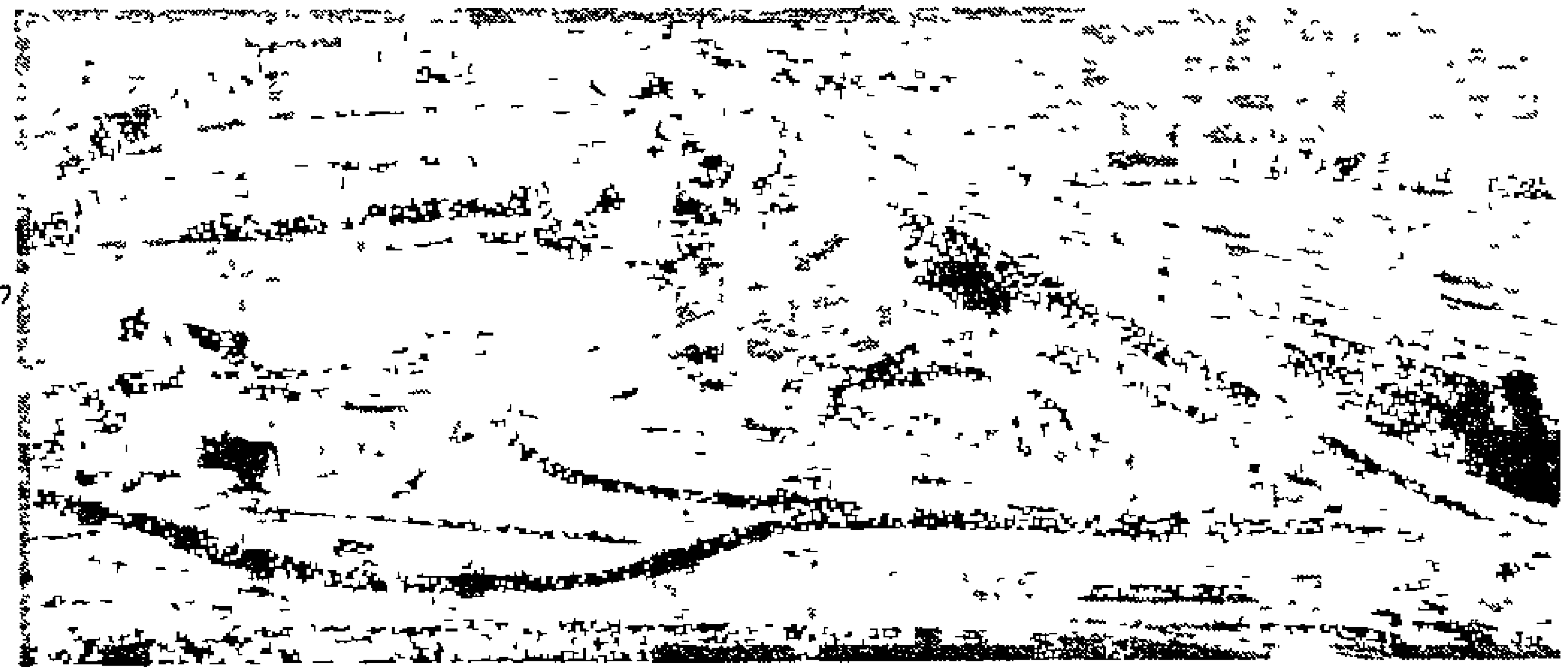
The figures for the liquor confiscated are as follows: 1032 dozen quarts of beer, 83 dozen pints, 361 bottles of spirits (half jug) and 81 bottles of wine (750 ml)

The President of the National Taverns Association, Mr Peggy "Bel Air" Senne merely said he was tired of the police raids

"It seems they want us to be out of business before legalization comes into effect," he said. He refused to discuss details of the raids. He would not even say the amount of stocks taken. "When legalization comes we will breath a sigh of relief."

(180)

Rail project to link Soweto and industry



THE LINK: Rail lines between Soweto and Johannesburg's outlying industrial areas.

THE RAIL link between Soweto and Johannesburg's outlying industrial areas is well underway, and Section Four of the project is expected to be completed in December according to the contractors, Futurus, of Kempton Park.

(269/180)

The contractors have completed 70% of earthworks, construction of bridges, roadworks, drainage, fencing and deviations of services in this R2,3 million phase of the overall project

Sowetan

When the project is completed, the South African Railways' Western Transvaal System will be streamlined with a new connecting line between George Goch and Karsene West.

Two bridges had to be constructed — a rail over road bridge and a road over rail bridge — to accommodate the work involved

8/10/81

Commerce looks at PWV plan

RDM 8/10/81 180 3??

By PAT SIDLEY

ASSOCOM and the Johannesburg Chamber of Commerce are to investigate areas of complaint by the business community on the draft Spatial Development Strategy for the PWV complex, and submit a report to the Office of the Prime Minister

A seminar of about 120 businessmen with a panel of academics was held yesterday under the auspices of Assocom and the JCC.

The chief executive of the JCC, Mr M de Jager, said the view was that the report contained a number of areas which would require further investigation. Among them were:

● Insufficient attention was given to transport in the report. It would seem to be a key area in the development of the PWV region. There was not enough information on costs, distances and social implications. The report "appeared simply to accept that there would be transport".

● There was an apparent lack of co-ordination in planning among various Government departments.

● Government policy appeared to block the availability of industrial land. There was scope for the zoning of new industrial land, but it appeared as through this was being blocked. That would force up prices of industrial sites and consequently be inflationary.

● The Government's decentralisation policies, which businessmen had opposed for many years, had failed. It seemed that insufficient heed had been taken of lessons from the policy failure. The section in the draft report dealing with this appeared to be Section 3 of the Environmental Planning Act "in disguise". (This section deals with the ratios of white and black workers).

● There were discrepancies in population forecasts between this report and other Government forecasts.

Border area/Ciskei: manufacturing industry

Haus 10 9/10/81 QC 740-1 180

468. Mr E K MOORCROFT asked the Minister of Co-operation and Development:

How many Blacks were employed in (a) the Border area (Region 0602) and (b) Ciskei (Region 1301) in each specified major manufacturing group in (i) 1976 and (ii) 1980?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a)

Food processing	6 699
Wood and Cork Industry	1 257
Furniture	455
Printing and Publishing	220
Non Metal Industries	1 250
Fabricated Metal Products	901
Other Industries	17 867

The above figures are in respect of the year 1976 which is the latest available information.

(b)(i) and (ii)

Manufacturing Group	1976	1981
Slaughtering, preparing and preserving of meat	150	660
Grain Mill Products	—	95
Bakery Products	10	48
Malt liquors	88	133
Spinning and Weaving	3 827	4 613
Knitting Mills	68	178
Carpets and Rugs	310	652
Wearing apparel	28	212
Leather products	36	182
Footwear	—	162
Paints	—	26
Sawmills and other	120	349
Furniture	20	268
Printing and Publishing	18	29
Pottery	—	31
Mineral Products	—	60
Metal Products	157	208
Radio and T V	—	137
Motor Vehicles etc	—	159
Other Industries	5	164

Hans 18 Ciskei: manufacturing industry (180)

9/10/81 QC 6984

*2. Mr A SAVAGE asked the Minister of Co-operation and Development.

(a) How many establishments in the manufacturing industry in Ciskei (Region 1301) employ more than 10 Blacks and (b) into which manufacturing groups do they fall?

~~‡The~~ DEPUTY MINISTER OF CO-OPERATION AND OF LAND AFFAIRS

(a) 23.

(b) Slaughtering, preparing and preserving of meat
Grain mill products
Bakery.
Malt liquors
Spinning and weaving including Goodhope Textiles
Manufacture of carpets, rugs, wearing apparel, leather products, footwear, paints, furniture, pottery, mineral products, radio and T V., motor vehicles, parts, accessories motor-cycles and bicycles.
Fabricated metal products
Sawmills and other mills
Printing and publishing

SEARDEL (180)

Growth slowdown?

FM 9/10/81

Activities: *Manufactures and distributes women's and children's wear, toys and consumer electronics Has interests in leather tanning, customs clearing, forwarding, transport and property investment* **Directors** *hold 42,3% (43,5%) of the equity*

Chairman *A Searll*

Capital structure *4,2m ordinaries of 50c, 3,4m cum red prefs of 10c and 1,7m con cum prefs of 50c* **Market capitalisation** *R25 2m*

Financial *Year to June 30 1981 Borrowings long- and medium-term, R31,1m net short-term, R22,7m Debt equity ratio 125% Current ratio 1,6 Group cash flow R11,7m Capital commitments R6,8m*

Share market *Price 600c (1980-81 high, 750c low, 245c, trading volume last quarter, 113 500 shares) Yields 35,2% on earnings, 6,0% on dividend Cover 5,9 PE ratio ratio 2,8*

	'78	'79	'80	'81
Return on cap (%)	16,5	24 7	28 8	18 2
Turnover (Rm)	62,2	97,0	115,1	182 5
Pre-tax profit (Rm)	3 0	4,6	8,7	14,4
Gross margin (%)	8 2	7 3	10 2	10 4
Earnings (c)	38	72	141	211
Dividends (c)	12	14	24	36
Net asset value (c)	271	303	418	614

This year Seardel expects a growth slowdown Chairman Aaron Searll reckons on earnings rising to about 245c from last year's 215c — growth of only 14%, very little in real terms

The reasons for this slower growth include the issue of additional shares to fund the acquisition of Dubin In contrast to the earnings projection, Searll anticipates turnover for the enlarged group rising 43% and pre-tax profit 39% But, after taking into account the issue of prefs and 621 466 ords to the Dubin vendors with effect from July 1, earnings a share show less impressive growth.

Even if growth is as slow as Searll projects, there is no reason to expect the group not to maintain its solid long-term earnings performance Admittedly, margins could be eroded this year by increasing interest rates, as Seardel is relatively heavily borrowed — total debt is R54,8m (R20,2m) — but on the other side of the coin is the anticipated contribution from Dubin and the possibility of increasing exports

Last year, Seardel saw a dip in its return on total assets — from 19,8% to 18,1% before consolidating Dubin — for the first time in four record-breaking years The decline reflects the writing up of asset values, particularly properties, as well as losses in foreign subsidiaries And with Dubin fulfilling management's 15% net return on investment criterion there is no reason why Seardel should not achieve its minimum 20% ROA this year

Also at issue is the group's sustainable growth rate flags seriously, there seems little hope that cover will ever come down much But shareholders should not be overly concerned as a 35% return on equity seems fair compensation And even with the high cover dividend growth has compounded at 45% a year since 1978

This year promises to be one of consolidation Dubin was the group's biggest acquisition so far and makes Seardel by far the largest apparel manufacturer in the country On this front, therefore, expansion seems set to slow But looking a year or so ahead, non clothing activities promise to be star performers

Sharp Electronics last year more than tripled turnover to R44m (R14m) and with new developments in the commercial and consumer electronics markets, growth should remain sound In addition, the Dubin acquisition brought in a computer bureau and packaging interests which add another stable base to diversification

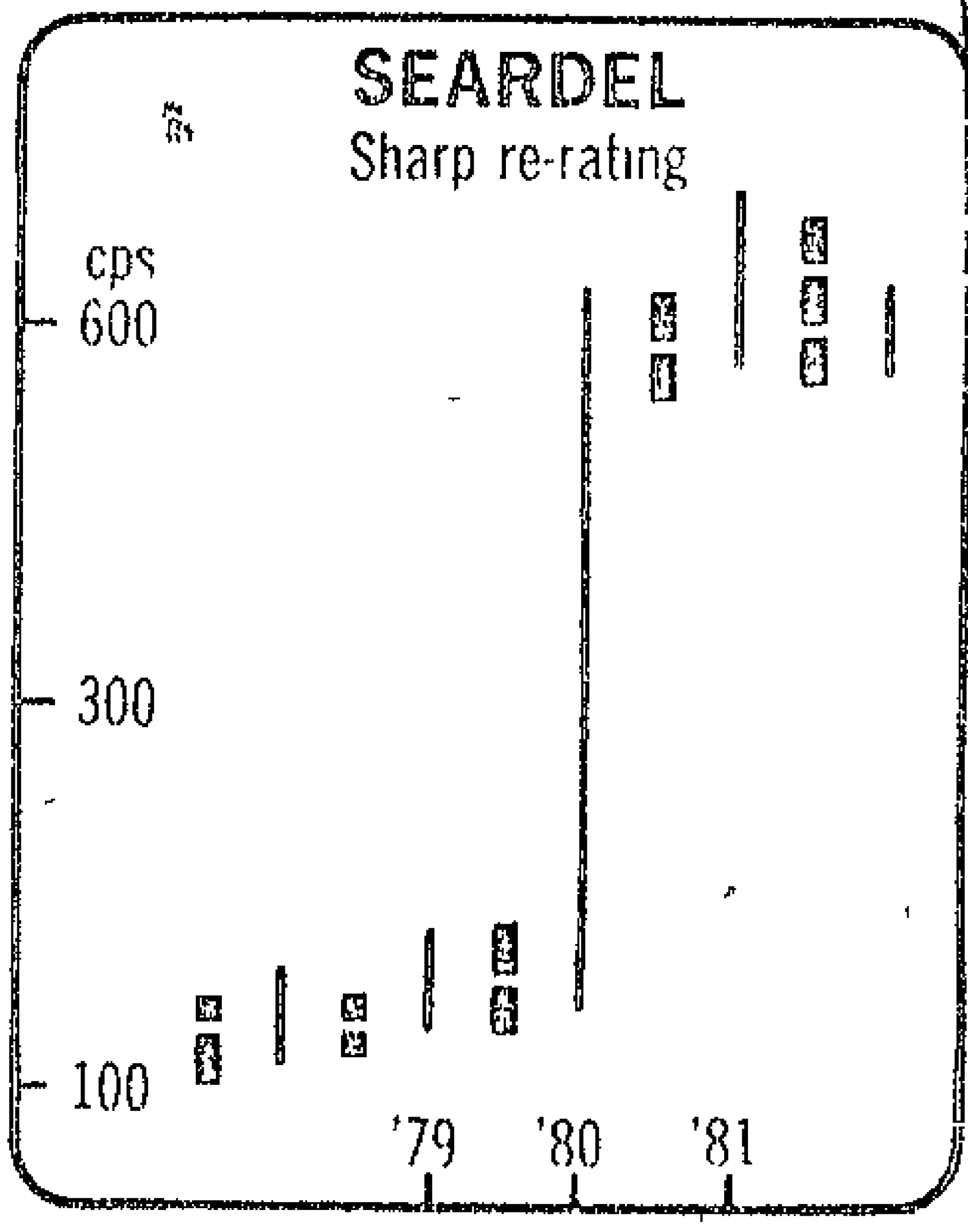
THE SEARDEL SPREAD

(Excludes Dubin)

	Pre-tax profit '80	'81
	%	
Apparel manufacture	62	57
Electronics	—	36
Toy manufacture	11	7
Leather tanning	17	4
Shipping	2	3
Property	3	2
Foreign subsidiaries	7	(8)
Sundry	(2)	(1)
	100	100

With an expanding base and forecasts of continued growth in clothing demand Seardel looks set for a record year A cloud over the industry is the change planned in the rules relating to imported garments which could affect local manufacturers Similar complaints on leather tanning are also voiced in the Seardel annual report Even so the scene seems set for earnings to grow faster than Searll's forecast — probably to around 260c This suggests a 43c (36c) total dividend which places the share on a 7,2% prospective yield

Des Kilalea



CLAUDE NEON (180)

Flickering?

FM 9/10/81

Activities: *Provides advertising services through the medium of neon and fluorescent plastic signs Grinaker owns 51%; the ultimate holding company is Anglovaal Holdings.*

Chairman: *D Royston*

Capital structure: *6,7m ordinaries of 40c; 200 000 5,5% cum prefs of R2 Market capitalisation: R11,1m.*

Financial: *Year to June 30 1981 Borrowings long- and medium-term, R0,4m, net short-term, R29 000 Debt equity ratio 5,4% Current ratio 2,4 Net cash flow R1,3m*

Share market: *Price 165c (1980-81 high, 190c, low, 81c, trading volume last quarter, 80 000 shares) Yields 22,8% on earnings, 9,7% on dividend Cover 2,4 PE ratio 4,4*

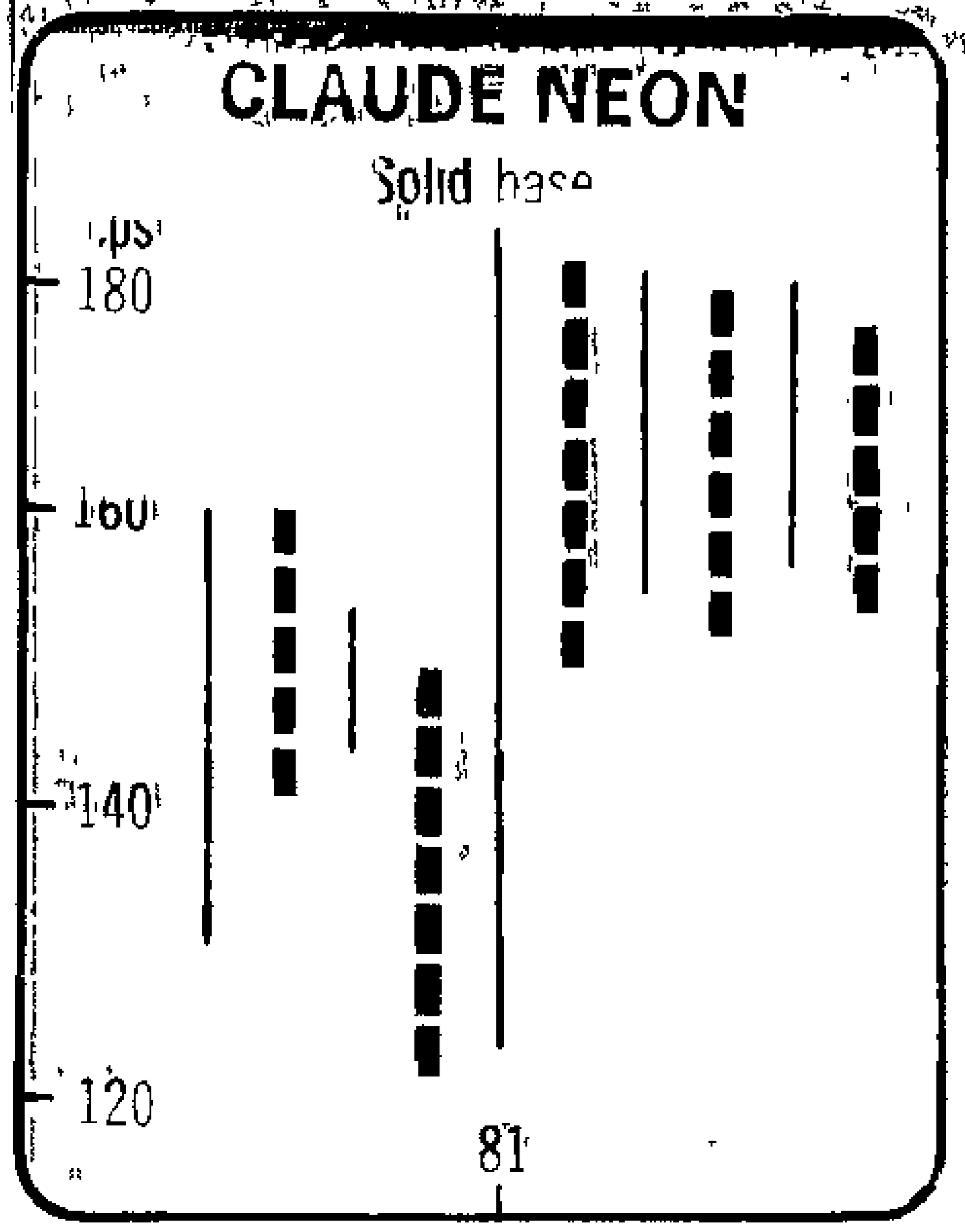
	'78	'79	'80	'81
Return on cap (%)	24,8	23,9	34,6	36,3
Pre-tax profit (Rm)	1,6	2,1	3,1	3,8
Earnings (c)	17,2	20,9	31,3	37,6
Dividends (c)	6,0	7,5	12,5	16
Net asset value (c)	86	104	123	145

Claude Neon, Grinaker's newest division, is bracing itself for a slowdown in profit growth and the strength of the past few years' trading has been used to whip the balance sheet into the sort of shape desirable during a stagnant period.

Equity funds have been boosted from R5,9m in 1979 to R8,2m in 1981 and total borrowings have been reduced from R2,4m two years ago to less than R500 000. Consequently debt equity fell from 37,7% to 10,9% in 1980 and 5,4% last year

Being re-housed in the Grinaker stable should have no immediate operational effect on Claude Neon, though it does affect the overall outlook for the Grinaker group (*Companies*, September 25).

As a result of both the dominant position of the company in the industry, and the buoyant nature of the relatively mature industry over the past two years, return on capital has been rising steadily and is now at an exceptionally high 36,3%. This return,



seen against the company's low gearing, highlights the quandary of management For the cyclical nature of the industry, combined with a relatively low future growth rate, restricts potential for increased investment in direct manufacturing facilities

Chairman Dave Royston says the change in the immediate holding company "is not expected to affect the company in any material respect" This must be read as an indication that dividend policy will not be changed It appears management is satisfied with capacity even though "manufacturing facilities were well loaded" during 1981 The immediate outlook is for a full order book extended over a longer period, so capex does not feature in the financial structure

Working capital needs are now the issue and management is satisfied that cash flow remains strong enough to handle the sort of increase seen in 1981 when the value of sign contracts rose from R7,9m to R9,2m

However, Claude Neon relied on strict cost control and unit cost savings to push earnings up last year. This year, cost control is going to be more difficult, while unit cost savings will probably not increase because marginal efficiencies will have reached optimum in terms of existing capacity

The high historic yield is a function of market awareness that dividend and earnings increases will probably not be higher than 30% this year. It makes sense, however, for Grinaker to take out the minorities and run the company on a self-financing basis with no outside cash demands. That should add some attraction to the current share price

Ian Muil

GRESHAM

New lines

Activities Holding company with major subsidiaries in general wholesaling, belt manufacture and bathware wholesaling and hardware and chemicals manufacture and distribution. Directors hold 27% of the equity while Norlo Trust holds 10%. A director holds 30% of Norlo

Chairman N H Herber managing director H H Saenger

Capital structure 1,7m ordinaries of 25c, 200 000 6% cum prefs of R2. Market capitalisation R6,0m

Financial Year to June 30 1981 Borrowings long- and medium-term, R2,0m, net short-term R[illegible]m Debt equity ratio 52,9% Current ratio 1,9 Group cash flow R1,7m Capital commitments R37 000

Share market Price 350c (1980-81 high 465c low 280c trading volume last quarter, 54 000 shares) Yields 22,6% on earnings 9,7% on dividend Cover 2,3 PE ratio 4,4

	'78	79	80	'81
Return on cap (%)	18,6	16,4	15,8	15,7
Turnover (Rm)	23,1	26,3	34,1	42,6
Pre-tax profit (Rm)	1,5	1,7	[illegible]	2,4
Gross margin (%)	7,3	7,5	7,1	6,7
Earnings (c)	[illegible]	60,1	71,8	79,2
Dividends (c)	20	25	30	34
Net asset value (c)	398	489	621	657

Following the sale of its 42% interest in Playtex at the beginning of the financial year, Gresham has shown some nimble footwork in shifting trading emphasis and maintaining profit

The company has concentrated on wholesale merchandising which now provides almost 83% of taxed profit compared with just over 70% in the previous year The contribution from manufacturing operations slipped from 22,1% to 16,3% while income from investments dropped from 7,3% of the total to under 1%

However, pre-tax profit rose only 9% from R2,2m to R2,4m, while sales rose 24% from R34,1m to R42,6m Gross margin, therefore, was down from 7,1% to 6,7% and return on capital slipped fractionally from 15,8% to 15,7% MD Hanns Saenger says the reduced margins were the result of a change in earnings mix

There was a R1,7m surplus on the sale of Playtex This was used for additions to the pension fund, as well as for the initial costs of the Pietersburg cash and carry project and for improvements to leasehold premises. The net surplus from the sale was R1m.

The cash and carry project is where growth prospects appear to lie from now on The first new store in the F & S Cash-& Carry warehousing company opened in Pietersburg only three weeks before the year-end, having been delayed for three months by poor weather on the building site. Saenger says the outlet's performance since opening has been "extremely satisfactory"

Gresham's Saenger ... changing earnings patterns

A similar operation is due to open in Witbank for the next summer season and land has also been acquired in Nelspruit for another store, which will be one of two outlets planned for the 1983 financial year

Yudelman's, the wholesaling arm near Lesotho, has expanded into Lesotho itself, while the other manufacturing and distributing companies — Unovex, Oceanic, Jensen and Keystone — are doing well

The only problem division, says Saenger, is Frankel & Seehoff, the Johannesburg-based wholesaler, where management has had to institute improved controls on working capital The company faces "an uphill battle," he says, but management intends to bring the company around even if some surgery is necessary

Though the Pietersburg store will be in operation for the full year, high start-up overheads will restrain growth Earnings a share could approach 93c before lifo Cover should remain steady at around 2,3 times for a dividend of about 40c The 11,4% prospective dividend yield is moderately attractive

Scott Hawker

PWV proposals are 'political meddling'

SRI 9/10/81

(180)

By Elaine Reyneke

The Government's blueprint for the PWV complex met with plenty of opposition from businessmen when they were given the chance to air their views at a presentation of the plan.

The Government has been accused of political meddling in the country's normal market forces with its decentralisation proposals contained in the recently released draft plan for the development of the PWV complex.

The accusation, one of several levelled against the Government's PWV blueprint, was voiced during a meeting called by Assocom and the Johannesburg Chamber of Commerce to allow leading representatives of the business community to air their views on the draft report.

It was attended by about 120 businessmen.

The business brief on the planning guidelines for the PWV complex was led by a panel of experts in the fields of infrastructural development, housing and urbanisation, transportation and industrial development.

The meeting revealed the business community's concern over the proposed plan, which they said raised a number of questions about the economic future of the most important region in the South African economy.

Complaints directed against the plan included the belief that the Government had failed to pay sufficient attention to the problems of transport.

One panellist, Professor R Brown of the University of the Witwatersrand's civil engineering department, said the document was not an excercise in development economics "but rather a document with political overtones and intent."

He said there was an apparent lack of co-ordination in planning among various government departments and pleaded for "the disposal of confusion in order to implement plans successfully."

Mr P N Palmer of Unisa's department of business economics pleaded with the Government to reconsider the feasibility of its policy "that appears to block the availability of industrial land."

It was pointed out at the meeting that there was scope for the zoning of new industrial land within the metropolitan area, but it appeared that this was being blocked — forcing up prices of industrial sites and adding to the inflationary spiral.

According to Mr Palmer the Government's attempt to increase the tempo of industrial deconcentration would create additional costs that would have to be borne by the taxpayer.

"Deconcentration policies should not be pursued at the expense of clamping down on development around the main PWV centre," said Mr Palmer, who saw the Government's deconcentration proposals as an "influx control" cover-up.

A further stumbling block of the report was staff recruitment in outlying areas. Businessmen questioned the number of employment opportunities that could be created by the decentralisation policies.

According to Mr P D Rossouw, a representative from the physical planning branch of the Office of the Prime Minister, the report "does not intend to strangle to death the nucleus of economic activity in South Africa."

He said the Government "had achieved a milestone in requesting comment on the report from the business fraternity" and he believed the report was a Government attempt to achieve economic well-being in the PWV area.

"Proposals contained in the draft report are essentially concerned with the physical spatial aspects of development."

The broad aims of the draft report include:

- The evaluation of the role of the PWV area in national and sub-national context.
- The localisation of future job opportunities to relieve pressure on the central areas and to curb congestion without detracting from the essential growth of the area.
- The ientification of residential areas which will possess the necessary urban quality to provide for the needs of the various population groups.

Assocom and the Johannesburg Chamber of Commerce will submit a report on their findings to the Office of the Prime Minister next month.

Power rise blow to W Cape industry

Argus 9/10/81 ~~185~~ 180

Consumer Reporter

THE 15 percent increase in Escom electricity charges in the Western Cape is a serious blow to plans to attract more industry to this area, says the president of the Cape Chamber of Industries, Mr Alan Bramwell.

The Mayor of Cape Town, Mr M J 'Kosie' van Zyl, said he was also concerned about the effect this might have on the vital need to create more jobs for the city's growing population.

In a statement issued today Mr Bramwell said this would be a further handicap to local manufacturers competing with firms in the Transvaal, whose electricity charges will be increased by only 12 percent

'We feel our situation should be brought more into line with other areas,' said Mr Bramwell's statement, which pointed out that local manufacturers are already handicapped by growing transport costs of their main market in the north

Unemployment

The Chamber of Industries, with local authorities including Cape Town City Council, Bellville City Council and the Divisional Council of the Cape, is concerned about mass unemployment in the Western Cape in future unless more jobs can be created for the growing population

The former Mayor, Mr Louis Kreiner, pointed out that this could lead to social unrest and other evils

Plans are far advanced to form an organisation, Wesgro, to attract more industry to the Western Cape

Contributions

Cape Town City Council has promised to contribute R50 000 a year to this provided another R50 000 is forthcoming from industry and R80 000 from other local authorities

Mr Jack Roos, director of the Chamber of Industries, said today that the response to this request has been encouraging and the money was coming in both from industry and commerce and from local authorities

The Divisional Council has promised R15 000 a year for the next three years and the Bellville City Council R10 000.

Border area: manufacturing industry

Hans 10(9)/10/81 QC 698

*1 Mr. A. SAVAGE asked the Minister of Industries, Commerce and Tourism: 180

How many establishments in the manufacturing industry in the Border area (Region 0602) ceased to exist during the latest specified period of five years for which figures are available?

†The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

No statistics are available.

Escom to remain top borrower

RDM 13/10/81

By JOHN MULCAHY

ESCOM is likely to remain South Africa's major capital spender for at least the next 10 years, making substantial demands on the domestic and foreign capital markets.

Dr Joop de Loor, Director-General of Finance, in supporting a motion at the Assocom congress in Durban yesterday that thew Government ensure correct priorites were accorded to State capital spending, said one of the main tasks of the capital priorities committee was to monitor Escom spending.

The motion before congress called for greater control over expenditure by State corporations, and said the Department of Finance should determine the limits to which capital programmes should be financed from revenue.

Dr De Loor said there had to be an element of self-financing of future capital spending from current revenue, and financing was already monitored by the capital priorities committee

He stressed that capital spending had to be divided into continuing long-term expenditure, such as on Escom, the Railways and the Post Office, and ad hoc expenditure, required by the "small spenders", Iscor and the SABC.

The Cape Town Chamber of Commerce expressed concern that neither Escom nor Iscor was required to submit for approval annual budgets, although Escom did consult the Department of Finance on its loan proposals

A related motion, tabled by the Pretoria chamber, and calling for the establishment of an additional private-sector consultative body to advise the Cabinet on State spending priorities, was defeated after an explanation by Dr De Loor on budgetary machinery.

Firstly, said Dr De Loor, there was the capital priorities committee, which considered major elements of long-term capital expenditure One example was the decision to raise the coal-export ceiling, involving hundreds of millions of rands, and which was considered a high priority becasse of its foreign-exchange earning potential

Expenditure bottlenecks had been caused because of the conscious attempts by the Government to reduce real capital spending, and it was reaching the stage where the State had to be more slective because of limited funds

Defence was regarded as the top priority, followed by education and housing, and requirements for the other sectors had to fall in line

Once the inputs from the high priority long-term projects were received, they had to be matched with the current year's Budget requirements

Mr Denis Paxton, a past president of Assocom and a member of the Economic Advisory Council, said that whatever machinery there was to monitor expenditure, it was disturbing that there were numerous bodies, from the public and private sectors, which were "trying to jump the queque".

Levies in any form were a means of circumventing budgetary capital allotments, said Mr Paxton. The Department of Community Development, in trying to borrow money from building societies, aimed to "get around" the priorities.

IN A TERSE statement Assocom yesterday confirmed that it was considering a merger with the Federated Chamber of Industries. It said. "The Assocom domestic session of congress yesterday considered the possibility and feasibility of a merger between Assocom and the Federated Chamber of Industries Assocom agreed that the matter be investigated further jointly with the FCI with a view to formulating recommendations for submission to both organisations as soon as possible" RDM 15/10/81 180

R63m given to Small Business Corporation

DDM 16/10/81

By JOHN MULCAHY

THE private sector has contributed about R63-million to the Small Business Development Corporation, and since its inception in February this year the Corporation has financed 80 projects at R5 500 000.

The managing director of the SBDC, Dr Ben Mouton, told the Assocom's congress in Durban yesterday that the corporation had received more than 680 applications from prospective clients, involving R17-million. Of the initial applications, 120 had been transferred to banks, with recommendations that the "bank guarantee scheme" be implemented.

Dr Mouton said the SBDC, as a public company, had to maintain a balance between its development function on the one hand and staying in business on the other.

For this reason it had been decided to calculate the interest rate charged on loans advanced at 14% for the first two years of any loan, after which it could fluctuate.

For the time being applications were restricted to applicants with assets not exceeding R500 000, and whose loan requirements did not exceed R150 000.

In evaluating applications, the SBDC looked to see whether the proposition would assist private ownership, and whether it would assist in the economic development in the areas where it was most needed.

There were now some activities which would not be financed by the SBDC unless exceptional circumstances existed, and these were agriculture — for which the Land Bank was responsible — speculative property investments, purchase of existing businesses, replacement finance and any finance regarded as speculative.

Explaining the bank guarantee scheme, Dr Mouton said the SBDC had signed an agreement with Barclays Bank, Standard Bank, Nedbank, Trust Bank and Volkskas in terms of which it would grant a 80% surety guarantee for money which a bank granted to an entrepreneur.

The scheme was the first of its kind in the world under which banks could consider loans up to R25 000 provided they confirmed to the agreed norms, and where the banks were required to find security up to 20%.

Where loans exceeded R25 000 and were under R150 000, the banks would still recommend these applications to the SBDC, and the 80% guarantee would still be applicable.

Dr Mouton said the sbdc would concentrate on four main areas before trying to provide the whole spectrum of services to small businesses. These were:

- Financial assistance by granting direct loans or share capital to viable enterprises.
- Provision of business facilities, such as flats and shopping centres, in areas where they either did not exist or where private developers were not prepared to take the risk of building.
- To assist entrepreneurs with management problems by means of practical training and counselling services.
- To underwrite or guarantee loans and credit facilities by various financial institutions to small businesses.

Dr Mouton said his major task now was to organise the structure of the SBDC in line with the absorption of the various corporations being transferred by the Government to the SBDC — the Development and Finance Corporation, the Indian Industrial Development Corporation, the small industries section of the Industrial Development Corporation and certain assets of the Economic Development Corporation.

As an interim arrangement, the administration of the SBDC was being handled by management under the guidance of the IDC until legislation became effective for incorporating the other corporations.

Dr Mouton said the SBDC aimed to be fully operational by December 1 and it was envisaged that the present Development and Finance Corporation — previously the Coloured Development Corporation — would be the regional office of the SBDC and the Indian Industrial Development Corporation the Natal regional office.

A Transvaal-Free State regional office was being formed, said Dr Mouton, and there would be a small head office co-ordinating the activities of the regions.

IDC call to limit protection

Star. 19/10/81

180

Pretoria Bureau

The chairman of the Industrial Development Corporation, Mr A J van den Berg, has come out in support of complaints of over-protection of industry.

Opening the tractor-and-truck assembly plant of Vetsak in Germiston he said selected industries were protected by import duties to enable them to become economically viable

In more recent times however, protection had become synonymous with price increases up to that level

This was not in the country's best interests and contrary to the purpose for which infant industry was given protection.

INTENDED

Import duties were intended to ensure a market to justify the manufacture of a product but was in no way a mechanism to boost a firm's profits.

For that reason protecting import tariffs should be limited to a fixed period, after which they should be gradually withdrawn

Mr van den Berg said that, in general, industry was over-protected and that could be an important reason why productivity was so poor

He said that import duty protection given to the ADE diesel engine factory at Atlantis would be kept to the minimum to ensure an economic throughput of engines

Dr Kit le Clus, economist of the Maize Producers' Organisation, said Mr van den Berg's views were "a fresh breeze in the stale air of industrial policy." His organisation had recently put the same views to the Government

Barbican buys four more

20/10/81

Financial Reporter

BARBICAN Industrial has bought four companies and expects them to double projected earnings in the year to February 1982.

Three companies — Atlas Machinery (Pty), Technomachinery (Pty) and Atlas Machinery (Natal) — are in motor and general machine tools

Barbican has also bought office-furniture company Auramark

Techno Group will cost R800 000 cash plus 800 000 shares in Barbican to be issued at 130c a share For Atlas Natal it is paying R200 000 cash

The price for Auramark is R450 000 cash and terms, plus 30 cumulative redeemable preference shares of R1 each in Auramark to be redeemed at a premium of R9 999 a share between December 31, 1983, and June 30, 1985, and bearing a dividend rate linked to the prime bank overdraft rate

The Atlas Machinery group operates in two distinct markets, general machine tools and automotive machine tools Atlas Natal operates independently in the same sector in Natal and the Transkei

Barbican's first acquisition, the Utas group, operates in a similar field to the Atlas group Its position will be further strengthened by Atlas's prime agency in the automotive machine tool field, Berco

The directors say the activities of Atlas complement those of the other companies

The Auramark acquisition will strengthen the base Barbican has in the office-furniture market through its Kallenbach group

In the Barbican report for the year to February 28, 1981, the chief executive, Mr Peter Goldberg, forecast earnings of 17c for the current year

The latest acquisitions together with the improved results expected from the existing operations are expected to increase earnings by almost 80% to more than 30c an ordinary share

There will, however, be no material change in the net asset value an ordinary share based on the adjusted unaudited pro forma consolidated balance sheet of Barbican on March 1, 1981

Four boosters for SA exporters

RDM 20/10/81 ~~74/133~~ 180

HOWARD PREECE reports — the FCI congress in East London

FOUR positive factors point to "some increase" in South Africa's exports next year, according to the Federated Chamber of Industries

These are exchange-rate movements, new export incentives, some commodity-price rises and more spare capacity in the domestic economy

These views have been put to the executive council meeting in East London of the FCI by its export trade committee

It says "The decline in the value of the rand, especially against the dollar in which many export sales are denominated, has improved the competitive edge of many South African exports, which had become eroded

"The prospects are for further downward movements in the value of the rand except perhaps against the dollar which is probably now overvalued

"The new system of export incentives will help to reduce the lack of competitiveness of many South African manufactured exports because of the relatively higher price of locally made raw materials

"A rise in the price of certain commodities, such as base metals (is expected) as a gradual improvement occurs in the economies of the industrial countries

"The FCI also refers to 'the greater availability of capacity within South Africa to satisfy export markets as domestic demand moderates"

It says "All these factors suggest that South Africa's exports can be expected to show some increase again in 1982"

Looking at the wider international picture, however the FCI still takes a fairly sombre approach

It comments "The prospects for merchandise exports are largely influenced by conditions in world trade

"The international economic outlook still gives cause for concern Slow growth remains a key feature of the international situation and outlook

"The volume of world trade, which slumped by 1,5% in 1980, is also expected to stagnate during 1981

"World trade situations have been seriously disrupted by high interest rates and the volatility of international exchange rates

"The most serious factor in the outlook for world trade continues to be the slow rate of expected recovery of the developed nations and the crippling oil-induced deficits which continue to be carried by non-oil producing countries

"The most optimistic situation outlined by the World Bank (on the assumption that the real price of oil will not increase in the period up to 1985) is of no more than 4 1% gross national product growth for the industrialised countries and a substantially lower growth for the non-oil devloping countries

"Under these circumstances it may be expected that world trade will virtually stagnate until the middle of the current decade

"Furthermore, most countries will be forced to introduce major adjustment policies primarily to correct balance of payments difficulties leading to increased demands for protectionism"

Farmers rap tariff protection

(180) GENERAL

RDM 22·10·81

PROTECTIVE tariffs granted to industry push up the cost of food and jeopardise the economic position of farmers, the SA Agricultural Union congress has been told in Durban

Mr Rex Hudson, the SA Sugar Association's economist, told the congress a new concern producing synthetic rubber had applied for protection from imports

The effect of the tariffs if granted, would be to increase tyre prices by about 10% for passenger vehicles and about 20% for heavy duty tyres

The same situation applied to other commodities including fertiliser, fuel, crop protection chemicals and tractors

Mr Hudson said this protection added between 5% and 10% to farm production costs This was to South Africa's competitive disadvantage.

Farmers conceded the strategic importance of self-sufficiency or even the need for reasonable protective tariffs.

However, they had the right to ask that this was not used to cover up mistakes or inadequacies

Safto plea for export finrand

RDM 22/10/81 180

By PAT SIDLEY

SOUTH African exporters should be placed on the same footing as foreign investors and allowed to use foreign exchange to buy financial rands for investment in production capacity earmarked for export markets

This plea was made by Mr W B Holtes, chief executive of the South African Foreign Trade Organisation (Safto), in his address to the Business Outlook Conference of the National Development and Management Foundation yesterday in Johannesburg

He said "The introduction of an exporter's financial rand may sound to many of our more cautious policymakers as revolutionary, but the rapid changing tides demand innovative policies"

Mr Holtes forecast for 1981 that rand earnings would drop slightly to about R9 450-million, although export volumes were expected to be lower than they were last year

"We believe that a marked increase will take place in 1982 when non-gold export earnings should reach nearly R11 000-million," he said.

SA's economic growth was "more export led than we care to admit"

Long-term policy should concentrate on diversification from gold and dependence on Western Europe Export policy should take precedence over other policy considerations

"The current conflict between monetary and export policies is a case in point"

Most gains in export earnings would take place in some agricultural products like maize, sugar and vegetable oils and in chemicals and minerals

These are some of Safto's forecasts

- **Gold:** An average price of $450 for 1981 and $500 for 1982, earning R8 100-million this year and R9 000-million next year
- **Maize.** About 5 500 000 tons will be exported against a background of falling Chicago prices and a reduced African market
- **Citrus:** A further increase to 477 000 tons
- **Sugar:** This year 615 000 tons should be exported — and increase on 1980-81. The present price of £200 a ton could rise to £250, resulting in a substantial rise in earnings to R340-million in 1982 (R260-million this year)
- **Coal:** Exports could earn R885-million in 1982 The increase should be between 10% and 12% "if Poland remains out of world markets"
- **Iron ore:** In spite of the slump, exports are expected to increase
- **Fertiliser** After the drop in exports this year "performance is expected to stagnate"
- **Explosives** Exports are expected to rise steadily Phosphoric-acid exports will be lower this year than last but should recover next year "due to the lifting of the US embargo on supplies to Russia
- **Diamonds.** The drop in exports is expected to be more pronouced this year and to continue well into 1982

Mr Holtes warned that it would be "wrong to overplay the dependence of Africa on South African foodstuffs or to overemphasise the effect of trade on any political rapprochement possibilites"

"We in the private sector can only hope that by intensifying our trade links with Africa we will strengthen the voice of the businessmen in the African countries concerned and that this will help towards a greater pragmatism and realism in the pursuit of economic policies in the countries in quetion

"South Africa is not served by being surrounded by a poorhouse — our own interests demand an increasing prosperity in Africa and any efforts to drag Africa's inherent and tragic problems into our own political arena are bound to backfire"

Star 22/10/81

Concern on high imports

180

The prime purpose of tariff protection was to ensure an adequate market for local manufacturers and not a mechanism to increase prices of locally produced products, Mr Abie van den Berg, chairman of the Industrial Development Corporation, told the FCI

He said during the debate on tariff and imports that the effects of industrial protection would be eroded if industrialists allowed prices to rise by the full extent of tariffs.

Concern was expressed by delegates at the excessive level of imports which had led to a serious balance-of-payments deficit.

Dr T du Plessis, Director General for Industries, Commerce and Tourism, said that if current import trends persisted the authorities would have to again investigate the need for a new import-substitution drive.

Mr Ruby Back, past president of the FCI and Cape Chamber of Industries, warned of the damage caused to industries by actinons and of disruptive trade practices, especially from Far East markets

Dr S J Kleu, chairman of the Board of Trade and Industries, said that local manufacturing to substitute for imported products had entered an area of high-capital costs, large scale sophisticated technologies and high-level skills.

Landlock gets another three companies

S. Times 25/10/81

180

By John Spira

LANDLOCK, the burgeoning industrial holding company, has given practical effect to its stated intention of growth by acquisition by buying three companies this week

The most important of the three deals is the acquisition of Green & Sons Machinery for R1-million

Greens is a machine-tool merchant which last year turned over more than R4-million and made pretax profits of R450 000

The company has net assets of R1,150-million, which, under the deferred conditions of payment which Landlock has negotiated, are being acquired at a substantial discount

The deal has been backdated to July 1 but will be implemented only next week when the first payment of R200 000 will be made

Subsequent tranches of R200 000 become payable in 1982 and 1983 and R400,000 is payable in 1984

The vendors, Texmaco Textile Machinery and three individual shareholders, have the option in June 1983 to convert the outstanding R600,000 into 120 000 Landlock shares at 500c a share Landlock's shares are currently quoted at 405c

Landlock's executive chairman, Eddie Ross, comments that the Greens acquisition meets all the criteria which Landlock applies to its acquisition policies

In the first instance, the deal is sizeable, and, despite the fact that earnings and assets will not be significantly affected in the current year, Landlock can look to a more substantial contribution in the next and subsequent years

Landlock's share price has been a firm feature of the engineering sector in recent weeks, having risen from its ex-dividend price of 320c in August to its current level above 400c

Industry to spend R500-m in three-year expansion

S Times 25/10/81

(180)

By Vera Beljakova

MORE than R500-million will be spent in the next three years by South Africa on a capital-expansion programme for the mining, steel and chemical industries

A total of R290-million is earmarked for the chemicals and chemical-products industries by 11 companies until 1984

At least R115-million is to be spent on expansion of the mining industry by 1983

More than R125-million will be spent by the steel industry's two giants Highveld Steel and Southern Cross

These figures are taken from the major capital-investment projects announced by the companies, but many more smaller — under R10-million — projects have not been taken into account simply because they are so numerous

Coal mining alone will benefit by a R95-million expansion when the Trans-Natal Corporation and the Clydesdale Colliery begin their R70-million expansion plans

Meanwhile, Rand Mines' Witbank Colliery has already started on its R25-million expansion for a coal treatment and handling plant for export purposes at Van Dyk's Drift

Kloof Gold Mine proposes to expand its new No 4 shaft system, while the Richards Bay Minerals mining company has placed a R20-million mining plant out to tender

In the steel industry things are also hotting up Highveld Steel & Vanadium has two projects A proposed new R60-million hot strip steel plant and, already under way, a R45-million environmental programme which includes air pollution control at all plants within the group

Southern Cross has announced a new plant for manufacturing stainless-steel wheels

Busiest appear the chemical and chemical products industries Sasol leads the way with its proposed R56-million fertiliser factory for Secunda to be completed by 1984

Triomf follows closely behind with a R55-million expansion programme a R30-million fertiliser plant for Richards Bay (for 1983) has been placed out to tender, while another R25-million is planned for extending the existing Richards Bay plant for increasing the production range

National Chemical Products has a R52-million expansion plan which includes a R30-million ethanol plant (for 1982) at Germiston that will use sorghum, maize and molasses as feedstocks It also proposes a R22-million phtalic anhydride plant for 1983

Dunlop is to spend R25-million by 1984 on increasing its production capacity, while AECI is to build a R25-million cyanide plant on the Reef

Sapref's R22-million solvent plant is already under way, as is Adcock Ingram's Sabax R10-million three-phase expansion programme, which includes a new plant

Shell Chemicals is studying feasibility plans for a R15-million biodegradable detergent plant for 1983, as well as plans for a polypropelene plant Both are expected to be located in Durban

Styrochem is proposing a R12-million expansion to its polystyrene manufacturing capacity

DEEP CONCENTRATION ON INDUSTRIAL PROBLEMS

S. Tribune 25/10/81

180

Finance Editor

THE forthcoming Prime Minister's conference with businessmen in Cape Town had a restricting effect it seems on some of the discussions at this week's congress of the Federated Chamber of Industries in East London.

Some delegates, anticipating major developments at the November conference, felt it would have been better if the FCI get-together had been held after the summit.

Nevertheless some constructive arguments were presented not least of which was on the question at the centre of much labour unrest, pension preservation

Delegates agreed that a three-year delay in bringing the legislation into effect would not assist employers.

The FCI is to consider a number of options available to harmonise conflicting interests within its general policy that pensions and other forms of remuneration should be negotiated between employer and employee without interference from the State.

It is understood the Natal members still feel strongly that a salary cut off point of R7 000 (discussed in Tribune Finance on October 4) should be included in proposals put forward to Government for consideration They will put it forward individually if it is not included in the final FCI document.

Exports, and the need to explore this field more rigorously because of a projected fall off in local markets, was stressed on several occasions during the congress.

Again, too, the stern warning was given to producers not to go in and out of the market when it suited them without due consideration for the country's overall exports image.

On industrial protection it was felt the effect would be eroded if industrialists allowed prices to rise by the full extent of the tariffs

Abie Van den Berg, chairman of the Industrial Development Corporation reminded delegates that the prime purpose of tariff protection was to ensure an adequate market for the local manufacturers so as to achieve the minimum throughput required for economic production.

It was not a mechanism to increase prices of locally produced goods.

Concern was expressed at the excessive level of imports which had led to a serious balance of payments deficit.

If current import trends persisted Government would have to investigate again the need for a new import substitution drive, the Director General of Industries, Commerce and Tourism, Dr T. Du Plessis, told the congress

It was agreed that more use be made of formula duties and interim duties to give immediate relief within the existing framework of industrial protection machinery.

Dr S J Kleu, chairman of the Board of Trade and Industries said the BTI was, in principle, prepared to review the protection already granted local industry. It was faced however with practical problems of coping with demands placed on the board to grant tariff protection for new applicant

The level of existing tariffs was eroded by a number of factors:

- As protection was granted to intermediate products the effective tariff protection on the final consumer goods was reduced
- As local content increased, the existing levels of duty became diluted with the increase in value-added.
- Structural changes in world trade such as subsidised exports and the formation of economic blocs

Dr Kleu warned, nevertheless, that protection policy to encourage import substitution would be thwarted unless problems such as inefficient management practices were effectively dealt with.

On the another thorny issue it was suggested employers and employees needed to be made aware as early as possible of the way in which fringe benefits would be subjected to tax

Mr A. G Bramwell, president of the Cape chamber stressed that statements made by Inland Revenue sources so far showed that a heavy onus would be placed on employers to declare the amount of non-cash income for tax purposes

It would be naive to assume that employers would not be subjected to pressure to adjust remuneration packages in the light of the new tax.

The FCI will continue to press for further tax reforms with regard to.

- Offsetting the effect of fiscal drag in the tax system so as to avoid a gradual escalation of the real tax burden as a result of inflation
- Simplifying and rationalising the system where possible.
- Incentive systems harmonised to the market mechanism
- Methods to offset inflation in investment allowances without discriminating arbitrarily between companies or classes of assets
- Ensuring that after-tax yields do not discourage productive investment, confiscate savings or induce non-productive efforts to avoid tax.

On productivity it was pointed out that the performance of the manufacturing sector had slowed during the first five months of this year

Dr Jan Visser, executive director of the National Productivity Institute commented on the alarming recent trend of wages over employee rising by 21,2 percent against production per worker increasing by only 2,6 percent

Some solutions were suggested Large numbers of industrial engineers and engineering technicians would have to be trained

South Africa needed 12 000 such technicians and has only 1 500. There ws also a shortfall of 3 500 engineers.

Industrialists would have to sponsor training with bursaries and at the same time investigate more efficient methods to reduce training time by between 60 to 70 percent

DD 30/10/87 (180)

Accord signed with 2 unions

JOHANNESBURG — The giant Premier Milling group signed a recognition agreement yesterday with two trade unions, which unionists believe contains a "groundbreaking" procedure for handling strikes over alleged unfair dismissals

And it is likely that the agreement will lead to similar ones in other Premier plants

The agreement is also seen as significant because it provides for direct bargaining on wages and work conditions at a time when there are moves afoot to set up an industrial council in the milling industry

Yesterday, SA Milling, a Premier subsidiary, signed an agreement with the unregistered African Food and Canning Workers Union and the registered Food and Canning Union, providing for full negotiation on wages and work conditions

The agreement covers two plants — one in Isando, which employs about 300 workers, and one in Cape Town, which employs about 200

Premier's chairman, Mr Tony Bloom, said the agreement had followed "lengthy negotiations" and added "The unions adopted a very responsible attitude"

He said the company's policy was to recognise unions wherever they proved they were representative

The unions' general secretary, Mr Jan Theron, said the agreement was "our best thus far"

He said a key aspect was agreement by management that, where workers struck over an alleged unfair dismissal, the worker concerned would be reinstated pending a full inquiry into the case

Mr Theron said the union already had "majority representation in two other plants — one in East London and one in Johannesburg and we expect to sign similar agreements there" — DDC

Algoa area fa[...] behind in gro[...]

Ev Post 3/11/81

(190) (41)

Poor hinterland seen as inhibiting factor

By SHELAGH BLACKMAN
Municipal Reporter

INDUSTRIAL growth in the Greater Algoa Bay Area has fallen behind the national average, a firm of consultants commissioned to investigate the economic potential of the area has found.

The final report drawn up by the firm, L Heyl and Associates, was discussed by the Greater Algoa Bay Development Committee yesterday

In a statement the commission's chairman, Mr V M Ridgeway, said that in comparison with other major metropolitan areas it was clear that while retail sales had kept pace with the country the "expansion of industry had fallen behind the national average"

The distance from markets, rail tariffs the cost of raw materials and the high cost of electricity, were factors which militated against growth in the region

It was agreed that a delegation from the Greater Algoa Bay Development Committee should seek an interview with top Government officials in Pretoria later this month to discuss the issue

The underdevelopment of the hinterland of the area was underlined in the report The gross product of the hinterland as far north as Graaff-Reinet and Cradock and from Humansdorp to Port Alfred it said, was [illegible] one single district of the Western Cape hinterland

The development of the Sunday's River Valley and adjacent areas was regarded as being of prime importance, and further steps for the irrigation of this valley would be discussed with the Government, Mr Ridgeway said

The report stressed that the area had potential for the development of tourism The number of visitors to Port Elizabeth/Uitenhage and surrounding areas could be doubled

"This would have the effect of a 10% increase in the commercial activity of the area, and could lead to a spin-off for related activities," he said

The report proposed a number of 'industrial parks' to encourage black entrepreneurs and help overcome the high unemployment problem

Industrial parks offered basic facilities such as electricity, water welding equipment and services such as bookkeeping to enable the "backyard" businessman to operate on a more "formal basis"

They had already been successfully established in Soweto Johannesburg, Mr Ridgeway said

The East Cape Administration Board had formed a committee to explore the concept and members of the Greater Algoa Bay Development Committee were invited to serve on it

The committee was pleased with the final report he said

A major factor which had emerged was that although the Port Elizabeth/Uitenhage area was highly industrialised, there was a need to expand in other directions Development of the hinterland and the expansion of the tourist industry were examples of this, he said

The Greater Algoa Bay Committee comprises representatives of the Port Elizabeth City Council the Uitenhage Town Council, the Chambers of Commerce and Industry and the East Cape Administration Board

Govt aid needed to boost PE — Savage

E. Post 4/11/81

~~97~~ 180

By SHELAGH BLACKMAN

GOVERNMENT assistance was needed to bring industry to Port Elizabeth and to keep it there the Progressive Federal Party MP for Walmer, Mr Andrew Savage said in an interview today.

He was commenting on the report compiled by a firm of consultants commissioned to investigate the economic potential of the Greater Algoa Bay area.

Their findings presented to the Greater Algoa Bay Development Committee indicated the industrial growth in the area had fallen behind the national average.

It was a "serious misjudgment" on the part of the Government to regard Port Elizabeth as a metropolitan area not in need of any assistance, Mr Savage said.

While the development of "deconcentrated areas" was being considered an area like Port Elizabeth was being ignored.

It made sense to utilise the existing facilities in this area before starting up industries in under-developed areas.

He pointed out that Port Elizabeth had a "very considerably under-used infrastructure".

Facilities such as water, sewerage, roads and power which were "immensely expensive" to provide today were available in this area.

These facilities should be fully utilised as soon as possible particularly as this region had black unemployment problems and black poverty, Mr Savage said.

He had brought up the question of the economic position of Port Elizabeth "repeatedly" during the recent parliamentary session emphasising that during the period from 1971 to 1979 the area had shown a negative growth rate of minus 0.7%.

He believed that at a time when cars were selling well and "unused capacity was put into production" Port Elizabeth showed up "apparently well" but that was an "illusory situation". It did not reflect the "genuine" industrial growth one had when new industries came to a city.

Mr Savage said it was disturbing that the expansion of many industries which had their parent companies in Port Elizabeth was taking place in the PWV (Pretoria, Witwatersrand and Vereeniging) area.

"It costs more to start up a new industry in a new area than it does to expand an existing industry," he said.

The chairman of the City Council's Policy and Resources Committee, Mr A Ward Able, who is a member of the Greater Algoa Bay Development Committee, said that Port Elizabeth should take advantage of its "very good" harbour and should play its part in the export market.

Years ago the area had become highly industrialised and had "surged ahead" of other areas in South Africa but now the rest of the country was overtaking it.

At the moment there were a series of difficulties facing industry — the most serious were the distance from markets and the cost of transporting raw materials to the area.

The National Party MP for PE North, Mr Gert van der Linde, said "something" had to be done about boosting industry in the region but he believed that although Government aid would be helpful "Port Elizabethans must also try to do something for themselves."

Amic to be No 1 after Debincor link

RDM 10/11/81 180

Barlows drops a rung in ladder

ANGLO American Industrial Corporation is to virtually double in value to become SA's biggest industrial group after the merger announced yesterday between itself and De Beers Industrial Corporation

Amic is to become the holder of all of Anglo's major SA industrial interests and, in the process, its market capitalisation is expected to increase from R890-million to R1 500 or possibly R1 600-million

By DAVID CARTE

Barlows, previously No 1 with a market capitalisation of R1 330 million, has been displaced at the top of the SA industrial tree

The enlarged Amic will have a net asset value of R1 900-million and earnings of more than R230 million

In terms of the reconstruction, Amic is to take over Debincor and other Anglo and De Beers industrial interests

After the deal, it will have 40% of AECI as well as control of Highveld Steel and Natal Tanning Extract, 42% of Huletts, 23% of McCarthy Group and 31% of Ipsa, controller of Stewarts & Lloyds and Dorbyl

Amic's chairman Mr Gavin Relly, told a Press conference yesterday that Anglo foresaw an "industrial takeoff" in SA during the next decade and Amic needed to be structured in the best possible way to take advantage of the many opportunities that were bound to arise

He said the deal tidied up Anglo's industrial interests, gave Amic an entry to the chemical sector, control of Highveld and NTE and made associates of Huletts and McCarthy

The reconstruction gave Amic considerable extra strength and scope for greenfields projects, organic growth and growth by acquisition

The enlarged company would be able to raise finance more easily in foreign capital markets if and when the need arose

In terms of the proposals, Amic will acquire all Debincor through the issue of 100 new shares for 100 Debincor In addition, Debincor holders are being offered 25 options per 100 Debincor to buy Amic at R35 in 1982

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increasing by R2,50 to R45 in 1986 and 1987

Amic and Debincor are expected to pay final dividends of 115c and 140c respectively for the year to December Debincor also proposes to pay a 70c special dividend to its present holders funded out of the AECI dividend These dividends are not included in the reconstruction considerations

For the shares in Highveld, NTE, Huletts, McCarthy and Ipsa which Amic is to acquire from AAC and De Beers, it will issue 8 581 000 new shares

After the deal AAC will have 46% of the 45 6770 000 Amic shares in issue and De Beers 25%

Had the enlarged Amic been constituted last year, earnings would have been 517c a share compared with Amic's 562c and Debincor's 372c

The merger announcement contains a table showing that based on 1980's earnings, the enlarged Amic would have a PE of 8 compared with today's Amic's PE of 7,2 and Debincor's 13 Based on 1981's earnings the bigger Amic has a PE of 6,7 against Debincor's 11 and Amic's current 6,4

Net asset value at last balance sheet would have been 4 130c compared with Amic's 4 023c and Debincor's 4 835c

Anglo's chairman Mr Harry Oppenheimer, stressed that the reconstruction was not being done for any specific plan that Anglo had in mind today It was purely to facilitate growth in the future

He said the control situation of AECI was not changed by the reconstruction and it had nothing to do with the proposed joint venture in methanol between AECI, AAC and Shell

Mr Relly said the relative valuation was "not easy", but the deal was attractive to all parties The options were "very valuable" Amic and Debincor's auditors had certified the terms "fair and reasonable"

After the proposals are implemented, the enlarged Amic will have, in iron steel and engineering 50% of Highveld, 100% of Scaw, 31% of Ipsa, 36% of Haggie, and 100% of Boart, and in chemicals, 40% of AECI

In forestry, paper and allied it will have 63% of Mondi, 100% of Bruynzeel Plywoods and 63% of NTE, and in food and sugar, 43%

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of Huletts and 100% of African Products Its major motor interests will be 38% of Sigma and 23% of McCarthy Other important interests are 40% of Freight Services, 36% of LTA, 47% of Asea and 80% of Control Logic

Anglo says the enlarged group will be in a position to pay out a larger portion of borrowings

The main benefits for Debincor shareholders Anglo says, are participation in the larger entity with its greater financial strength and more diverse portfolio

Based on 1980 figures, Anglo says, the equity accounted earnings a Debincor shareholder will increase by 39% In addition Debincor holders will receive valuable rights to subscribe for further shares in the enlarged Amic over six years

Finally, the enlarged Amic is expected to enjoy an improved market rating and share price

Amic: You ain't seen nothing yet

SUN. TIMES (P.T.) 15/11/81

By Andrew McNulty

~~58~~ 180 ~~222~~

CAPITAL spending programmes already in hand for companies in the enlarged Amic (Anglo American Industrial Corporation) total more than R1 025-million, it was revealed to Business Times this week

This excludes spending by the capital-intensive chemical giant, AECI, now to be held 40% by Amic

These vast capital requirements are seen as a major reason for the announcement that De Beers Industrial Corporation (Debincor) is to be merged with Amic — creating an industrial juggernaut with assets of nearly R1 900-million — and combined earnings of more than R230-million

With a market capitalisation of R1 500-million to R1 600-million, Amic will outrank Barlows, whose market capitalisation is R1 330-million

The merger greatly strengthens Amic's borrowing capacity and cash resources to meet these commitments

More important, however, are likely future expansions, acquisitions and new grassroots projects — which Amic is likely to venture into at a cost of billions of rands during the decade

It is almost certain to foreshadow huge new chemical projects

The merger underlines several facts

- Amic, started by Anglo American Corp in 1963 and the subject of much criticism in the 1960s and early 1970s as it struggled to find its feet, has woken like a slumbering giant

Anglo has shown that it has come of age in the industrial sector

- The staggering spread of Anglo American's tentacles across the South African economy is shown dramatically by Amic's new portfolio

- The new Amic is the culmination — or more probably only a pause — in a spate of major developments for the group

These have included acquisitions such as the 36,2% interest by Scaw Metals in Haggie at a cost of R53-million last year; the expansion into electrical engineering and electronics by the purchase of 46,3% of Asea Electric SA for R27-million, the acquisition for R6,7-million of an 80% interest in Control Logic, a manufacturer of electronic control systems and equipment

This month Mondi (the 62,7%-held pulp and paper operation) announced that it is to buy Usutu Pulp Company of Swaziland for R110-million and step up Usutu's production to 200 000 tons a year; the deal brings Mondi's plantation holdings to 310 000ha

Expansion programmes launched recently include plans by Sigma Motor Corp to spend R320-million in capital in the next five years, Mondi is establishing a giant new wood, pulp and paper products complex at Richards Bay at a cost of R520-million, Highveld Steel is spending more than R110-million, Boart — the international mining equipment and drilling company — is to spend R31-million, and Bruynzeel will spend R17,5-million on modernising and increasing capacity

Along with the burgeoning Sigma (held 38%), McCarthy (held 23%) has emerged into a leading motor-distribution operation

Among food interests African Products (100% held) last year acquired new interests, increased its sales volumes and ranges, and is increasing manufacturing capacities

An offensive into the sugar industry during the past two years has given Amic, which has a 43% interest in Huletts, a formidable stake in the Natal sugar industry The involvement in sugar is still in the process of consolidation and will be shown to be considerably stronger than generally realised

Looking to the future, it can be expected that the intention will be to build on the apparent keynotes of the portfolio so far — stability, balance and growth

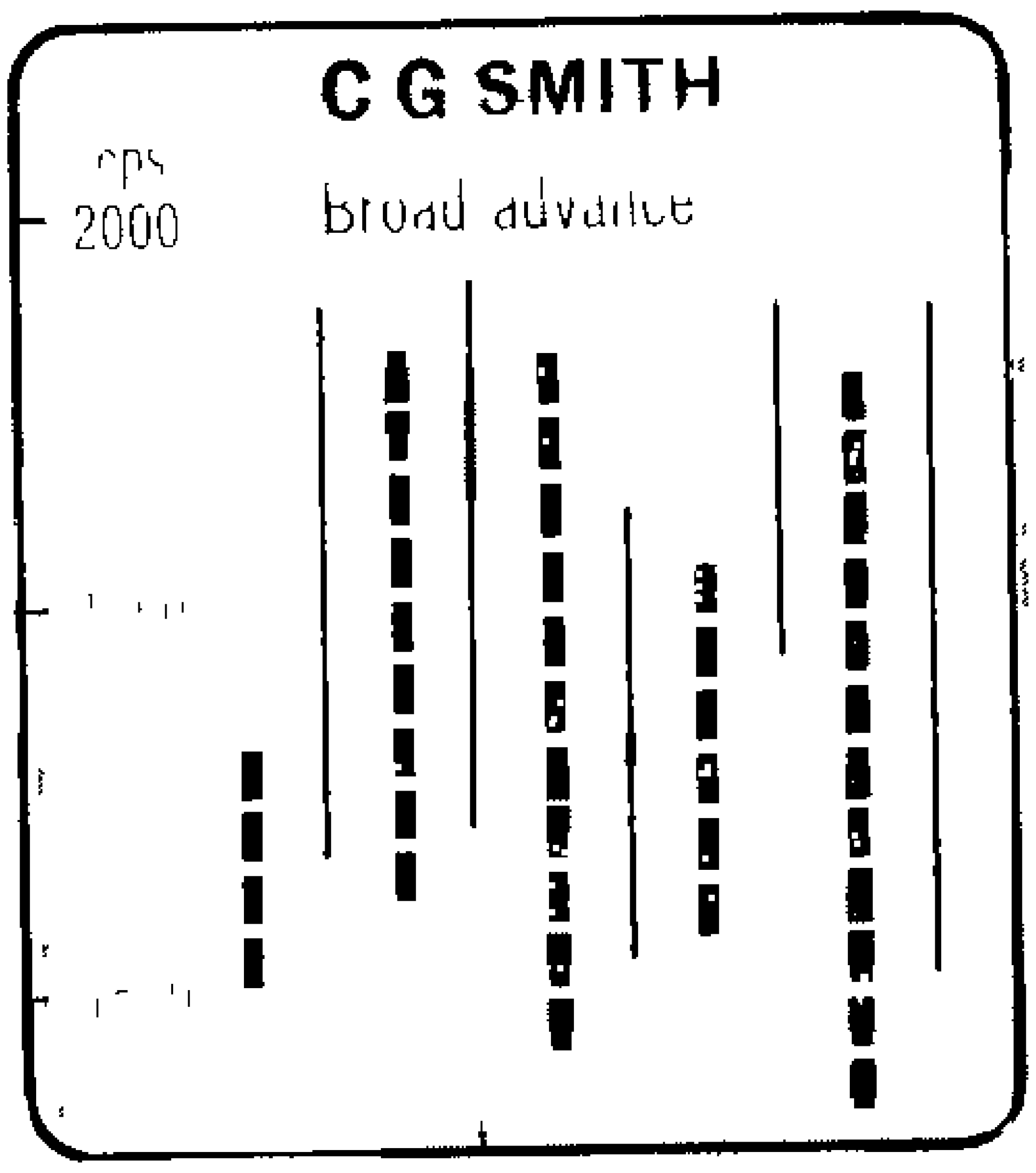
Obvious areas for a stronger presence are chemicals, food, electronics and computers

The effect of extending Amic s stake in the important chemical sector — the eventual Amic stake in AECI being 40% — was given as one of the benefits of the merger

AECI is already expecting to spend about R100-million a year through the 1980s, excluding the planned methanol plant, which would cost hundreds of millions of rands Announcements of huge new chemical projects are on the cards

The group's interests in electronics and computers are so far no more than tentative It would be surprising if they are not increased substantially before long

What is clear is that notice has been given that Anglo American's total onslaught into the industrial sector is under way in earnest



C G SMITH (180)

Acquisition hungry

FM 4/12/81

Activities· *Holding company within the Barlow Rand group, with interests in sugar, textiles, packaging and related products*

Chairman· *A M Rosholt, executive vice-chairman, W A M Clewlow*

Capital structure: *33,7m ordinaries of R1 Market capitalisation R608m*

Financial: *Year to September 30 1981 Borrowings long- and medium-term, R52,2m Net cash R3,7m Debt equity ratio 11,5% Current ratio 1,9 Group cash flow R155m Capital commitments. R119m, of which R83,7m will be incurred during 1982*

Share market· *Price. 1 805c (1980-81 high, 1 935c, low, 1 020c, trading volume last quarter, 63 600 shares) Yields 13,9% on earnings, 6,4% on dividend Cover 2,2 PE ratio 7,2*

	*'80	'81
Return on cap (%)	25,0	30,1
Turnover (Rbn)	1,0	1,2
Pre-tax profit (Rm)	145	196
Gross margin (%)	15,5	16,5
Earnings (c)	185	250
Dividends (c)	108†	115
Net asset value (c)	12,0	13,3

* Pro forma figures, assuming the group had existed in its present form during the 12 months to September 1980

† Actual dividends declared during the period

This annual report is the first to be put out by the reconstituted Smith group and reflects the effects of the acquisition of Nampak plus certain other interests from Barlows, as well as the restructuring whereby the three previous Smith companies — Smith & Co, Smith Investments and Smith Sugar — were consolidated into a single entity under the Smith Sugar umbrella

As such, and because of the change in financial year-end from March to September, there are no meaningful profit comparisons other than the pro forma figures calculated by the group on the assumption that the reconstruction had been effective during the 12 months to September 1980

One point, however, stands out Although the reconstituted group exceeded its own profit and dividend expectations during its initial trading period, Smith Sugar shareholders could feel they had been left out in the cold with a minimal increase in distribution.

The dividend pattern has, of course, been affected by the change in year-end, as well as the considerably changed nature of operations. But it is nevertheless apparent that if annual dividend totals are recalculated on a September year-end basis, last year's 115c payout was only 6,5% above the 108c which shareholders received in respect of the 12 months to September 1980

This 108c was made up of the 1980 financial year final of 63c plus the 45c declared in respect of the six months to September 1980 out of profits earned prior to the reconstruction

To be fair, however, the 108c in turn was 50% up on the 72c (the 1979 final plus the interim declared in November 1979) distributed for the 12 months to September 1979, giving a compound growth rate for the two years of 26% And that had not been exceeded since the old Smith Sugar increased its payout by 44% in 1976

The other striking feature of the accounts is the extent to which group financial resources are under-utilised Total borrowings at September 30 amounted to only R67,2m — 11,5% of equity funds and 26% of the group's maximum borrowing capacity

And although most divisions have heavy capex plans, it seems unlikely that this alone will change the picture Commitments at September 30 totalled R119m, of which about R84m is expected to be spent during 1982 This excludes the R35m which Nampak is to invest over the next two years in its new glass packaging facility

But the R84m is exactly what the group spent last year, including R33m on acquisitions And its cash flow was such that borrowings still came down from R85,4m at September 30 1980 to R67,2m

There can, therefore, be no doubt that the group is actively looking for suitable acquisitions and chairman Mike Rosholt's statement that "we are carefully researching the fuller utilisation of this surplus financial strength" should be viewed in this light

Chief executive Warren Clewlow says the group would not be averse to adding a fourth major operating division, although the limiting factor here is that it would not go into anything in which parent Barlows is already active And that does not leave much room to manoeuvre unless the group is to acquire one of Barlows' divisions and then use that as a basis for expansion

Excluding any possible acquisitions, further profit growth is forecast for the current year, though at a slower pace than last year's 35% earnings improvement However, even if the growth rate drops to 20%, the group should still be in a position to increase dividends to around 138c to give a prospective yield of 7,6% This is the same as Barlows, but the share could be considered more attractive because of the group's considerable expansion possibilities

STAR 11/12/8? 180

By Tony Davis
Labour Reporter

Employers will have to live with the fact that there will be parallel negotiations with trade unions at both industry level and shopfloor level.

This was the view of Barlow Rand's executive director of industrial relations, Mr Reinald Hofmeyr, at a recent Anglo American conference on industrial relations held in Johannesburg.

Mr Hofmeyr said the ideal situation for negotiations was for employer bodies, employee representatives and registered non-racial unions to meet at industry or national level, and to hold supplementary negotiations on domestic issues at plant level through works council.

However the ideal was not always possible as many of the strongest and fastest-growing unions rejected registration and truly non-racial unions had made little impact to date, he said.

Unions also rejected the present industrial council system, the proposed works councils had not been fully detailed, and there existed the possibility that the councils could suffer the same fate as works and liaison committees.

Barlow Rand, the country's largest industrial employer body, had issued labour relations guidelines to member companies on subjects such as workers' freedom of choice and association, managers' neutral positions towards different unions, and recognition agreements with unions which had sufficient representative support among workers.

Barlow Rand would recognise a trade union which was sufficiently representative regardless of whether it was registered or unregistered.

This stand had been criticised by other employers, Mr Hofmeyr said, but Barlow Rand believed it was a realistic stance in the present circumstances.

"We appreciate the problems that can arise through parallel negotiation at shopfloor and industry level, but believe this is not necessarily fatal and is in fact something which South African employers will have to learn to live with."

He said that in the past Barlow Rand had supported labour structures established by the Government for negotiations — works or liaison committees — and know by hindsight that this was a mistake.

Workers had rejected these committees and Mr Hofmeyr cited various negotiations with trade unions.

MANUFACTURING – GENERAL
1982

JAN. — DEC.

(177) (180) (338)

Long queues at City labour office

Staff Reporter

UNEMPLOYED workers are flocking to the Department of Manpower Utilization labour bureau at the Thomas Boydell Building in Parade Street in search of employment, but many are unable to get jobs there and have to rely on offers of casual work

The offers of casual work are made to them as they queue up outside the building Members of a group outside the bureau said they stood a chance of earning better money by taking up casual employment rather than jobs through the bureau But the offers did not come every day

R30 a week

Through casual work they stood to earn between R10 and R15 a day whereas for jobs offered by the bureau they were usually paid R30 a week they said

Others said they were unable to get into the building to register because they did not have unemployment cards

A spokesman for the labour bureau Mr G M Matthee said the reason for the long queues outside the office was that the factories were still closed and people were looking for casual employment because they had 'spent all their money'

Permanent work

"Unfortunately there is no act that may make a man work and these people don t want permanent work he said

"If a man is prepared to work we will find him a job There is no reason for anyone to be unemployed in Cape Town

"We try and assist them but we can't let all the elements inside '

A common complaint among the men was that they were often harassed by police and arrested while waiting outside the building

"Yesterday 12 people were arrested and charged with loitering I have been arrested before, and was fined R30,' said one man

Pakistan press ban eased

ISLAMABAD — Pakistan s President Mohammad Zia-ul-Haq partly lifted press censorship yesterday but then made clear that a ban on political reporting would continue

He was opening the inaugural session of a civilian council charged with recommending ways of quickly ending martial law

President Zia told the council that daily newspapers would no longer have to submit articles for censorship But he later told reporters that as political activity was still banned in Pakistan, nothing could be written on this subject

Job adverts draw 1 000 to factory

Staff Reporter

AN offer of employment drew more than 1 000 people to a factory in Parow East early yesterday

A queue began forming outside the factory gates about 7am By 8am more than 1 000 people mainly coloured women, had gathered and more trickled in throughout the morning

"The response has been overwhelming, ' said Mr Terry Shulver, general manager of I L Back which placed three advertisements in the Cape Times over the Christmas period advising people interested in joining its clothing factory to queue there yesterday The advertisements also offered benefits such as a six-monthly service bonus and an attendance bonus

Said Mr Shulver "We aim to double our productivity over the next 12 months I'll take on as many people as come to the gate If 2 000 come I'll take on 2 000

"It doesn't matter if they're untrained We have six training schools in our building"

According to recent figures produced by the Department of Statistics, unemployment among coloured people in the Cape is on average 4 4 percent, being 3,6 percent for men and 5,9 percent for women

'But unemployment among coloured people is probably higher than that by less rigorous definitions of the term," said Mr Charles Simkins, researcher at the South African Labour Development Research Unit at the University of Cape Town

He suggested that the large turnout at the factory probably included people who already had jobs but were drawn by the benefits offered

Part of the crowd of more than 1 000 people who applied for jobs at a clothing factory in Parow East yesterday

Sm cle for tou

Staff

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Land muddle harming PE

E. Post 16/1/82.

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By CLIFF FOSTER

WHILE men tramp the streets looking for jobs, industry is being turned away from Port Elizabeth.

The reason There are few industrial sites left in the city itself, and the Government will not sanction new ones on the outskirts

The municipality receives an average of two inquiries a week for industrial sites Many more go to estate agents specialising in commercial properties Barely any can be satisfied

In the past 12 months, industrialists from the Reef, Durban and Cape Town have come knocking at Port Elizabeth's door, seeking to set up factories and soak up some of the city's surplus labour Almost all have gone away empty handed

The industrialists were prepared to establish light plants producing a wide variety of goods from motor components to chemicals They could have provided some diversity to cushion the city from lean times in the motor industry But the city had nothing to offer them

So critical has the [illegible] ation become that [illegible] expansion of [illegible] busine[illegible] now being thwarted

The only remaining sites are at Markman Township and Perseverance

The ones at Markman are large, rail-served, and 15 kilometres out of the city They are not popular among light industrialists And plots at Perseverance are almost all sold out

Mr Bill Williams, the City Council's Chief Estates Officer, blamed the Government which, he said, thwarted municipal efforts to open up more industrial land 'We are not masters in our own house," he added

"We have tried desperately hard to provide more industrial land, but we just haven't had any help from the Government All the pleas on the part of Port Elizabeth have fallen on deaf ears

"We have battled to get industrial use for a half-hectare site in Sidwell, which was formerly industrial ground It adjoins existing factories and was rezoned residential land — by mistake — years ago

"We have tried time and again to get it rezoned, but the Government is against it Sidwell ratepayers are also against it, although nobody is going to build a house there unless he's got rocks in his head"

Mr Bert Davis, an estate agent, told Weekend Post "We are turning away people who want to come in and set up new industry in this city"

Mr Davis, who specialises in industrial property, added "If sites were available the unemployment situation here could soon be eased quite a bit

"Some of the businessmen who want to come here are quite big A number want between 1 000 and 2 000 square metres of floor space And we have dozens of people on our books wanting between 300 and 500 square metres — these are mainly people already in Port Elizabeth"

Mr Leon Hafner, another agent specialising in industrial properties, said "We have had plenty of people coming along and trying to find industrial land so that they can move into Port Elizabeth But there are no available sites in the city itself at all

"We get people wanting to come here from Durban, Johannesburg, Cape Town — but we've got nothing to offer them

"They are mainly concerned with light industry — some of it allied to the motor industry — but we've also had people in the chemical, engineering and packaging fields

"They just can't get in here

"If you show them Markman Township they

Turn to Page 2

P.T.O

Industrial land muddle harming PE

From Page 1

say it's too far away Apart from Perseverance, which is also a long way out, there, is nothing else

"Once these people see the situation here they decide to try somewhere else"

Mr Hafner suggested that land in the western suburbs could be rezoned for industrial purposes

"Town planning in Port Elizabeth has made no provision for any industrial land in the western areas"

Another agent, who asked not to be named, suggested Greenbushes as an area for light industrial expansion, forming a second zone with Cape Road as an axis

"In the Greenbushes area you have got water and power and the population of the western suburbs and the coloured townships around Bethelsdorp near by There is also a rail link with the Apple Express line

"I think industrial expansion in the Greenbushes area is now a must

"Deal Party, which has been one of the accepted areas for expanding, is completely sold out

"Struandale? I don't think much exists there And Neave is the same

"Markman is too far out Convenient commuting of personnel is a big factor

"It's up to the municipality to make additional land available now, probably through the Province, and put it out to private enterprise to sell"

Mr Williams, the city's Chief Estates Officer, agreed there had been a tremendous upsurge in demand for industrial land, and he blamed the Government for holding back development

Municipal attempts to open up new industrial sites had been thwarted by the Government

"Officials keep coming here and telling us how well off we are," he said

"My office has been busy dealing with people looking for new premises Some have been local people wanting to expand, and others people coming in from outside

"This upsurge in demand is something we didn't anticipate Two years ago we had the whole of the Dry Lake — two hectares we had acquired from shacks we had knocked down around Juta Road, Korsten — and we split it up into 20 sites They were sold overnight

"We do have land at Perseverance and Markman, but the smallest site at Markman is about one hectare and rail-served This is too big for light industry

"At Perseverance there are 10 or 11 hectares of half-hectare sites, none rail-served But we have sold fairly recently 20 hectares to South African Breweries, five to Willard Batteries, three for an extension to Daranco Blocks and four to Coverland Tiles

"There aren't many sites left I reckon that by next year the whole lot will be gone

He added "Prices here are very reasonable — they must seem ridiculous to people in Durban and Johannesburg

'People say these sites are a long way out, but in Johannesburg and Durban, industrial sites are 20 to 30 kilometres from the city centres, and people think nothing about it"

Of the Greenbushes suggestion, he said "There would be nothing wrong in an industrial area there In fact, you already have pockets of industry there — a glass fibre factory, a panel beating shop But getting approval for an industrial estate is something else

"The council tried to start an industrial estate in Walmer, near the railway line, some years ago, but we were turned down by the Department of Industries No reasons were given"

Mr Rocky Ridgway, chairman of the Greater Algoa Bay Development Committee, said he was surprised to hear the situation had reached this point The matter could be included on the agenda of the committee's next meeting later this month

The Government official with whom the municipality had been negotiating is on leave

180 E. Post 30/1/82

Missionvale may become PE's next industrial area

by CLIFF FOSTER

MISSIONVALE is being considered as a site for industrial expansion in Port Elizabeth

Mr B Barnard, regional representative in the Office of the Prime Minister in Port Elizabeth, told Weekend Post this week "As far as I am concerned, it's an ideal piece of land for light industry

"It's adjacent to the black areas, it's near the existing industrial area of Struandale, and it's close to a good road — the Port Elizabeth-Uitenhage road

"It's a proclaimed coloured group area If it is wanted for industry, it would have to be deproclaimed and zoned for industry by a town planning scheme"

Missionvale is presently marked as an "undetermined" area on the metropolitan area guide plan

When Mr Barnard's view was conveyed to Port Elizabeth municipality, Mr P K Botha, the Town Clerk, said the matter would certainly be pursued

"This has been considered for light industry and we did start planning the area, and then the person responsible left the municipality last year," said Mr Botha

"We have even discussed this with the provincial town planner and he is quite co-operative There is a process to go through because the area is zoned for the coloured group, but that is not insurmountable

"It's a useful area It's close to the labour supply and services and appears quite attractive"

Mr Botha also said he was confident other sites at Markman would be zoned for industrial use when present sites were depleted

Mr Rocky Ridgway, chairman of the Greater Algoa Bay Development Committee, said of the Missionvale site "At this stage it does seem to be a fairly reasonable area

"It probably would appear to be an attractive area to industry for the reasons given, and it's closer to the city than other areas zoned for industry"

Other areas presently under development are Perseverance (10 kilometres from the city) and Markman Township (15 kilometres from the city), but land at Perseverance is becoming exhausted and Markman has not proved attractive for light industry because of the commuting distance and the size of the plots (minimum one hectare)

Estate agents have claimed Port Elizabeth is losing out on light industry because convenient sites — such as Missionvale — are not available nearer the centre of the city and only in desperation would some industrialists move to Perseverance

When 20 plots recently became available in the Juta Road area of Korsten (where poor housing was demolished) they were sold overnight to light industrialists

The city council has earlier sought to zone an area of Walmer and a small area of Sidwell for light engineering and been turned down by Government departments

The Diaz Divisional Council and Despatch Municipality have met with similar fates when putting forward applications for sites near Greenbushes and at Despatch

This week, Mr Barnard gave the reasons these applications were rejected

He said the 17-hectare site at Walmer, for which application was made in 1967 and renewed in 1968, was not suitable because the future presence of Walmer township for labour was uncertain and the land might be needed for airport extension

The small site at Sidwell was zoned for residential purposes and although the neighbouring factories made it unattractive for housing the mistake had been in allowing the factories to be sited there in the first place

"Two mistakes don't make a right," he said

Sidwell residents had also objected to further industry in the area

The Divisional Council application for 20 hectares at Gedults River, extending later to 143 hectares, was turned down because it involved using squatter labour in the area and this would mean condoning black housing in a white area

"There was no direct link to get people from the black areas into Gedults River (near Greenbushes) and so the only people you would attract there would be squatters," he said

It was also unrealistic to imagine an industrialist would willingly move into the city (and pay higher rates) when his business expanded beyond the limits envisaged by the Divisional Council, he said

The application was turned down in 1974, 1975 and 1977

Despatch's application for 42,8 hectares of land to be zoned for industry was refused in 1979

"We said there was still ample land at Perseverance and Uitenhage"

Uitenhage faces no shortage One hundred hectares are zoned for light industry and 350 hectares for heavy industry, and prices are among some of the most attractive in the country

But estate agents say this is because industrialists steer clear of Uitenhage to avoid commuting problems with people wanting to live in Port Elizabeth

ARGUS 12/2/82

180

SURCHARGE A DOUBLE BLOW

Consumer Reporter

THE 10 percent import surcharge which comes into effect today will hit industry's plans for expansion and badly needed job opportunities, according to the director of the Cape Chamber of Industries, Mr Jack Roos.

Others said the one percent rise in GST would be a serious blow to the consumer, particularly the poorest families who spent most of their incomes on food

The tax puts up the price of every commodity sold over the counter and every service

And together with the new import surcharge it will increase the price of food, textiles and other goods imported from overseas by 11 percent.

Mr Roos said the import surcharge would affect local industry's plans for expansion because it would increase the cost of new machinery which mostly came from overseas.

On the credit side, he said it would be beneficial to the clothing industry, among others, since it would make the price of imported clothes from Taiwan less competitive

Mr John Barry, director of operations for Pick 'n Pay in the Eastern and Western Cape, said he was disappointed the Minister of Finance had not exempted basic foods from GST since it would increase the burden on the poorest people

The rise in GST comes just as manufacturers' price increases on a wide range of commodities — imposed in December and last month — are taking effect of this and the will now push up those prices even further

Mr Barry said he thought the combined effect of this and the import surcharge might price some imported goods beyond the reach of most people.

But an executive of Checkers said he thought there were already sufficient stocks of imported fish such as tuna in the country to satisfy consumer needs for some time

When GST was first introduced a number of manufacturers and retailers increased prices further at the same time, hoping that the entire increase would be blamed on the new tax

The Government has appealed for this not to

(Contd on Page 3, col 1)

ARGUS 12/2/82

Double blow from surcharge

(Continued from Page 1)

happen again. But Mrs Joy Hurwitz, national president of the Housewives' League, said she feared some retailers would charge higher prices for imported goods already in stock, on which the higher surcharge had not been paid

Inflation

Dr Johan Cloete, chief economist of Barclay's Bank, said he expected the inflation rate to rise by at least one percent because of the increase in GST and the import surchage

He thought it would have been better to exempt essential foodstuffs from GST and to increase it by two or three percent on everything else.

He did not think this would have been difficult to administer because similar systems worked in many countries overseas.

Mr Andre Hamersma, chief economist at Standard Bank, said the surcharge would not be a popular measure internationally.

'You can't expect our trading partners to be very happy. The surcharge will also discriminate against certain imports as not all good will be subjected to it,' he said.

Remedy

Mr Martin Spring, a financial consultant, said although the Government's financial problems were serious, the remedy was a bit sooner than expected.

It was possible the Minister had taken some of the sting out of the main budget, though it was still possible that extra income would be raised in the form of loan levies and increased company tax.

Mr Spring said the reintroduction of the import surcharge was obviously more acceptable politically than increasing GST by two percent.

Mr Rudolph Gouws, senior economist at Nedbank, said the increase in GST was appropriate. It was not a good idea to exempt foodstuffs as this caused imbalances in the system.

'The import surcharge is a very good method of raising revenue but it is a retrogressive step for the Government's free economy policy,' he said.

EL council backs open industrial areas

180

O-Dispatch 24/2/82

EAST LONDON. — The city council is in favour of opening industrial areas to Indians and coloureds

The Council is also in favour of allowing those Indians already trading in designated white group areas to remain

This was said by the Town Clerk, Mr J J Human

Last week the Minister of Community Development, Mr Pen Kotze, said in Parliament that East London had applied for its central city area to be opened to all races

He said that together with Port Elizabeth, King William's Town and Pietermaritzburg, the East London city council had applied for the whole or part of the central city area to be opened

Mr Human said the council favoured industrial areas being exempted from Section 19 of the Group Areas Act to enable anyone except blacks to acquire land and operate industries

"In the odd case where Indians are trading in a white trading area at present, the council has no objection to the same principle being applied," said Mr. Human

The mayor, Mr Errol Spring, said he did not know if an application had been sent to the government to open the central area to trading by all races

"I am very much in favour of it, and if there has not been an application, I would like to see it as soon as possible," he said

Mr Spring said he would ensure the matter is raised on the agenda of the next action committee meeting

Neither the chairman of the Indian Management Committee, Mr Harry Parbhoo, nor the chairman of the Coloured Management Committee, Mr Wally George, had heard of any application for open trading areas in the city centre

Mr Parbhoo said he did not know anything about it, but said the IMC would support such a move if the area included the entire magisterial district of East London

"Our stand has always been that if anything is opened it must be the whole magisterial area. There are few businessmen in our community who would be in a position to open in the central business district, and anyway most of the business is of a corner cafe type which is best situated outside the central business district," he said

Mr George said that on the two years he had been on the CMC the committee had not been approached by the city council with regard to open trading areas.

He said he "supposed" the CMC would support such a move, although he would oppose Indians trading in coloured areas

"Coloured business has not developed to the level of Indian business, and we would suffer if Indian business moved into our area," he said

The secretary of the East London chamber of commerce, Mr Jock Allison, said the chamber had asked the city council to motivate the opening of trading areas to all races "some months ago"

Mr Allison said the chamber supported free trade irrespective of race — DDR

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

Production of SA industry near capacity

(180) E. Post 15/3/80

Post Correspondent

JOHANNESBURG — To all intents and purposes, industrial production reached capacity at the end of last year when the statistics showed 90,2% use of machinery and plant

This compares with 84,2% in 1978

To achieve 100% capacity is almost impossible — but not entirely for the reasons given in a release by the Department of Statistics which attributes the shortfall of 6,3% to insufficient demand

The department's reason appears to be exploded in the section dealing with the production of motor vehicles, parts and accessories

Plant use is shown as being 92,6% last November, with the shortfall explained as 1,8% by a scarcity of raw materials, 0,7% by a shortage of white labour and 0,3% by a shortage of black labour and 4,6% by insufficient demand.

At the end of last year, there were waiting lists of customers wanting new vehicles

So this appears to demolish the lack of demand reason.

To achieve full use of plant, raw materials must always be on hand

Machinery must not be idle

Staff must keep going at full pressure — all improbable

More than 90% is practically full use and this was recorded last November in many industries including textiles, clothing, leather goods and footwear (97%), wood and furniture, paper and printing, industrial chemicals, rubber products, pottery and glass, and motor vehicles.

Of those industries which did not make the grade, the most significant were the food producers, who achieved 87,9% use of capacity.

In 1978 the average use of plant was 87% and in 1979 it was 89,1%

Unless there has been an increase in productive capacity since then, the figure suggests that there has been only a slight increase in demand in spite of the boom and increased employment

In 1978, 9% of unused capacity was caused by lack of demand and 3,3% by a shortage of raw materials

In November lack of demand had dropped to 7% and the shortage of raw material had increased to 4%.

Other industries below the 90% level included drink (85,6%), machinery 87,6%, where a major reason for the lack of production was a shortage of white labour, transport equipment, excluding motor vehicles (85,1%) with lack of demand accounting for 10% of the below-par performance and a shortage of white labour accounting for 3,3%

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examination book (s) are used

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

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Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa PSL/PD UCT Vervaardig in Suid Afrika

1982

Productivity crisis scary

~~335~~ ~~247~~ 180 ~~49~~

S. Times 21/3/82

By John Spira

THE wages of South Africa's unskilled workers have been increased to a point where labour intensivity in industry is a certain formula for uncompetitiveness

This is because the wage increases at the lower levels have taken place with no relation to productivity, according to Dr Charles Skeen, newly elected president of the SA Institution of Civil Engineers.

At the annual meeting of the insitution this week, Dr Skeen pointed out that Japanese, German and American workers produce in excess of $25 000 per worker per annum

South African workers produce a mere $4 000

He added "In Japan, large numbers of workers operate in service functions and operate competitively in that function because they have achieved an increase in productivity of approximately 8% per annum — a truly remarkable figure

"There is some doubt as to whether we in South Africa have achieved 0,5% per annum

"It is a fact that in some activities productivities have actually dropped"

He rejected the solution that technology-based jobs be made more labour-intensive and considered that industrial decentralisation policies provide no more than an insignificant part of the solution

"Job creation must be sought at a very basic level, starting with agriculture, and this can only take place in the underdeveloped areas of our country

"I believe this can be done without jeopardising the large-scale food production which takes place in the more developed areas using more mechanised methods"

He pointed out that the need for placing a new emphasis on agricultural development is dictated by the fact that production rates six to seven times those now prevailing in the underdeveloped areas are easily attainable

This warrants even greater attention when it is estimated that the cost of creating a job in the underdeveloped areas in agriculture is around one-third of the least expensive job created in industry in these areas

He stressed that this is the most important area to which the institution should direct its attention.

Another vital problem area, he continued, was the lack of effective communication between engineers in the private sector and their counterparts in the public sector

Effective communication cannot happen while the present earnings disparity exists

The conditions of employment must be such that an easy movement of individuals between the public and private sectors is possible

A "slimmed down" public sector, super-competent and suitably remunerated, must enjoy all-round respect when entrusted with the conceptual planning of national projects which are to be managed and executed by the private sector

In effect, Dr Skeen concluded, a steeply inclined public sector hierarchy with a peak comparable to that of the private sector must operate in conjunction with the private sector

In this way, two-way horizontal mobility as an essential to success will be facilitated

By Elizabeth R...

Beer supplies normal again

Star 15/4/82

Consumer Reporter

Beer supplies should be back to normal in the urban areas by tomorrow

Country districts will have to wait a few more days for their beer stocks because of transport delays

There has been a shortage of beer in the Transvaal and Free State for the past two weeks after a five-day strike at the Alrode Brewery in Alberton earlier this month

Brewery employees have been working hard to bring supplies back to normal

World wine congress in city

ARGUS 20/4/82.

182

THE 31st congress of the International Federation of Wines and Spirits (FIVS) was 'probably one of the most important international conventions ever held in South Africa,' the Vice State President, Mr A Schlebusch, said today

Opening the convention at the Mount Nelson Hotel, Mr Schlebusch said it was fitting that the first meeting of FIVS in Africa should take place in Cape Town, the Mother City of South Africa and cradle of its 300-year-old wine industry

The five-day convention, which will include high intensity working periods to discuss production and trade problems, the social and health problems associated with alcohol use and the technological advancements made around the world in liquor production is being attended by FIVS officials from all over the world

President

The president of the Federation Count Luigi Rossi di Montelera, said at a Press conference last night that it was vital that these problems be discussed in an international, and not a national framework

'International trade is a living element of our world today, and as we share trade so we share problems and so we must share the solutions to those problems,' he said

Mountain

Yesterday the officials of FIVS most of whom arrived in Cape Town at the weekend went to the top of Table Mountain and then drove to Paarl where they were hosted to lunch at the KWV wine cellars, and last night, they attended a dinner at the President Hotel, hosted by Safmarine

The real business of the congress began today, and will end with another dinner, hosted this time by Stellenbosch Farmers Winery in Stellenbosch.

The official banquet of the congress, hosted by the Cape Wine and Spirit Exporters' Association will be held in the Mount Nelson ballroom tomorrow evening

The congress will conclude with a tour of the Peninsula on Friday

R86-million lent to the little men

ARGUS 20/4/82

180

Argus Correspondent

DURBAN. — Though the newly formed Small Business Development Corporation would aid small businessmen of all races, it was clear the greatest need was among blacks, coloured and Indians, Dr Willem Vosloo, managing director of the corporation, said at the weekend.

Addressing the Natal and Free State chartered accountants' autumn school at Hilton College, Dr Vosloo said that up to the end of January 162 loans had been granted, worth R86-million.

Because the corporation had only three main offices — in Johannesburg, Cape Town and Durban — it had entered into an agreement with the banks who would act as its agent under a financial guarantees system.

Under the system the corporation would give private guarantees for bank loans to small businessmen who otherwise would not have been able to obtain finance.

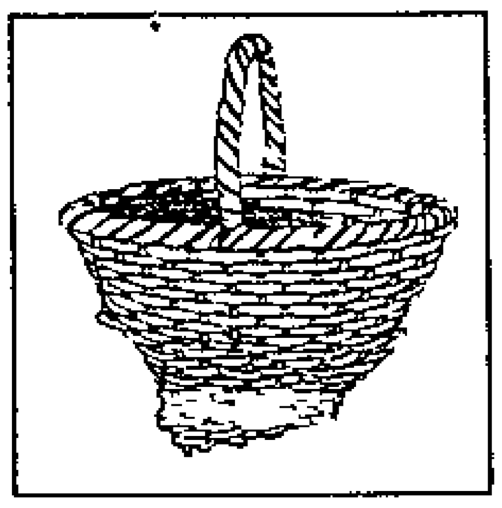
Dr Vosloo said R2,5-million had already been lent by the banks under this system.

Basically the corporation applied the following flexible guidelines:

- Businesses it helped had to be small — with gross assets of less than R500 000.
- Loans were for a maximum of R150 000, except in a few unusual cases.
- Applicant businessmen would have some experience in their fields.
- The businesses had to be viable in their own right.
- A reasonable capital contribution had to be made by the businessman himself.
- Some security for the loans was usually required.

SECONDARY INDUSTRY FM 30.4.82 (180)

Let's look at exports



There is cause for concern when a leading exporter of manufactured goods says it is now cheaper to import some of his lines than to make them in his own plant It is even more disquieting to hear this after a 12-month period when the rand fell substantially against most currencies and 23% against the US dollar

For if ever there was a time for SA manufactured goods to gain overseas markets, it should be now

The cooling in local demand and the resulting spare capacities should be spurring manufacturers to greater efforts in foreign markets, and the lower rand has made their prices more competitive

The lower rand is already saving some of the weaker gold mines from insolvency Last year it [illegible] to all gold mining rev- [illegible]

conditions at home

The exporter referred to above is actually laying off production staff and restructuring his business for more emphasis on trading and less on manufacture

Inflation of 15% a year against the average of about 10% in other countries is his main problem And wages, which are for him a major cost, have risen even faster, at 20% a year

"We are obliged to pay wage rates of the steel and heavy industries," he says "They can afford to make generous wage settlements, because they are protected by tariffs and import controls against foreign competition We have to fight this competition overseas and are battling to hold prices in spite of the devaluation"

Another rising cost is that of transport — generally paid for in increasingly more expensive foreign currencies usually the dollar A big exporter of tools, for example calculates that transport now accounts for about 25% of the [illegible] [illegible]

A more basic reason why manufacturers find it difficult to break into export markets is that many in secondary industry were originally geared for import replacement in the relatively small local market rather than for large scale export In many cases their marketing strategies used exports merely as a means of clearing surplus stocks — often at prices well below domestic levels

This is in sharp contrast to the philosophy which has made the mining industry a major world minerals supplier, selling only a fraction of its output locally It also differs from the designs of manufacturers in the Far East, which specifically aim at domination of world markets

The drive towards import replacement rather than export orientation was encouraged by government and, by its own standards has been highly successful SA now produces about 90% of its consumer goods and an increasing proportion of its industrial [illegible] of its divers[illegible] industry cannot [illegible] or [illegible] [illegible]ets Some of this [illegible] benefit from [illegible] would have [illegible] produce for [illegible] Some is [illegible] technologies employed for strategic rather than commercial reasons Some appears to have been established purely for reasons of national pride, and some for the purposes of job creation

These are hardly the bases on which to found a secondary industry which can make profits in the cut-throat international market Even on its home ground, much of SA industry exists by grace of government decree

Most local manufacturers sit comfortably behind tariff barriers against foreign competition and many also benefit from import control Steelmakers, for example, lose no sleep over cheaper imports, which generally come in only if they cannot produce the required goods themselves Plastics producers have the privilege of supplementing their own production shortfalls by buying abroad — often at far lower than their own production costs They use the bigger margins on the cheap imports to subsidise prices of their own products

Car makers are protected by duties of more than 100% But even this does not kill demand for foreign vehicles, as far more would be bought if the authorities freely granted import permits

SA's manufactured goods exports have developed haphazardly and many have come about more by aggressive marketing and good service than by price or technical advantage A tool manufacturer, for example, says he picked up his lucrative business in the UK by visiting it with a spade over his shoulder.

Other markets are penetrated with small orders which traditional overseas suppliers cannot be bothered to produce This covers many items in the automotive industry, including exhaust systems, shock absorbers and pistons and even fully built up vehicles The R60m Ford bakkie export deal to the UK has doubled Ford SA's local

Local manufacture ... more export effort needed

pickup production but the volumes involved are considered too small to justify production in the UK

Some exports do indeed have technical advantages over foreign products They include items developed for the mining, transport and heavy industries such as cables, earthmoving equipment, railway bogies, conveyor systems, steel castings, electrical insulators, furnace linings and industrial electronics

Another growing export sector is armaments, many of which have also been developed for local conditions

One wag comments on the growth of Armscor, which trebled its sales in three years "The United Nations arms embargo against SA was better for the industry than any tariff protection'

Manufactured goods still account for only 23% of SA's total exports If economic development is to proceed, this figure will have to rise considerably, because local factories are already producing most of our own needs and investment in mining is approaching optimum levels What is more manufacturing is far more labour-intensive than mining, and this will also have social benefits

Growth on the agenda

SA has the abundant raw materials and cheap energy needed by secondary industry, so it seems logical that a growth in the manufacturing export sector is the next item on the country's development agenda

But to compete with Far East competition, for example, plants large and small will have to work 24 hours a day to extract the maximum return from invested capital Staff will have to be similarly efficient and the technical expertise of management much greater

With quotas that set at least 30% of university enrolment in engineering faculties and a prime minister who is himself an electrical engineer, it is hardly surprising that the Republic of China beats SA as an exporter of manufactured goods

The move towards exports will not begin in earnest while industry is still protected by tariffs The time has now come to examine each protected industry and, wherever possible, to abolish or reduce tariffs to give manufacturers a taste of the real competition they should be facing in the hard world outside

Fighting a lost battle

FM 7/5/82 (180)

Few South Africans have ever heard of their compatriot, Dr Percy Amoils But when he accepted his medal of honour from the Massachusetts Institute of Technology for his bio-medical contribution to opthalmic surgery in 1975, he was the first to receive this award since the Twenties The last had been given to Francis Davis for his invention of power-steering

The cryo-surgical instruments invented by Amoils in 1965 at the University of the Witwatersrand are now used throughout the world and have aided opthalmologists in over 12m cataract operations

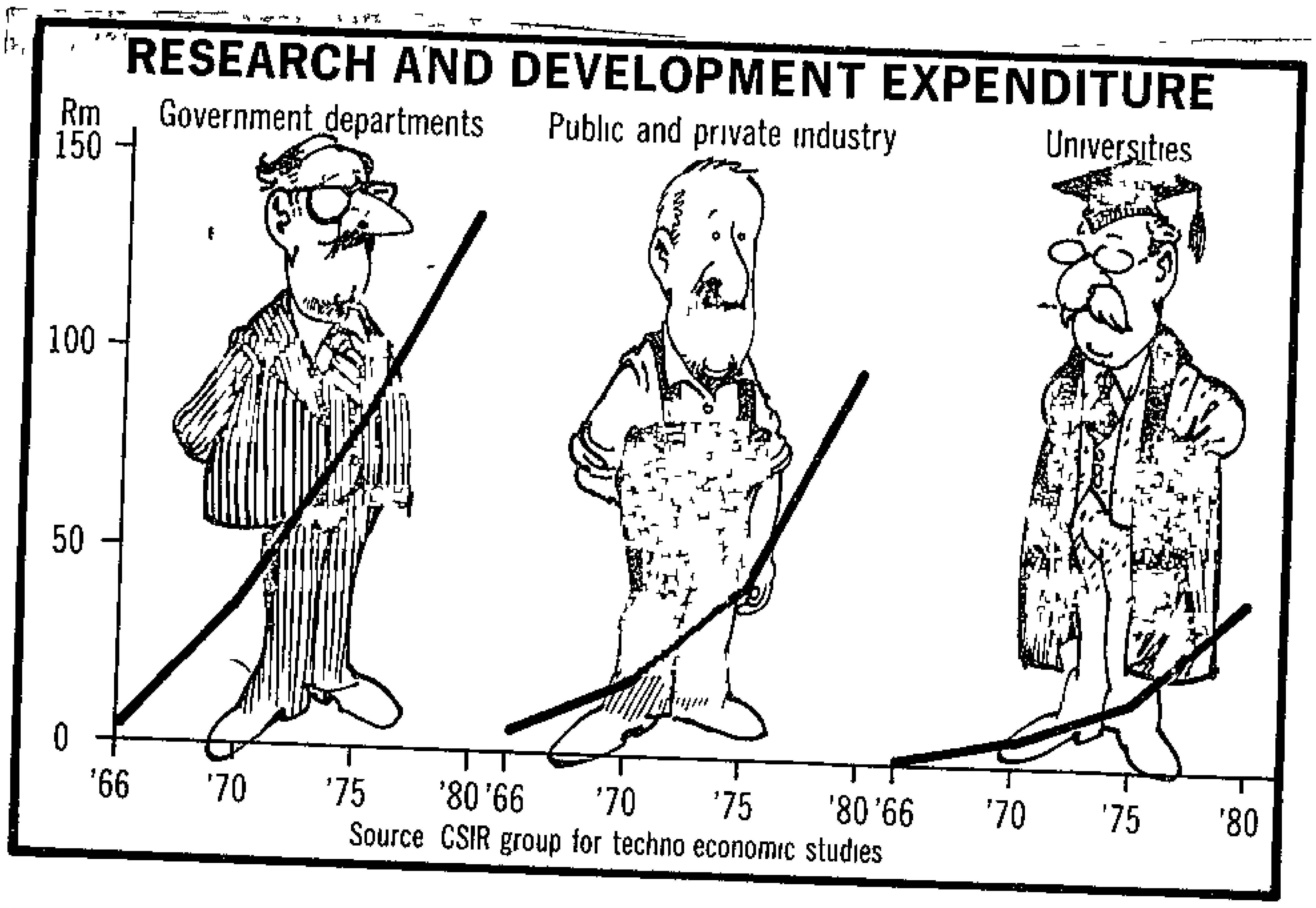
They were commercially developed in the US and UK, but received little publicity here. This illustrates the lack of interest shown by SA in its own inventors and in the need to encourage the innovative spirit

This lack of interest is also reflected in the amount of money spent on research and development (R & D) in the institutionalised activities of business undertakings, government laboratories and universities. The CSIR estimates that R277m was spent by government and private institutions on R & D last year This is an increase of 850% on the figure for 1966, but is still a fraction of US expenditure of R30 billion — which is about 15 times as much per head of population

Yet real spending on R & D in the US has been declining over the last few years, with a corresponding drying up in the number of new inventions

This led Adlai Stevenson, who was chairman of the US Senate sub-committee on science, technology and space, to say "Nations fall apart when this happens" These are ominous words for a nation which gave the world the aeroplane and the telephone

Explaining the dearth of local inventions, Donovan Pilkington, president of the SA Institute of Inventors and Innovators, says "SA relies so heavily on agriculture and mineral resources that its most important assets, human resources and the inventive spirit, are ignored There is also a strange



attitude that inventions come from overseas as they are cheaper to buy than to develop locally"

Lack of skilled labour is another problem, as there are barely enough trained staff to run existing industries, let alone develop new ones.

Says one local inventor "With its vast educated population, the US will remain streets ahead of us We have to accept that, with our present educational standards, there are only about 4m potential inventors in SA"

This lack of technologically educated people has led many in industry to recruit overseas brainpower to help on corporate inventions The development of the Sasol oil-from-coal process is a case in point

Most inventions nowadays are funded by government or big business The madcap professor working on his own has become a thing of the past, largely because inventions, which are becoming increasingly sophisticated, cost a lot of money

In theory, the individual inventor is eligible for loans from the SA Inventions Development Corporation (Saidcor), a subsidiary of the CSIR which has received R5m from government to finance inventions

But most of these meagre funds have gone to government organisations

Comments Andries de Waal, GM of Saidcor "Most of the applications for assistance come from individual inventors We welcome this, although we turn down many because the standard is not high enough"

At present Saidcor runs two schemes One is intended to aid the inventor who has neither the financial resources nor the commercial experience to develop and exploit his invention

Saidcor takes responsibility for the invention and acquires ownership, while the inventor receives a share in any profits on royalty income

In the other scheme, Saidcor gives financial and technical aid and requires a payout only if the invention is a commercial success

Its aim, claims Saidcor, is "to help bridge the gap between a promising idea and commercial reality"

Of the dozen projects that the corporation took on last year, most were inventions from government institutions Past Saidcor projects include the HS Bogie, which facilitates higher speeds on narrow gauge train rails, and prosthetic artifacts, made of a composite carbon fibre and commonly used to repair knee fractures

Pilkington's remark on Saidcor is "There is not much more that can be done to give private inventors total non-support"

In practice, most rely on their own financial resources Some, like Dr Malcolm Robinson, inventor of a uranium ore analyser, have financed expensive development projects to the stage of production

Yet costs do not end with the invention The further financial obstacle of patenting remains, and even this does not secure the inventor against plagiarisation of his ideas

Part of the problem is that there is little to prevent the Patent Office from issuing patents to different individuals for ideas which are essentially the same invention

Says Pilkington "It is so easy to get a patent that it makes me uneasy I do not think I would even have much trouble in patenting an Archimedes Screw"

Registrar of Patents, Hennie Coetzee, agrees it may be easier to register a patent in SA than in larger countries

"We do not receive enough applications to warrant thorough searches such as those carried out overseas We rely only on formalities"

The Patent Office receives about 9 000 applications for patents annually Only 30% of these are for local inventions, the rest are to protect overseas inventions

Patent attorneys normally charge R1 000 to handle a patent application After three years, and once annually for the next 16 years, the holder has to pay a renewal fee to the Patent Office And if the patent is infringed, the holder is liable for further legal expenses to protect his rights

All this points to the demise of the individual inventor working on his own and the rise of the corporate specialist working in a team of other specialists and backed by a big budget Some may deplore this but there have probably been more inventions in the past 20 years from such corporate specialists than from all the individual inventors who ever lived before that

SA has realised the value of corporate inventions and what they can do to alleviate the burden of the arms embargo and constant threats of sanctions

Inventors could also benefit from this situation by creating what other countries refuse to supply Perhaps it is just the challenge SA inventors need to defy the odds of post-industrial times

PATENTS IN THE SWIM

Manufacturers of the automatic pool cleaner (APC) are proving that patents are not a very efficient safeguard of an idea

The legal wrangle between APC manufacturers Kreepy Krauly (KK) and Baracuda has lasted five years and will probably continue for another 18 months

Yet neither of these firms invented the APC and both have seemingly valid patents for it

The prototype APC, which is suction-operated and moves by interrupted waterflow, was invented by John Raubenheimer in 1970 The patent rights were sold to Peacock Investments and marketed under the name Poolranger

When Ferdi Chauvier introduced his KK model in 1975, Poolranger took legal action but lost the case due to what it calls a badly worded patent An appeal has been lodged

Baracuda's APC came onto the market in 1977 after it had bought the patent rights from Poolranger KK instituted legal action for infringment of patent Although the first decision, and the first appeal, went to KK, Baracuda has appealed again

Further court cases are in progress overseas in countries where both companies are marketing It is believed that the SA court decision could help clarify both SA patent legislation and the cases overseas

Until then, all three APC manufacturers are marketing their products and all three have separate patents of the same basic principle

GRIEVING: Mrs Maria Nshwana found her daughter dead.

Nafcoc show will help backyard industry

180

Sowetan 12/5/82

By NKOPANE MAKOBANE

THE National African Federated Chamber of Commerce (Nafcoc) industrial exhibition to be held at the Milner Park Showgrounds next week will highlight the beginning of the black industrial revolution.

Announcing details of the two day exhibition at a Press conference Mr O B Sibeke, chairman of the Southern Transvaal African Chamber of Commerce (Soutacoc) said the main aim of the event on May 18 and 19 was to give exposure to black backyard manufacturers

The exhibition — the third and biggest to be held under the auspices of Soutacoc — will see 80 small businessmen from all over South Africa display a wide range of items

These exhibitors would be divided into three classes The black manufacturer who will himself be manufacturing certain products, companies doing business with manufacturers — buying products or benefiting from services offered by him and companies supplying equipment like tools, machinery and also raw material

"We know the black manufacturer has come a long way since he started his business in the backyard His problems have been mainly in marketing, obtaining raw material, financing, infrastructural problems, legal entanglements, purchasing management and technical know-how

With the building of

Sowetan 12/5/82

...centre planned

The total complex which is expected to be completed by early 1983, will be situated on a 7,3 ha site opposite the St John's Eye Hospital next to Baragwanath Hospital During 1977-78 the Transvaal region of the Foundation conducted extensive consultations in Soweto to determine the major needs in the community

Discussions with a wide range of groups representing all sections clearly identified education and the critical shortage of qualified teachers as a major need

The Foundation commissioned the Research Unit for Education System Planning at the University of the Orange Free State to investigate the necessity of such a complex The investigation considered the opinions of black leaders educationists and Government and semi-Government bodies before making its final recommendations, namely that a centre consisting of inter-dependent but separate elements, served by area of common use, be established to facilitate education

The objectives of the four components of the centre are: The teachers' in-service training centre is to fulfil the ongoing education and training needs of the teaching community, many of whom remain under-qualified

...rs fail ...ment

...st four days in protest over the introduction of new shift and in support of wages

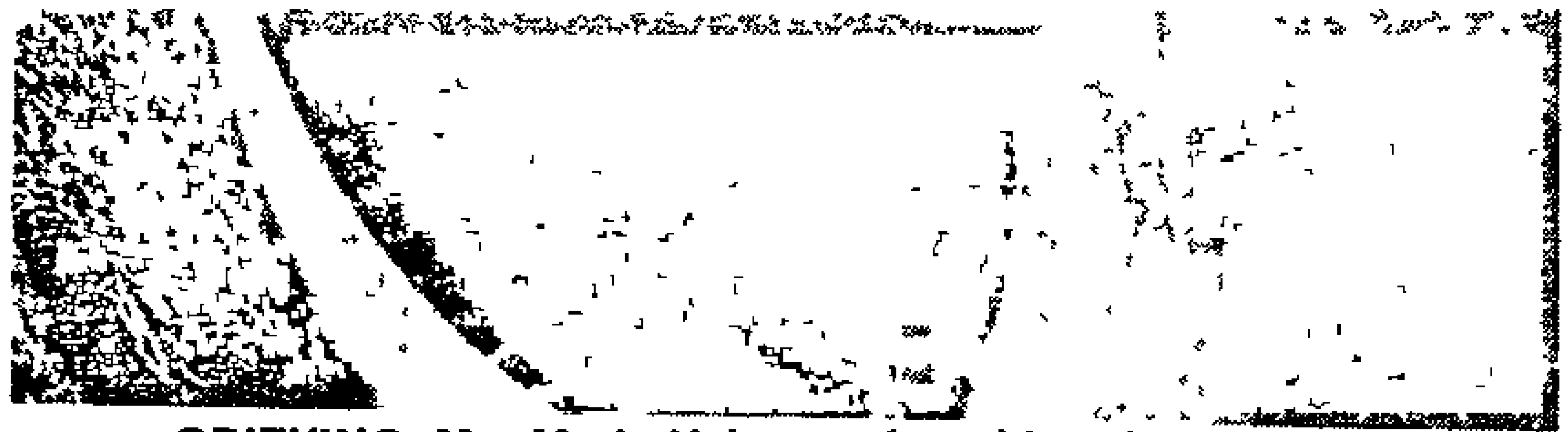
In Vrededorp near Johannesburg most of the 20 workers at a depot run by RNA were sacked because their union, Catering and Commercial Workers ... Spares were fired following a wage dispute

Meanwhile employers and unionists in the giant metal industries met in Johannesburg yesterday in an attempt to resolve the deadlock in wage talks involving more than 500 000 workers

The meeting — the third since the beginning of the year — is the result of a dispute between unions and employers Two earlier meetings

Stolen machines

ATTERIDGEVILLE Police have launched an intensive search for thieves who allegedly stole nine sewing



GRIEVING: Mrs Maria Nshwana found her daughter dead.

Sowetan 12/5/82

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In Vrededorp near Johannesburg most of the 20 workers at a de- run by RNA were sacked because their Union Catering and Commercial Workers Union of SA, claimed they had queried their inconsistent salaries.

SOWETAN reporter Frank Nkomo reports that in Pretoria ten of the 69 workers employed by Jaqmar Motor Spares were fired following a wage dispute

Meanwhile employers and unionists in the giant metal industries met in Johannesburg yesterday in an attempt to resolve the deadlock in wage talks involving more than 500 000 workers.

The meeting — the third since the beginning of the year — is the result of a dispute between unions and employers Two earlier meetings ended in deadlock

Union sources maintain that if the deadlock is not settled by the end of June they would hold a legal strike ballot. The deadlock has also led to strikes by black metal workers on the East Rand in recent days

Both union and employer sources have agreed to make a statement if the talks do not end in a deadlock, but attempts to obtain statements were fruitless yesterday

Stolen machines

ATTERIDGEVILLE Police have launched an intensive search for thieves who allegedly stole nine sewing machines valued at R2 000, from the local Dr W F Nkomo High School, over the weekend.

A police spokesman yesterday warned the public not to buy sewing machines from private people "We appeal to the public to notify the police as soon as they see people selling sewing machines," he said

Champ

FORMER world flyweight champion Peter Mathebula, attacked by a mob on Sunday, is in a fair condition and expected to be discharged from Leratong Hospital within a day or two.

Dr B L Broughton hospital superintendent yesterday said Mathebula would not be able to make the fight scheduled for this Saturday against Honey Ndwanya in East London.

the Southern Transvaal African Chamber of Commerce (Soutacoc) said the main aim of the event on May 18 and 19 was to give exposure to black backyard manufacturers

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These exhibitors would be divided into three classes The black manufacturer who will himself be manufacturing certain products, companies doing business with manufacturers — buying products or benefiting from services offered by him and companies supplying equipment like tools, machinery and also raw material

"We know the black manufacturer has come a long way since he started his business in the backyard His problems have been mainly in marketing, obtaining raw material, financing, infrastructural problems, legal entanglements, purchasing management and technical know-how

"With the building of industrial premises where facilities will be improved there will definitely be greater productivity quality and hopefully profitability" Mr Sebeko said

He called on black people to attend the event to support their own people He said this would give people an experience of viewing efforts of nation building

Some of the many items that will be on display include leather products, fibre glass mouldings, curios clothing, beadwork, pottery brick and block making, furniture, upholstery and sheet-metal products

A day after the exhibition (May 20), an industrial conference to examine current issues affecting the black manufacturer with a view to facilitate his progress will be held at the Milpark, Holiday Inn.

Where, oh where, is Pretoria's key industrial report?

(180) S. Times 13/6/82

FIVE long years after the then Minister of Economic Affairs, Chris Heunis, announced the establishment of a committee to look into an industrial strategy for South Africa, there is still no sign of a report

The eight-member committee first sat in July 1977 under the chairmanship of Dr Basie Kleu, who is also chairman of the Board of Trade and Industries.

While problems and climates have changed, far-reaching policy decisions have been made in strategic areas and other, more specialised, groups have been set up to study specific industries, the private sector has not had the benefit of so much as an interim report on an overall strategy

By Andrew McNulty

The report could be of vital importance as manufacturing industry represents South Africa's best hope of diversifying away from its over-dependence on metals and minerals

It offers the best prospect after mining of generating new jobs

Leading private-sector industrialists have frequently commented on the need for a coherent industrial strategy which, at the least, would have clear benefits for businessmen in their own planning

Business Times can reveal that the study group still exists

Asked about progress, Dr Kleu said that the group — "we are only a study group without the status of a commission" — is approaching the end of its task

He say he "sincerely hopes" that a report will be handed to the Minister concerned before the end of the year

Since the group started its work, Mr Heunis has been succeeded by Dr Schalk van der Merwe, who has in turn been superseded by the current Minister of Industries, Dr Dawie De Villiers

During the years that the debate over an industrial strategy for South Africa has droned on, the economic climate has swung from bust to euphoric boom to bust again

There have also been fluctuations in philosophies

The intense, almost Arthurian, wave of espousement of the free-enterprise view that shone through the Government and private sector at the turn of the decade has dimmed along with the economic boom, having given way in some areas to more strident calls for protectionism

Dr Kleu adds that when the committee was appointed it was given no terms of reference beforehand The need to develop its own working parameters are among the causes of the committee's lengthy efforts, Dr Kleu says

He declines to outline to Business Times the terms of reference or objectives finally evolved because to do so "would be uncivil to the Minister, particularly when the report is nearing completion"

However, leading industrialists point out that certain key, long-term issues would inevitably have to be covered by a comprehensive industrial strategy

They cover such matters as creation of employment, strategies against inflation, means of maintaining economic growth, training and education of skilled workers, further development of strategic industries, decentralisation of industry, promotion of exports, and the need or advisability for protection against imports

They are inextricably entangled

A prime example of new dilemmas that have arisen while the industrial strategy report is awaited was the establishment last November of the 14-man working committee under Professor Willem Steenkamp to look into the clothing and textile industries

Slow down — or die

By Kerry Clarke

HE'S the type of man who always has his keys out and ready for action long before he reaches his car

He is also characterised by such habits as compulsive finger-tapping on work surfaces, constant fiddling with pens and a tendency to eat at top speed.

He's the man who takes the words out of people's mouths in an attempt to hurry them up and he is always on time

He is also hard-driving, competitive and full of energy, constantly working towards deadlines at work and at home

Recognise yourself?

Then do yourself a favour — slow down, learn to relax and in so doing avert such stress-related ailments as coronaries and heart attacks

Delegates to Barbican Office Group's Office Environment 82 conference held this week heard that South Africans have been found to be under more stress than their counterparts in Europe and America

Professor D J Strumpfer, professor of organisational behaviour at the Graduate School of Business Administration at the University of the Witwatersrand told the conference that, although people experience stress of various kinds at all levels of employment, executives are subject to unique stress-causing situations.

They have different types and patterns of responsibility for such things as large outlays of other people's money or for the lives and employment opportunities of large numbers of workers

Executives also often face the possibility of instant dismissal or short notice without the protection of a union or industrial-relations arrangements that protect ordinary employees

Professor Strumpfer says the so-called coronary-prone behaviour pattern among executives has been proved to be one of a number of factors related to the occurrence of coronary heart disease

This pattern is character-

Who marries — and when

By Vera Beljakova

A VALUABLE addition to the market statistics used by the multi-billion Rand home-building and consumer-goods industries has been prepared by Markinor-Gallup

This time the market research company has analysed South Africa's age of marriage — the age at which all big expense burdens start falling on fragile young shoulders

It's the time at which young couples go out hunting for

HO

SANLAM/REMBRANDT

Coming of age

180 FM 25/6/82

If any proof was needed that Afrikanerdom has attained a vigorous self-confidence it has been provided by the events of the past few weeks The fact that two of the major pillars of the Afrikaner business establishment are prepared to air, in public, their differences about the direction and management of a third is proof that less need of tribal unity is perceived In other words, Afrikanerdom now believes itself strong enough to dispense with some of the security of unity

The trigger for this display of confidence was the battle between Sanlam and Rembrandt over the management of mining house Gencor and, more specifically whether or not its chairman, Dr Wim de Villiers, should retain his job

But its real roots lie in the fact that the Afrikaner business community is now large enough — and strong enough — to be split openly into clearly defined fiefdoms And the separate business groupings are sufficiently large that they can concentrate exclusively on their own commercial interests and forget the old call of Afrikaner unity.

In any case, commercial development based on tribal exclusivity presents far too many restrictions It was all very well for Sanlam, following its foundation during World War 1, to play on the emotions of the Afrikaner community to gain support in its formative years This was, after all, the intention and it formed an integral part of the strategy to project Afrikaners into the business life of the country The same motives to an extent underlay the formation, for example, of Volkskas in the Thirties The pattern was obvious, only by sticking together was it possible to mobilise the capital necessary to establish corporations and financial institutions with the strength to entrench Afrikaners in the country's business sector

A similar approach these days, however, would mean operating off too narrow a base, particularly if perceived Afrikaner exclusivity alienated the English-speaking sector of the community

This has been clear to Rembrandt for many years It started off in a small enough way as the Voorbrand Tobacco Corporation during the early Forties and received a great deal of early necessary support from Afrikaners But once it had established itself as a presence in the SA tobacco industry, it realised that expansion worldwide was necessary if it was effectively to compete with the British and American tobacco majors on the SA turf

Gencor's De Villiers ... the unhappy man in the middle

This necessity may well have coloured the strategic thinking of Rembrandt and its founder, Dr Anton Rupert But the wider world is somewhat different from the close-knit society of Afrikaner SA Performance out there depends on effective competition and acceptable business relationships and cannot rely on appeals to sectional interests From this Rupert developed his ideas on "partnership " The theory is fine — Rembrandt enters into agreements in the market place as a partner of other companies But in the end, strategic stakes of less than 50% are more than sufficient to ensure that the reins of control lie firmly in the hands of corporate headquarters in Stellenbosch This is particularly so if it is accompanied by a low corporate profile with fairly limited information being vouchsafed to outsiders

Sanlam, whose roots go back further, rests its concept of control on ownership of 50% or more of its subsidiaries Apart from anything else, this strictly legal definition of control puts the insurance giant in an unassailable position Nothing is left to hazard.

Which is all very well, but when the two managerial strategies collide something, somewhere, has to give The problems arose in 1974 when General Mining, the indirect subsidiary of Sanlam through Federale Mynbou, was locked in battle with GFSA for control of Union Corporation The then independent Union Corporation was essential to General Mining if it was to rise above the ruck of small mining houses all operating in the shadow of Anglo But to acquire control of Union Corporation and thus provide a quantum addition to General Mining's size, cash was needed overseas — and fast Sanlam could not provide it, though it is generally the last-resort provider to its subsidiaries But there was Rembrandt with overseas cash or the capacity to raise cash quickly And it had the advantage of being in the Afrikaner fold

But when you start asking favours of a group with a different management philosophy and one which has spread its wings into a much wider business environment you tend to rack up obligations They may not be immediately apparent, but they exist even if only in the other s mind and the obligations may, sooner or later have to be met And favours cannot be counted upon absolutely, as Sanlam found when it called on Volkskas to rescue the faltering Trust Bank a few years ago

The outcome of the successful Union Corp bid was that Rembrandt acquired 25% of Fedmyn and Volkskas 10% Later, Rembrandt took over half of Volkskas' stake, to lift its own interest to 30% Taking Rembrandt's views on control into account, it is not surprising that it felt aggrieved problem that he correctly identified early in his career as being central to monetary theory. the demand for a collection of highly substitutable "monetary" assets (See, for example, Brainard and Tobin, 1968) At some point, we will need to be told exactly how these asset demands are to be linked to the characteristics of the earnings streams to which these assets are a claim My guess is that rational expectations may come up at this point, but this is only a guess and we will have to wait and see

IV

As I warned at the outset of this review, I have made no effort to allocate my attention to various topics in this review in proportion to the allocation in Tobin's lectures Tobin has a remarkable gift for making difficult matters seem easy, a gift from which everyone working in monetary economics has reaped large benefits My review has glided over those parts of these lectures in which this gift has seemed to me to be put to good use, and has focused on those parts which seemed to me to substitute the simplification of caricature for the simplification offered by genuine clarity I hope my own evident role in this debate will make it easier for the reader to undertake necessary corrections.

* * *

The archeologist Heinrich Schliemann, the discoverer of Troy, became convinced, we are told, that a particular skull unearthed in a later excavation was the head of Agamemnon To the frustration of this creative and productive scientist, his associates confronted him with one devastating argument after another to the effect that this could not possibly be the case. Exhausted, Schliemann took up the skull and thrust it in the faces of his unconstructive critics· "Alright then, if he is not Agamemnon, who is he?"

If we cannot trust economists guided by Keynesian doctrine to direct the fortunes of our economy, whom can we trust? This is the question with which Tobin deals in his lectures, and his answer mixes a masterful display of the use of conventional macroeconomic analysis with a caricature of the alternative offered by the "new classicals." It is an answer that struck me as false, but not because I am con vinced that the "new classicals" have suc ceeded in identifying their "skull" wit the precision claimed by the Keynes economists of the 1960s Its falseness rather in its refusal to face the serio arguments asserting that the guidanc offered by Keynesian models is so unreli able and speculative as to render it unus able in practical discussions of econor policy.

The central question of macroeconom policy today is not that of which set c experts should be entrusted with the r sponsibility to manage our economy. It rather that of determining a workable s of limits on the scope of governmental fluence over economic activity and of d vising institutional arrangements whic can make these limits stick. The capital democracies have paid dearly for their n glect of this question over the past deca If we continue to evade it, as I read To advocating we do, we are in for a g deal worse.

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KYDLAND, FINN E AND PRESCOTT, EDWARD

when it became clear that Sanlam was determined to maintain absolute control over Fedmyn and thus the fully-merged General Mining and Union Corporation, Gencor And Rembrandt's only opportunity to flex its muscles came when Sanlam, in its determination to oust Gencor chairman De Villiers, found it necessary to alter Fedmyn's articles of association The details and reasons are, by now, well known

Forget any appeals to solidarity or Afrikaner unity — business considerations are now a great deal more important than anything else

On the face of it, Sanlam has might on its side It has been thwarted at board level by Rembrandt in its plans for Fedmyn and Gencor So now it is to carry the fight to the shareholders Clearly, as it owns 50,8% of Fedmyn, Sanlam can vote overwhelmingly in favour of any changes it wants to make to the mining companies' articles The ace up Rembrandt's sleeve is the threat of legal action This washing of corporate linen in public is something Sanlam's management may prefer to avoid

For the present, it means some sort of stand-off Rembrandt says it is considering legal action, while Sanlam threatens to push its plans through on a shareholders' vote It is difficult to imagine this type of scenario developing among what can loosely be described as the English-speaking business community But it does not have the background of sectoral exclusivity as part of its corporate psyche The leaders of the Afrikaner business houses have a sense of Afrikaner unity deeply ingrained in their consciences, hence the strains apparent in the fight over Gencor

The outcome should prove to be a watershed in the business life of SA What is intriguing is the prospect that Rembrandt, denied its accustomed role in the affairs of "partners," might now want out

Factory 'park' is mooted

180

E. Post 15/7/82

Municipal Reporter

THE feasibility of establishing an "industrial park" for all race groups in Port Elizabeth will be investigated by a task force appointed by the Greater Algoa Bay Development Committee (Gabdec), it was decided at a meeting yesterday.

Small industrialists would be able to lease premises in the park.

During a talk given by municipal officials on industrial land available in the city, it was pointed out that with the proposed development of Motherwell in 1983, light industrialists and commercial concerns could find it beneficial to move to Markman Township, where ample industrial land existed.

TONGAAT-HULETT

Natal's reticent giant

FM 20/8/82 (180)

The planning of Tongaat's merger with Huletts was based more on general long-term considerations than on any immediate ideas for joint ventures combining Huletts' cash with Tongaat's diversification possibilities And if this appears too general a thesis, it is the one which more than anything motivated the merger The combined group does not have any definite plans for immediate developments

Certainly there is the base of Natal to build on And it made sense to establish a relationship in which the interests of the two groups and their major shareholders did not conflict But as far as any major new ventures are concerned nothing is immediately planned The main idea was to create the platform from which projects could be launched

Tongaat-Hulett's Saunders . . . prospects should be clearer in November

Chairman Chris Saunders is disarmingly open and direct about the merger early this year which has created a very major enterprise in SA terms "It was a solution" he says It's a neat way of explaining a move which created a giant with sales of R1,25 billion, gross assets of R1 billion employing some 50 000 people nationwide

The difficulty for investors is that the figures from the pro-forma balance sheet and consolidated income statement for the merged group in the year to end-March 1982 are the only firm ones so far offered Saunders chairman of both Huletts and of Tongaat prior to the merger commented in the Huletts annual report issued at the beginning of June that it would be "presumptuous of me to predict the performance of the new group before the merger has taken place" Absent, thus far at least, are the type of precise forecasts that characterised Tongaat reports before the merger

Saunders says that he is hoping to offer shareholders a clear idea of prospects with the interim results due out in November For the moment, however, he prefers to confine his views to the longer-term future

Although the new group has interests

Sugar on the move ... and most of it will be in Huletts' bags

throughout SA, it is very solidly based in Natal. Saunders is an outspoken fan of his home-province team He sees Natal as a powerhouse of future growth. Two deep-water harbours, natural resources including generally generous rainfall and relative populousness are features that he points to Further, he believes that the populations of Natal are particularly promising development material "The Indians," he points out, "are now producing as many matriculants as the whites"

But for the moment, Saunders admits, "things are rather difficult" In that case, why was the moment chosen for the merger? And to what kind of problems was it seen as a solution? There were comments at the time, and still are, that the arrangement was engineered by Anglo American, with industrial politics as one of the prime motives "Not so," says Saunders, "the merger move came from us" It was, it appears, an answer to problems faced principally by Huletts, which, for more than a year had been unsuccessfully looking for investment for its large cash flows he adds "Looked at with hindsight, perhaps we should have made a bid for Tiger a year ago We tried to reach agreement with Rainbow Chickens, but it came to nothing"

A major problem in achieving diversification out of sugar for Huletts was one that may frequently face second-line concerns in SA, in the increasingly tightly-knit web of control exercised by the major institutions and concerns "Whatever Huletts tried to do," says Saunders, "it was competing with Barlows, C G Smith, Tongaat, or someone"

Some of the niches which Huletts looked at were already thoroughly served To have continued in the paper industry successfully, for example, would have required Huletts to inject capital equal to that of Sappi or Mondi Further development of Huletts' packaging interests could have led to friction with Barlow Rand

The solution the merger offered, which was proposed and discussed at end-1981, was to apply the Huletts resources to furtherance of Tongaat's industrial diversifications into bricks, through listed Toncoro, textiles and food To the industrial interests of the group, Huletts adds Hulamin Saunders sees this as compatible with his "food, clothing and shelter" overall direction for investment, in view of aluminium's increasing importance as a construction material

Deceptively simple

The merger solution, although it appears simple, is deceptively so, believes Saunders In many ways a takeover might have been simpler, in so far as a proposal is accepted or rejected by voting strength The merger meant that a variety of interested parties needed to be convinced and satisfied It was not necessarily easy to accomplish Contrary to outsiders' belief that Anglo was at the back of the decision, Saunders avers that it was especially difficult to convince Anglo that it was in its best interests to dilute its stake in Huletts from 42% to 39% Similar, although reverse, considerations applied to Cape institutional investors

So much goes far to explain the rationale behind the merger But it does not offer reason for the reticence about immediate prospects "The trouble has been," says Saunders, "that at the time we announced the merger it looked completely right" As things now stand, however, it would appear that "we chose the worst possible time to get into bed"

The major problem that has emerged has been the drop in the world sugar price At the end of last year it stood at about £170/t But by June, when the Tongaat and Huletts annual reports were issued, it had dropped to 1978 levels of £100 or so, and has remained there ever since

At the same time Industries Minister Dawie de Villiers has so far resisted arguments from the industry that domestic prices should be increased "By any standards," says Saunders, "the sugar industry is sick" And he believes that it is difficult to see how the export price of sugar can recover in the near-term to a level which equates with SA's production costs

On the other hand, Saunders believes that the domestic price of sugar will be allowed to rise "certainly by December" The new group will control around 42% of SA's sugar output But in the domestic sales field around 70% will be distributed in Huletts' bags

The economic slowdown will obviously affect the major industrial profit-producers textiles, building materials and aluminium Toncoro MD Cedric Savage reports that brick stocks are now standing at 120m, or around 17 days of productive capacity Thus far this year two of Toncoro's 45 factories have been closed down It takes around two months to reopen closed factories, so the objective is to close any particular factory only when it has built up two months' stock Savage believes that a further two factories might close by the end of this year Thus far, he says, things have not been nearly as bad as he expected. But he foresees a sharp fall in demand later in 1982 and a static level of sales in 1983

Some build-up of stocks is necessary, believes Savage, to be ready for the take-off in demand he foresees for 1984 At the same time, currently high interest rates militate against acquiring too much stock "Prices will have to rise by at least 20% a year to make stockpiling practicable" So it's a matter for the moment of trying to stack interest costs against forecast future stock requirements

In all these circumstances, it is obviously difficult for outside analysts to predict earnings in the year to end-March 1983 for the new group, especially since Saunders himself feels unready to do so Apart from any other consideration, the timing and size of a domestic sugar price rise may impact as much as any other single feature

On present information, however, it looks unwise to expect dividends to exceed 55c-60c this year, putting the shares on a generous forward yield at the current 720c price of 7,6%-8,3% Without some good news on the sugar front, it looks likely that the share price could face some selling in the months ahead Interestingly, 88 000 shares changed hands the week before last, compared with a weekly average of 21 000 It could be that some substantial holders have reached a similar conclusion *David Ross*

Firms asked to support black unions

(150) (182) (129) 31/8/82

Own Correspondent Star

GENEVA — An International Trade Union Federation, welcoming the settlement reached in the Coca-Cola dispute in South Africa, called on other transnational companies yesterday to "adopt a positive attitude" towards independent unions representing black workers.

The International Union of Food and Allied Workers' Associations (IUF) had lent its full support to the boycott of Coca-Cola staged by the General Workers' Union of South Africa (Gwusa) which began on May 1, to back its demand for recognition by the South Africa Bottling Company — a Coca-Cola franchise operation in Port Elizabeth.

"The Coca-Cola company in Atlanta in the United States helped in bringing about a settlement," the IUF said.

"I call on other transnational companies operating in South Africa to ask the management of their subsidiaries or business associates in that country to adopt a positive attitude towards independent trade unions representing black workers," IUF general secretary Dan Gallin said.

The IUF represents workers in the food, drink, tobacco and hotel industries in 61 countries. Its 175 affiliated unions represent some 1,8 million workers.

Under the Gwusa agreement with the South Africa Bottling Company, the company is reinstating some of the 160 black workers dismissed when they went on strike last October. Discussions on company recognition of Gwusa will begin as soon as the union represents 50 percent of the company workforce.

On June 28, another union affiliated with the IUF, the Sweet, Food and Allied Workers' Union, reached recognition agreements with two other Coca-Cola franchise holders, Suncrush and Vaal Bottlers.

that the application be refused

Land sale decision

182

E. Post 14/9/82

THE sale of 20 hectares of land in Perseverance industrial township, Port Elizabeth, to South African Breweries may not materialise after all

In January, the City Council's Administration and General Purposes Committee agreed to sell the land to the breweries

But in today's agenda of this committee's monthly meeting, there is an item by the Town Clerk, Mr P K Botha, saying that he has received a letter from the prospective purchaser.

It states that the company has instructed the local office to review its expansion plans for the next three years

PRODUCTION CAPACITY

Falling demand

FM 10/9/82 180

Spare production capacity is building up again as the economy cools down However, it appears the main contributing factor is not falling demand but an increase in manufacturing capacity

Latest statistics from Pretoria for the quarter ended May 1982 show a 19% rise in unused manufacturing capacity This means that the utilisation of production capacity has dropped from 89,8% in May 1981 to 88,1% this year Full capacity is considered to be about 90%, rather than 100%, which is in practice virtually unattainable due to unavoidable factors like plant maintenance

But the increase in idle capacity does not automatically mean that production levels have dropped — it could mean growth in capital stock. This is in fact the current situation, according to Volkskas economist Adam Jacobs, because during the May 81/82 period the physical volume of production dropped by only 0,4%. This means that capital stock, i e manufacturing plant, increased by 1,5%

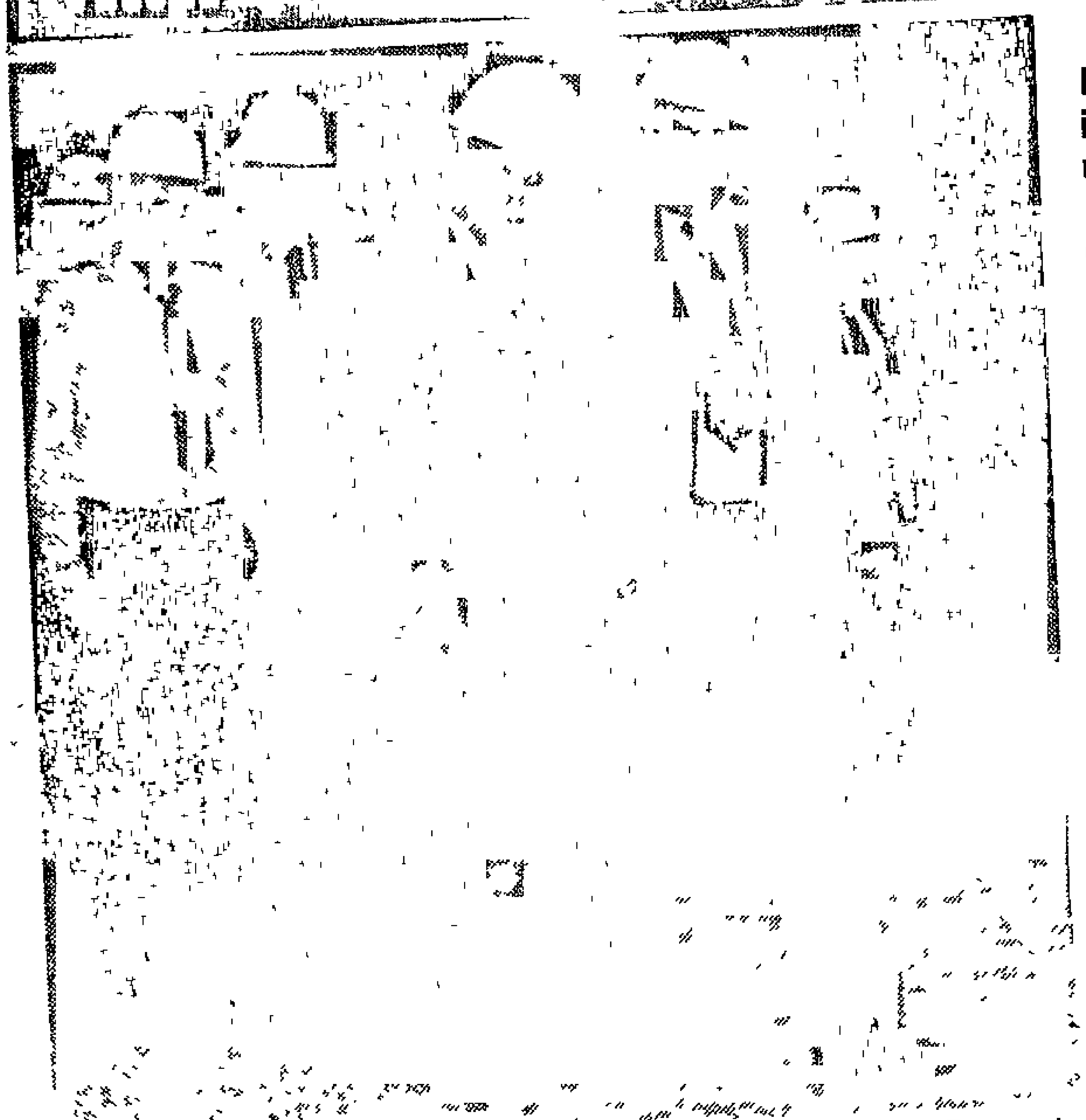
Jacobs comments "In the initial stages of a downturn there is an investment overflow as demand cools while additions to capital stock continue But as the cooling process gains momentum the demand factor becomes more important in the lower utilisation of capacity"

Of the total under-utilisation of 11,9% in May insufficient demand accounted for 70% In May last year, it accounted for less than 60% of under-utilisation.

Jacobs believes capacity utilisation measures to be an excellent barometer of the economy He points out that insufficient demand became less of a factor in under-utilisation in the first quarter of 1978, signalling the start of the economy's climb out of recession. The reverse situation started in August last year when the "insufficient demand" factor started gaining momentum.

As far as the differing levels of spare capacity in the various sectors are concerned, Jacobs says, luxury items will show the greatest decline as consumer demand drops For instance, the motor industry, he says, will see a marked decline in capacity utilisation in the next year or so He points out that in the 1978 slump it plummeted to 66% For the quarter to May it is 88,2%.

Minister on Sats tou



On a recent visit planned by the South African Transport Services (Sats), Transport Minister Hendrik Schoeman, several Pretoria MP s and other guests inspected the new Bell Ombre railway station being built by Stocks & Stocks (Tvl). The station will cost R12-million and is due to be completed by June next year. It will be capable of handling 90 000 commuters an hour.

180 Industrial Week

21/9/82

By Hugh Poulter and Wren Mast-Ingle

PIRATE manufacturers operating on farms within striking distance of major industrial areas are undercutting legitimate engineering firms by making use of concessions normally only granted to the agricultural sector.

Relying on cheap diesel, electricity, labour and low rents, they are marketing products ranging from steel buildings to customised trailers and asbestos and timber huts at prices that are threatening to put legitimate operators out of business

By law it is required to have permits from the Department of Industries, Commerce and Tourism to manufacture in agricultural areas

Industrial Week carried out an extensive survey of these operations — some less than 30 km from the centre of Johannesburg

It found this practice to be rife and jeopardising many legal industrial operations which are faced with high costs

These include R3,50 to R4,00 a square metre for industrial ground, a minimum weekly wage of R68, electricity costs in excess of R1 000 a month and other heavy costs imposed by provincial and Government authorities

Complaint

A complaint made by a legitimate industrialist to the Department of Industry, Commerce and Tourism in Pretoria last week listed at least two cases of pirate manufacturing

They were

- Chris Lambrou manufacturing timber and asbestos housing on the farm "Tedderfield" in the Elkenhoff district
- Ben Dicks manufacturing structural steel buildings on a farm in Mapelton

An official from the Department of Industry, Commerce and Tourism told Industrial Week that "due to a shortage of staff it was unlikely that these instances would be investigated" in spite of an official complaint being laid

In a second telephone call to the Department, Johannes Coetzee, head of the factory control section, said "We are not prepared to give you any information, if you have a complaint, put it in writing to the Director General, Dr Du Plessis "

Industrial Week then contacted Chris Lambou who said he did not know that his manufacturing operation was illegal

"I have not applied for a permit," said Lambou, "I do not know what I am paying for electricity compared to an industrial area and I refuse to tell you what I am paying for my labour

"I am striving for the good of the public and offering a good product at a good price

"Anyway this is none of your business," he said and then became abusive

Industrial Week then contacted Ben Dicks who said, "I knew they would catch up with me some time" before admitting that he has no permits and that his business is illegal

Prosecutor

Apart from the cases mentioned above Industrial Week made contact by telephone with Alf Hall, a former Industrial Council prosecutor, who operates in the Klipriver district

He was asked to comment on a report that he was a pirate manufacturer

To Page 2

More pictures on page 2

A factory on a farm in the Klipriver district.

FACTORY BUILDING (180) FM 8/10/82

Cost shocks coming

Both new and existing factory-owners may be digging deeper into their pockets next year with the advent of the Machinery, Occupational Safety and Occupational Health Act

The new legislation, which is to replace the Factories, Machinery and Building Work Act, will lay down new minimum standards for industrial premises, and it could prove expensive

The Bill, now in draft form, lays down higher environmental standards in the workplace, such as lighting, temperature, noise and ventilation All workplaces, with the exception of the mining and explosives industry, will be affected but coastal properties are expected to take the brunt

In many cases, existing factories which were designed to meet the requirements of the current law, will have to be altered to comply with the new rules

In some cases, of course, landlords have fully repairing and insuring leases which will mean that tenants will have to foot the bill' Yet there are bound to be arguments Tenants with only months to go to lease expiry day, for example, will clearly be disinclined to invest in major improvements, some of which could involve structural changes

If landlords have to pay, of course, tenants could well end up with the account anyway by way of increased rentals

But the National Building Research Institute's (NBRI) John Senior says better work conditions can be created in terms of the new Act without undue expense

"The effect on productivity levels and a lower incidence of industrial accidents are likely to justify the expense of creating better working conditions in the long run," he says

To help industry come to grips with the new legislation, the NBRI has drawn up guidelines for factory design Different geographical regions will be affected differently by the Act The coastal regions, which experience higher temperature and humidity levels, will be hardest hit

The Act, which is to be policed by factory and health inspectors, lays down a maximum R5 000 fine for non-compliance But the job of enforcing the higher standards in both new and existing factories will clearly become more difficult

In the first instance, the onus will fall on industrialists to comply with the regulations Before factories can operate, standards will have to be met and thus phasing projects will become difficult As Senior points out, more often than not it will work out cheaper to plan the full job from the word go than to provide expensive alterations later on

More responsibility will now rest with architects who will be expected to design to take full advantage of natural conditions Thus energy conservation, orientation, factory layout to reduce noise levels and the insulating or radiation qualities of building materials used will be crucial

Although neither Sapoa nor the Institute of Architects knows enough to comment at this stage, Dr Ed Bernard, a consulting engineer, has had a look at the implications by designing a new factory in Durban based on the forthcoming legislation

He believes that at least 80% of existing factories on the coast will not come up to the required thermal standards, which look like becoming one of the most controversial aspects of the Act

The cost of a factory on the coast is now about R150/m² without any conditioning And even if a further R60/m² was spent on mechanical ventilation, it would not be enough to bring humidity levels and temperatures below the proposed new 25°C Wet-Bulb Globe Temperature (WBGT) maximum limit for heavy work. When temperatures exceed this limit, work will have to stop at prescribed intervals The proposed permissable limit for light work is 30°C WBTG

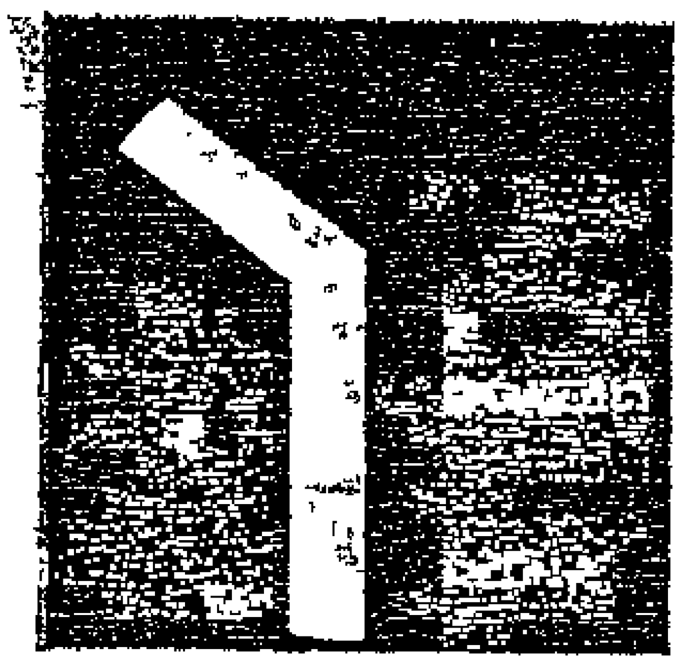
Bernard estimates that it will cost an additional R130/m² to ensure that temperatures are kept at a level where continuity of work is possible. The solution for many, he says, will be to close down for the hottest two months in the year

New standards ... who will foot the bill?

Senior, however, disagrees As he sees it, improved ventilation involving inexpensive structural alterations would be adequate The NBRI is holding a series of seminars nationwide to explain its guidelines But just how painful the new rules are going to be, time alone will tell

RDM 30/9/82

Backyard industry moves to the front



Mr Jan Steyn: "Role of the local authority is critical".

The first black-owned industrial park in South Africa was opened by the Urban Foundation in Katlehong, on the East Rand, yesterday Mr Jan Steyn, executive director of the UF, disclosed their plans for getting regulations changed to encourage black economic activity, and outlined the UF's attitude towards black local government

THE Katlehong Industrial Association Complex was unique in that it was the first black-owned industrial park in South Africa, Mr Jan Steyn, executive director of the Urban Foundation (UF), said yesterday

Speaking at the opening by the UF of the Katlehong Industrial Association Complex on the East Rand, Mr Steyn said each of the participants would acquire joint ownership through a share-block subsidiary Each of the premises was designed to meet the particular participant's needs and each participant would be helped to license his own business

Adequate premises with sufficient power water and telephone communication — as opposed to uncertain backyard working conditions — would improve output, quality and marketing opportunities

To provide access to more efficient business management for participants in the industrial park, the UF aimed to bring about changes in regulations and practices, Mr Steyn said These would include

- involving the private sector directly in the stimulation of economic activity in the townships,
- amending the 99-year leasehold to make provision for manufacturing land use,
- amending the requirements of the Factories Act to recognise the characteristics of the informal sector "and make it affordable for emerging backyard entrepreneurs"

Mr Steyn said all community development, including economic, had to be within the correct framework This was where the role of the local authority became critical

The foundation had studied the Black Communities Development Bill in detail and felt that, subject to amendment, the Bill could, together with the Black Local Authorities Act, become a constructive legal framework for many aspects of black community development

The UF welcomed the decision by the Government to consider the Orderly Movement and Settlement of Black Persons Bill only after it had considered the Black Community Development Bill and after black local authorities had been established in accordance with the Black Local Authorities Act.

"A reasonable inference is that this highly contentious issue will be negotiated with the black leadership that assumes the responsibility and accountability generated by a viable, truly representative system of local government," Mr Steyn said

"Quite apart from the very extensive powers conferred by the Black Local Authorities Act on the elected representatives of the people, the Government's decision to hold back any legislation controlling influx until after the election of local authorities, demonstrates the standing authority and real negotiating platform which these leaders may well have

"This will be even more so if a real devolution of power is also to take place"

If the Government could provide a mechanism for generating the necessary financial resources, the way seemed to be clear for the "emergence of a cadre of black representative leadership" which could play a real role in the future constitutional and socio-economic development of South Africa, Mr Steyn said

He said business development, housing and education were the three most important areas of Urban Foundation activity In housing the foundation had launched some 60 projects at a cost of R13-million, in education some 206 projects worth R14-million and in business some 25 projects worth R2 500 000

The UF had also researched and worked for the removal of barriers which inhibited the growth of business in black communities and has tried to create channels of communication to increase black businessmen's access to finance and expertise in the private sector

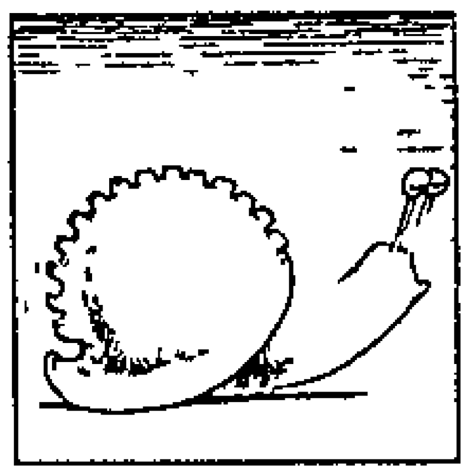
To this end the UF had worked with the various Chambers of Commerce, the National African Chamber of Commerce, the Small Business Development Corporation and the major banks

experience as above

RECESSION

The squeeze tightens

FM 22/10/82 (180)



Many salary-earners still see the present recession as little more than a series of gloomy articles in the financial press But it is only too real for manufacturers, especially those supplying the mines, farming and government

Drastically reduced farming incomes caused by poor crops and higher Land Bank interest rates have dampened agriculture's demand for manufactured goods

Low gold and diamond prices and weak international demand for iron ore, platinum, ferroalloys and other minerals have caused cost-cutting and delay of many capital projects on the mines And reduced tax receipts from these sectors have helped put a brake on government spending, this has been particularly heavy in SA Transport Services (SATS), which is normally a big buyer from SA industry

It has left many manufacturers with spare capacity — much of which was hurriedly brought on stream during the last boom

Unlike the last downturn, which occurred when other economies were in a recovery phase, the present slide began while the rest of the world was still deep in recession Thus some local manufacturers now find themselves in eyeball-to-eyeball competition with foreigners who have been desperate for sales for far longer than they

Tractor sales for the year to August are more than 55% down on the same period last year Dr Leon Knoll, MD of Fedmech, which produces market leader Massey Ferguson tractors and runs the biggest agricultural implements plant in Africa, says capacity utilisation in the industry has dropped from an "over-occupation" last year to a present level of about 65%

He says his company's 2 000-odd workforce has been reduced over the last few months by "several hundred," through non-replacement of departing staff and outright layoffs

"To make matters worse, imports of equipment at very low prices have also increased as the industry throughout the world is in a state of extreme depression," he says "In the US, for example, the index of agricultural machinery output has declined from 151 in 1979 to 106 this year"

Capacity utilisation of plants supplying wire ropes to the mines has dropped from about 90% in 1980 to about 60% this year There have been no staff layoffs, but through non-replacement and the elimination of overtime, man-hours worked have come down by about 20%

Once again imports, notably from Korean manufacturers, are putting pressure on prices and are cutting into volumes both in the local market and abroad, where one SA producer sells about 20% of its output

A spokesman for this firm says "SA companies are at a disadvantage, because we are regarded by Gatt as a developed country, unlike countries such as Korea and Brazil which are regarded as developing countries This means they benefit fully from their government subsidies without being subject to the countervailing duties which apply to us They are also allowed to prohibit SA imports to their countries while being allowed to sell in competition with us here"

Companies which design and erect new plant are also suffering Much of Armscor's capital plant has been completed, so have a number of chemical installations and the Sasol Secunda projects Even the coal mines, SA's star performers in the export growth stakes, are now proceeding cautiously with some of their more ambitious plans

The coal projects, along with new steel, cement and sugar plants, the giant Escom power station programme and the new paper and pulp plants for Sappi and Mondi are now the only big ticket items worth talking about

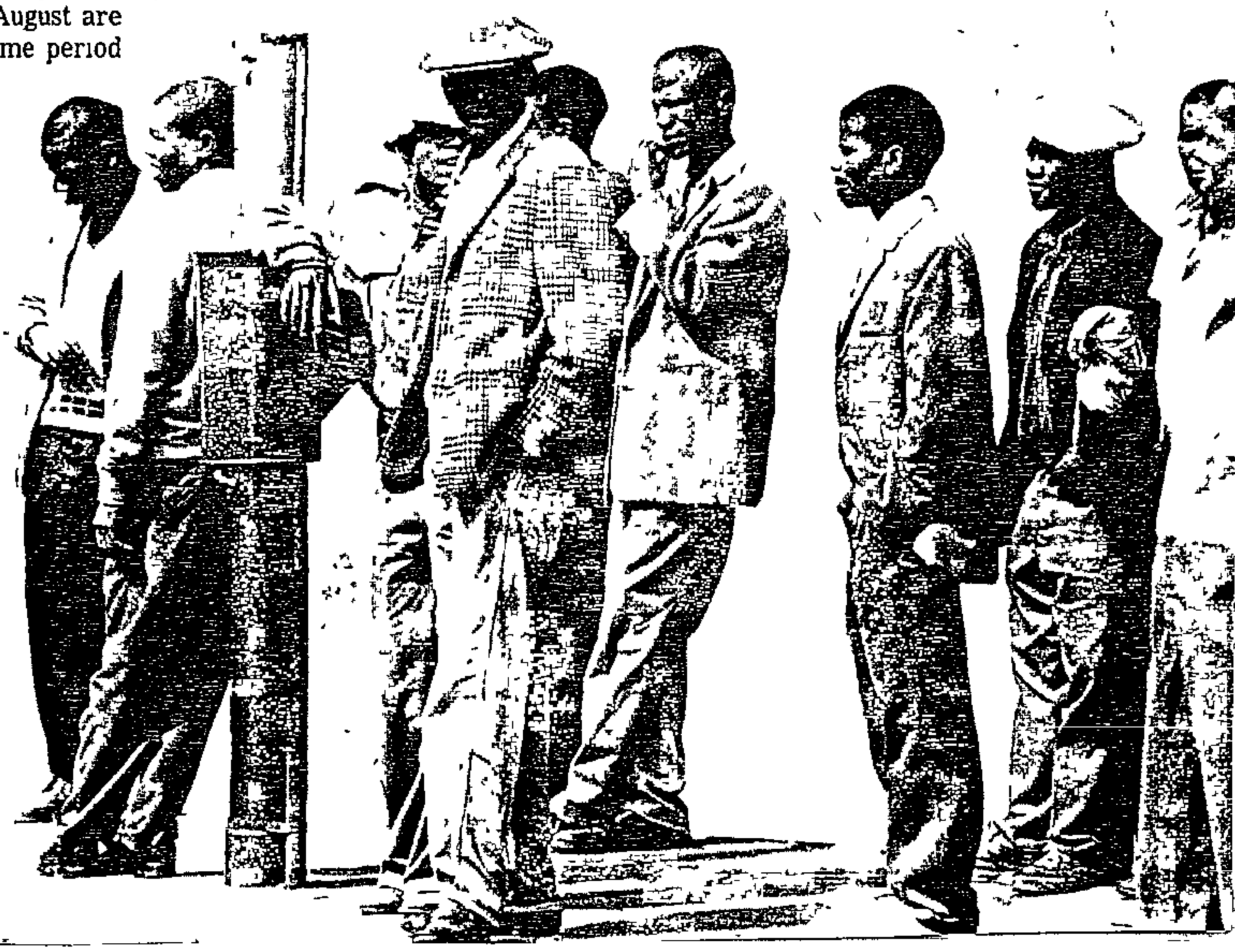
According to one contractor, local companies which put up these plants are now losing business even in this declining market to "firms in countries not so friendly to SA"

He names as examples the contracts for paper and pulp plant granted to Swedish and Finnish companies

"The economies overseas are so depressed," he says, "that some are now supplying capital plant at dumped prices They are taking on work for survival at prices local customers cannot refuse."

This has come not so long after the US Fluor Corporation and Germany's Uhde set up local operations under pressure to increase "local content" of engineering and construction services for capital projects

Not surprisingly, the iron and steel industry, which supplies to all these other sectors, is also feeling the pinch. Iscor forecasts a 16% drop in total domestic demand for steel over the next year and expects to be running at only 70% of capacity in 1983 Its exports should rise by about 4% but these are likely to come under increasing price pressure from producers in other countries Steel-making capacity utilisation in Europe is only 50%-60% and in the US, 39%



Recession victims ... how low on the priority list?

FM 22/10/82 (180)

FCI/ASSOCOM MERGER

Wedding cancelled

The Federated Chamber of Industries (FCI) has put the kibosh on the merger talks with the Association of Chambers of Commerce (Assocom) Instead, the FCI is seeking a broader amalgamation of business representative bodies

A letter from the immediate past president of the FCI, Chris du Toit, to Assocom's president, Gordon Stuart-Reckling, says the

Assocom's Stuart Reckling .. will not raise the matter again

FCI "does not believe there is sufficient justification for bringing about such a merger"

Yet only about a month ago, Du Toit and some of his sub-committee members negotiating the get-together appeared to be all for it It had, in fact, been recommended, after an independent study by Professor Jack Poolman, vice-chancellor of the Rand Afrikaans University

It appears to many businessmen to be logical, as many companies are members of both organisations The old differences between the two — such as industry's perceived need for some protection — have largely disappeared and one enlarged organisation could have represented to government a more unified and weighty business view

Until a few weeks ago, both organisations had accepted the Poolman recommendation and agreed on a second inquiry on how best to bring about the merger There are differences in financing and regional organisation that would need to be taken into account Sub-committees from both organisations had agreed to embark on the creation of various organisation models to better explore merger details

While Assocom was given the brush-off only last week, the *FM* was told as far back as August by FCI officials that a firm decision had been taken not to go ahead with the merger In fact, they led the *FM* to believe that Poolman had recommended against it Their logic was that, in the event of a merger, there would have to be an umbrella organisation that would add to the number of business organisations — like the SA Foundation and the Urban Foundation — to which businessmen felt bound to contribute In increasingly hard times there was growing resistance to this multiplicity of fees Assocom's view is that the union would reduce the number of employer organisations

Speculation at Assocom's annual congress in Port Elizabeth this week was that the FCI had suddenly got cold feet Apparently, the Poolman report identifies Assocom as the larger, more influential and financially stronger organisation of the two In the event of a merger, it stands to reason which administration would come out top dog

Du Toit tells the *FM* that the FCI agreed that a merger was feasible, but felt that the rationalisation of business organisations was so important that further ways of achieving it should be explored He was not prepared to be more specific

There is no question of the FCI not being interested in rationalisation, he says But there were very large differences between FCI and Assocom "The differences that have persisted all these years could make a merger difficult to accomplish," he says "Moreover, the degree of common membership is not as large as people think"

Stuart-Reckling has made it clear that Assocom will not raise the matter again with the FCI The question now is whether the FCI can achieve its broader objective Who, in fact, is going to be the real loser?

180

NATAL INDUSTRY 1982

TUESDAY, NOVEMBER 2, 1982

INDUSTRY in action . . . sparks fly in Durban harbour. Picture by MARK WING

Waiting for the go-ahead

By Financial Editor JON BEVERLEY

NATAL is now holding its flight pattern, waiting for a number of factors to be resolved so that it can chart its future course. Uncertainty faces the province's planners.

In recent weeks the news has been disturbing and unsettling and while most prudent businessmen will have ordered their affairs to take the ups and downs into account, there are many matters out of their control. These are:

- The Rörich Committee of inquiry into the sugar industry is talking about expansion and drastic changes to the transport of cane rules;
- The Buthelezi Commission, as the expressed wishes of many intelligent people in the province, is starting to gather dust on bookshelves;
- The world recession is biting hard into sugar and iron prices and posing a threat to coal exports;
- Imports have slumped and Durban harbour and its infrastructure are in a state of siege,
- The constitutional proposals of the President's Council are churning their way through the parliamentary system — but with no clear sign that Natal will find them acceptable;
- The proposals for consolidation of KwaZulu have not been revealed, and
- The economy is in a downward phase.

These matters are not necessarily bad news — for some they will represent good news once they have been resolved

But this is the major difficulty facing economic planners or humble farmers, wondering whether there is any point in going to the Land Bank for a loan to allow for expansion.

□□□□

There are plus points.

Many small Natal towns (and some very tiny villages) have been told they qualify for industrial decentralisation incentives and will be going all out to entice industry.

To do this, they will have to consider providing infrastructure and that means early spending on roads, electricity, water and housing estates.

Escom is forced to continue with its planned expansion which means a hydro-electric scheme in the lower Tugela River and extension of the transmission lines.

While the work on major waterworks will slow down as Government cuts back on spending, some work has to be done to prepare for the future.

Work on the coal line and the expansion at Richards Bay harbour will be slowed down.

The giant R520-million Mondi Pulp Mill at Richards Bay is under way and so is the sugar mill at Felixton which is now expected to cost R150 million.

And there is a host of projects round the province being put up

But at the same time, those sectors of industry close to consumers must be looking gloomily at their order books — car sales, shoes, textiles, clothing are being hit as workers cut back on spending

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The theme of this survey is the Small Man, and how he is able to get ahead.

Many speakers at seminars round the country have emphasised the importance to the economy of the small businessman, and this has led to such practical bodies as the Small Business Development Corporation and a whole new approach from Government on encouraging industry.

While big business churns along, its profits seemingly dependent on the turn of the economic pattern, the small businessman is faced with making a living and he is hungry for business and profits

He knows that if he is not winning, the liquidators are not far behind and very often he has put all his capital into a venture He dare not lose.

That aggression is the making of big capitalist countries — but it also requires that the rules be known.

Our economic rules are not largely capitalist — business is not free to set up where and with whom it likes.

Some have to resort to having 'front' men, others fail to improve their buildings because of an uncertain future

Others are being encouraged to set up shop in the homelands, or nearby, but this bending of the economic rules does not seem to work anywhere — even when there are no racial or political factors involved.

Sugar's future appears to depend on the Govt

By JON BEVERLEY

THE final outcome of the Rörich Committee of inquiry into the sugar industry depends on the Government, or so it would appear

My doubts in this area hinge on the fact that the Van Biljon Report of a decade ago recommended that the industry switch to a 'growers' pay system for cane transport — and there was no substantial change

There are other factors in the second major proposal — that of expansion.

The committee disagrees with the conservative estimates of the South African Sugar Association and thinks that there is room for expansion in the next decade

But the proposals appear to be coloured by the fact that not all potential expansion areas gave evidence to the committee — so while the cases for KwaZulu, the Eastern Transvaal, Transkei and several other smaller areas are well presented, the case for the conservative approach is left to the Sugar Association.

The committee bases its views on the figures in these areas on

- Increases in South African consumption — where it relies on the steady increase in black salaries and living conditions, and
- The fate of the export market — where it considers that our exports are secure.

To my mind, the committee has not examined closely the threat posed by high fructose corn syrup (HFC), nor has it pursued the Sugar Association's evidence that our export market in Japan cut imports by 700 000 tons in 1981 to the detriment of all sugar importers

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INSIDE

Membership gives a sense of security

By JIM SOMMERVILLE, president of the Natal Chamber of Industries

THE main theme of this industrial survey is the 'small man' The chamber has more than 1 600 companies as members, representing more than 200 000 employees

However, it is estimated that half of these companies have less than 100 employees

Clearly membership of the chamber is not confined to large organisations and we therefore know a good deal about the 'small man'

Many of these 'small men' have joined the chamber for the very reason that they are small-scale entrepreneurs and therefore value the sense of security which membership engenders This has lately taken on a special significance in view of the sharp increase in trade union activity.

Many companies, large and small, are faced with situations which are new to them and often their limited experience in industrial relations does not enable them to react in the proper manner In these circumstances they have turned to the Industrial Relations Unit at the chamber and have cause to be thankful for its help

With the mass of new legislation on industrial relations and legislation affecting employees, companies have found the chamber a useful source of clarification The many queries to the chamber staff indicate the difficulties which many of us have in understanding the legislation

What is less obvious is the watching brief which is maintained on legislation and the opposition to legislation which is seen as being inimical to the interests of chamber members

Past year

During the past year, the recession which the rest of the world has been experiencing finally caught up with the South African economy

This delayed action follows the expected pattern, and that same pattern predicts that our recession will be less serious than that of the rest of the world

The onset of this downturn has varied from province to province and from sector to sector of industry, but none would dispute that it has arrived

The chamber has welcomed the Government's recognition of the need to curb growth in the Public Service sector and to reduce Government participation in the economy

We also welcomed Government's reaffirmation of its faith in private enterprise and look forward to tangible evidence that industry will be left to the industrialist.

While some progress has been made with trade union legislation and the dispensation for Indians and coloureds has been welcomed, there is a growing sense of disillusionment that so few of the promises which the Wiehahn and Riekert Commission reports appeared to hold forth have been realised

The future?

It appears likely that GDP will grow by about 1 percent during 1982. Most industrial companies will be faced with a lower level of business than in 1981.

The level in 1983 is likely to be lower still

However, there are some signs of the beginning of a revival in the United States and these stirrings lead us to hope that our upswing will start during 1984.

The more optimistic forecasters believe that it will start late in 1983 The signs are not yet sufficiently positive to be able to forecast with greater accuracy than that.

The lower level of business activity is not the only problem with which we shall have to contend during the next year

Our industrial relations problems are likely to require more and more of our attention Managers have not had the opportunity to learn and exercise skills in this area They are therefore moving cautiously

I believe it is true to say that we have made reasonable progress along the learning curve Some companies have had more exposure to the problems than others, some companies have learned faster than others

Confident

I believe that most companies are gradually becoming more confident in dealing with straightforward matters between themselves and their employees

But they remain uneasy about the possibilities of industrial action for 'political' ends political being used to cover any matter which is not a direct issue betwen employer and employee

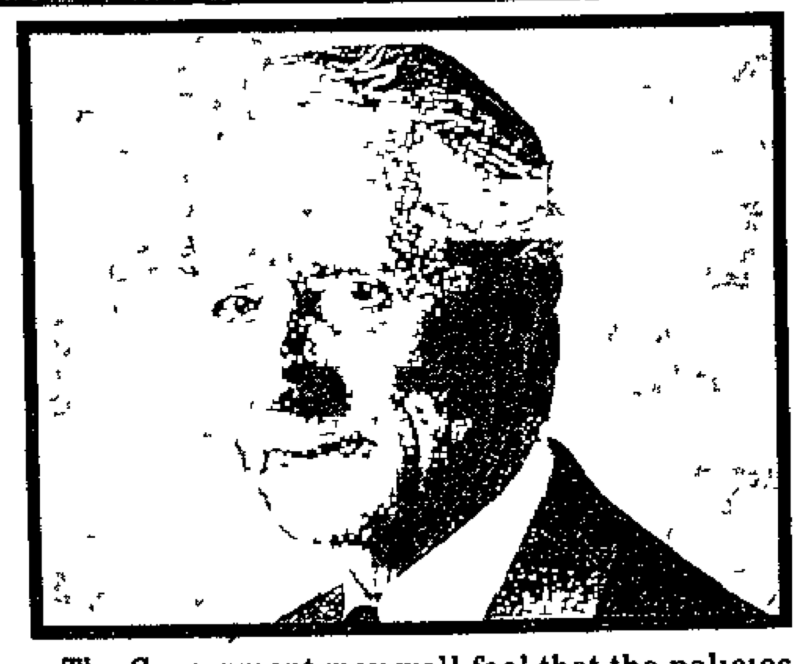
In most cases when such an issue is raised, the company does not have it in its power to satisfy the employees' demands It is for this reason that companies look to the future with concern

It is not possible to predict to what extent any company will be faced with this type of industrial action But I believe that most companies face this prospect with rather more optimism than they did a year ago

The balance of payments problem is being brought under control. However, another problem has proved less tractable

Our rate of inflation is still very high This problem has become more serious in view of the success which our trading partners have had in reducing their rates of inflation.

If they can maintain annual increases of 7 to 8 percent while ours remains at 14 to 15 percent, we are placed at a disadvantage which increases year by year.



The Government may well feel that the policies which have been successful in reducing the rates of inflation in the United States and in Britain are not appropriate in our case

The high levels of unemployment which they would entail would have serious social consequences here

But the fact remains that this is one of the most serious problems which the Government faces

They should be encouraged in the knowledge that a reduction in the rate of inflation would have positive social benefits in addition to the impact on our trading

One of the contributory causes of inflation has been the rate at which wages and salaries have been increasing During 1981 wages and salaries increased by 4,6 percent more than the rate of inflation Labour productivity improved by only 1,8 percent

On the one hand we have a shortage of skilled personnel which has forced high rates of increases in salaries and artisan wages

On the other hand, the need to raise black wages above the bread line — poverty datum line, call it what you will — has had the same effect.

One of the biggest challenges facing us is to reverse this trend Unless we do, we are sowing the seeds of further inflation We must also improve our competitiveness by getting costs down

Training

Much training is under way to overcome the shortage of skills To meet the next upswing, be it in 1983 or 1984, we have to accelerate the rate of training.

I see those as the challenges of the next 12 months — to improve our productivity, and competence in industrial relations, to reduce costs; and to accelerate our training And I believe we can meet those challenges successfully

Recognition at last for 'small man'

By JEREMY WHYSALL, president of the Durban Chamber of Commerce

I AM particularly pleased to be associated with this industrial survey, as it is to be devoted in the main to the achievements of the small businessman whose important role and potential in the economic progress of this country is now being recognised somewhat belatedly, I fear

Small business offers great scope for personal initiative, innovation and the development of new products, techniques and services

The small businessman frequently has a freer hand than his larger competitors to take initiatives and to embark on new ventures

Personal relationship

He can also fill gaps in the market not properly covered by big business and he can profit from a more intimate and closer personal relationship with his customers

Many discoveries were inspired by the small businessman.

The zip fastener, the turbine engine and the photocopying process are but a few examples

Small business also provides a valuable breeding ground for future big-scale entrepreneurs In fact, many of our super-colossal national or multinational enterprises today started off as one-man or small-family businesses

I am convinced that so long as we preserve the basic principles of the private enterprise system there will be tremendous opportunities for those who have vision tempered with realism, initiative and enterprise as well as the will to win at the things that they know and can do best, and who are prepared to take — or make — their own opportunities

You may well ask 'what is a small business?' There is, as far as I know, no universal yardstick to distinguish the small firm from the large.

However, in the last manufacturing census firms employing less than 100 employees accounted for some 80 percent of all industrial undertakings, employing one-fifth of the total labour force and accounting for a similar proportion of gross manufacturing output.

In commerce an even greater proportion of retail institutions can be classified as small — well into 90 percent — and probably account for something like three-fifths of the total retail turnover.

20 000 firms

In the Durban Chamber of Commerce more than 80 percent of our 6 000 members employ less than 10 people and a similar proportion applies in respect of the 20 000 firms which are represented by the 100 constituent chambers in Assocom.

The predominance of small business in the South African economy is evidence of the fact that in spite of the serious inroads that have been made into it in recent years, the free competitive enterprise system still thrives

In view of our political and social problems, this is most important because the essence of the free competitive enterprise system is the opportunity it provides for all to participate in the economic system according to their will and ability, and to reap the reasonable rewards for their initiative and endeavour

It is therefore in the interests of the State as well as the private individual that there is a minimum of restriction on participation in our economic system, and that there is real equality of opportunity for all to participate,

Practical experience

Among urgently needed steps to be taken in this connection are streamlining and simplification of legislation, the opening up of central business districts and other business areas to all races, and increased employment opportunities at all levels — including management — for blacks, Indians and coloureds The last are especially important in providing practical experience for would-be small businessmen of all races

In a country like South Africa, with one foot very much in the Third World, with a high birth rate, a large and growing less affluent population and a tremendous need for gainful employment, the importance of encouraging self-employment and the small business is self-evident.

In this context the potential of the so-called 'informal sector' also deserves recognition and encouragement.

Just as it has been recognised that lesser standards must be allowed in respect of housing in the face of mounting need and limited resources, so must allowance be made for the informal sector to meet its own type of need and provide gainful employment

Any doubt about the importance of small business has been dispelled by the purposeful attention focused upon it in the recent past, and the positive steps taken to assist its proper development which has resulted in the formation of such agencies as the Small Business Information Centres, the Council for the Promotion of Small Business and the Small Business Development Corporation

These have served to marshall significant resources of finance and expertise to assist the small business sector irrespective of race, colour, sex or language

These positive and practical measures encouraged and supported by both the Government and the private sector augur well for the future

Private initiative

Their effect will be to underpin private initiative among all racial groups and to exert a formative influence on the supply of genuine entrepreneurs

And it is to be hoped that those who have need of their services will not hesitate to approach them for guidance and assistance

The meaningful participation of more of our people of all races in the free competitive enterprise system as entrepreneurs is not only in the best interests of the economy, it will also ensure that many more will enjoy a real and rightful stake in the wealth and fortunes of their country, in which they can take pride and find fulfilment

Just a few small jobs we've handled.

"If you can combine the advantages of group size with a fairly small operating company that can give very personal attention to Clients, you can understand what we are all about "
Rinus van Riet, MD Frederick Sage (Natal)

IN NATAL ALONE, WE HAVE EARNED OUR REPUTATION WITH JUST A FEW OF THESE LARGE CONTRACTS:

The Voortrekker We are presently doing all the interiors, panelling and joinery

New Durban Station· We did the aluminium cladding, the steel structure and post formed fascias in laminated materials plus all glass and automatic doors.

Clairwood Race Track The total vision screen suspended from the top and the joinery work to seven bars and several counters.

OK Hyperama "House and Home" Centre· All the shop fronts in this complex, the 10 metres high curtain wall, and sophisticated balustrading to the mainstair

Holiday Inn — Wild Coast· The majority of bars, restaurants, & foyer interiors etc

Maharani Hotel: Specialised mirror work, wall panelling and balustrading to the Hotel

"We have tried to keep the operating advantages of a small company while passing on to our Clients the benefits of belonging to a big group " Rinus van Riet.

Formerly known as Robertson and Cubitt, Frederick Sage (Natal) has steadily expanded to become one of the biggest names in the aluminium and joinery contracting business in Natal today.

WE LOVE SMALL CONTRACTS "We are not so big that we cannot find quite small contracts interesting and worth a great deal of our effort and technical expertise, but we still buy our materials on a very big scale."

In other words — if you combine the economic advantages of being big with the flexibility of being small you can give personal attention to all your Clients.

That's why each job is handled as if it was our only job and each deadline is met as if our reputation was on the line.

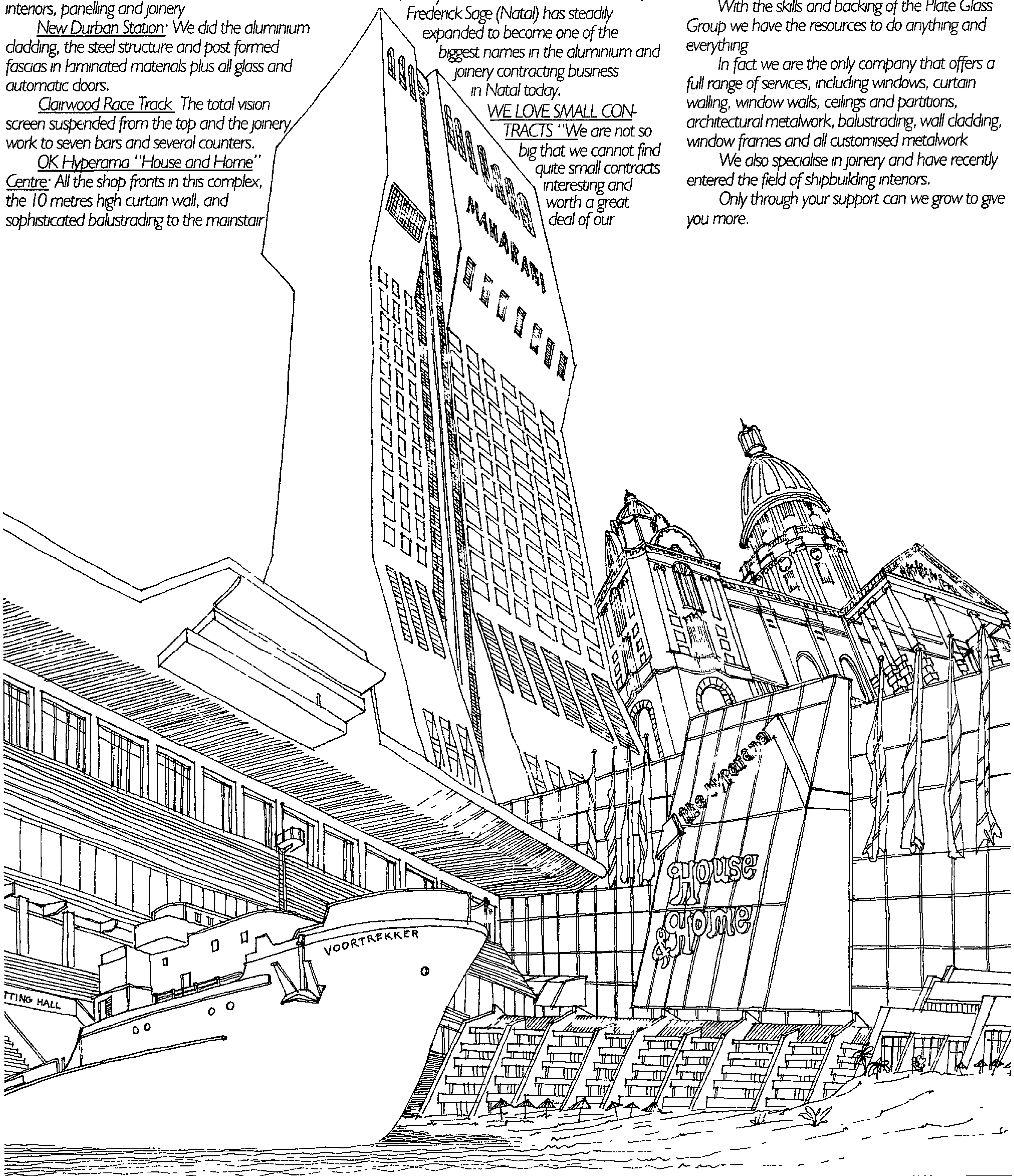
WE ARE BIG, WE ARE VERSATILE

With the skills and backing of the Plate Glass Group we have the resources to do anything and everything

In fact we are the only company that offers a full range of services, including windows, curtain walling, window walls, ceilings and partitions, architectural metalwork, balustrading, wall cladding, window frames and all customised metalwork

We also specialise in joinery and have recently entered the field of shipbuilding interiors.

Only through your support can we grow to give you more.



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VZ82/47716

Work rolls ahead at R600 m Mondi pulp and paper mill sit=

LAST week's picture on progress at the pulp mill site at Richards B

DEVELOPMENT at Mondi's R600-million pulp and paper mill at Richards Bay was almost invisible last week when the site was shown to South African journalists by Mr Reg Donner, managing director of Mondi Paper Company.

But the few piling machines hide the substantial progress on preparing the site for the 1 500-tons-of-pulp-a-day mill which is the largest complex ever built in one go

By JON BEVERLEY

Tenders

Tenders for the next stage of building are expected to be known this month

And the financial package announced last week means that, unlike Sappi which is still working through its plans for a rights issue, Mondi has secured the cash it needs

This will come from its three shareholders (Amic, De Beers and Anglo American — R150 million of share capital), from a group of banks who will lend R450 million and from various offshore equipment loans

The mill will provide pulp for the Merebank mill plus the other Mondi group mills (the old Hulett Paper Mill and S A Board Mill) which have to import now. Half will be exported to bring in R115 million a year It will build a 600-ton-a-day Kraft liner board machine

The forecast is for production of 470 000 tons of various kinds of pulp a year — some of which, the high yield unbleached pulp, will be used for a paper machine to make 200 000 tons of liner board a year

There is a lot of room for expansion on the site

Completion date is October 1984 but it is expected that the mill will take three years to 'run in', according to the Finnish consultants to Mondi, Jaakko Poÿry Engineering

Meanwhile, the construction period, when 5 000 people will be on site, together with the need to provide for the staff of 1 000 at the mill means substantial change at Richards Bay

The company is buying 500 sites for houses for whites and access to an unspecified number of houses in the nearby black township of Esikaweni

200 houses

Many of the mill staff will be Indians and coloureds for whom 200 houses will be needed It has taken the Government some time to solve this problem, says a company spokesman

Senior mill staff will be drawn from around the world and ordinary labour from their existing mills, or by training — the main problem lies in obtaining middle management, Mr Donner says

The mill has to draw its timber from its group resources and elsewhere and because of the variety of materials — rang from bagasse to wat and pine — the de will incorporate 12 continuous digesters — chemical cooking pots break down the wood instead of the tra single continuous ter

This will provide a degree of flexibility operating the mill and providing different k of pulp, says Mr Donn

The company has ough timber for its needs but it will d from other sources includes plans to aff KwaZulu

Difficulty

The project, he says, meeting with diffic because of the Zulu tenure system.

Completion of the Swaziland railway will bring their Peak T ber resources in t Transvaal about 200 nearer

About one third of t timber is in Natal w 120 000 ha available Melmoth, Kranskop Richmond

The Richards Bay line will be used to b 100-truck block trains timber to the mill, they will be spending million to upgrade sid for this purpose

A major emphasis of new mill will be expo and this is made possi by the exceptionally yield of South African f ests which Mr Donner timates at 30 m³ per tare per year

While the amount plan to send to the rent markets in 30 co tries is small by wo standards, the high y and the locality near export harbour giv them an edge on Europ an and American mills

One of the plus f in locating the mill Richards Bay is ade water supply

This will be drawn the Goedertrouw Dam ing Lake Msenzi as a 'b ancing reservoir'

Water offtake will controlled to preserve 'rather sensitive river forests'

Corporation helps small business get on its feet . . .

THE Small Business Development Corporation has repeatedly expressed its willingness to undertake pioneering developments in under-developed and slowly developing business areas, and has already undertaken several such projects — for instance, the provision of factory flats and shopping centres to stimulate small-business development in decentralised, group and black urban areas

Dr Anton Rupert, SBDC chairman, said this in the first annual report, and noted it was established in the 'spirit of the Carlton conference' of November 1979

'This implies that the SBDC is part of a development plan which accords high priority to the stimulation of small-business entrepreneurship among all the national groups in Southern Africa, the rationalisation of the existing State-controlled development corporations, and the involvement of the private sector in the new development action'

In respect of its operations, the SBDC purposely concentrated initially on its two main functions financial assistance and the provision of commercial buildings It was essential that the operational base of the SBDC be established before embarking upon a more extensive programme of action

As regards its programme of direct financial assistance, the corporation has received a large number of applications

In the course of the first financial year, to March 31, 1982, 1 261 loan applications amounting to R94 million were received

Of these, 188 applications amounting to R11,2 million were granted, 207 amounting to R21,3 million were declined, 259 applications were referred to the banks under the credit guarantee scheme and 395 applications were withdrawn or lapsed

On March 31 investigations in respect of 398 applications were pending

Overall, this means that the SBDC has granted 18 percent of all the financing applications it has received

The management of the corporation is very aware of the need to accelerate the speed at which loan applications are investigated, considered and implemented

In the present economic climate, the SBDC is forced to operate with extreme care Because it is still being flooded by applications without the required merit, it must investigate the viability of such undertakings with great care

Unfortunately, small businesses are often very vulnerable in a declining phase of the economy The SBDC cannot support businesses which do not have the potential to succeed

Even less does it wish to create false expectations for the small businessman and, in so doing, help him from the frying pan into the fire

The SBDC is not a welfare organisation created to support uneconomic business ventures The purpose is the development of economically viable businesses — to establish them and assist in their continued existence

Financial assistance is granted to businesses which do not qualify for assistance from banks in terms of the banks' normal standards and procedures The SBDC does not compete with existing financial institutions, but rather complements them

Dr Rupert said the SBDC was a new concept in co-operation between the public and private sectors, and many of the difficulties being experienced might be regarded as teething problems which would be solved in due course

He said he was convinced that the activities of the SBDC had acquired such momentum that they could no longer be reversed, and he looked forward to the SBDC

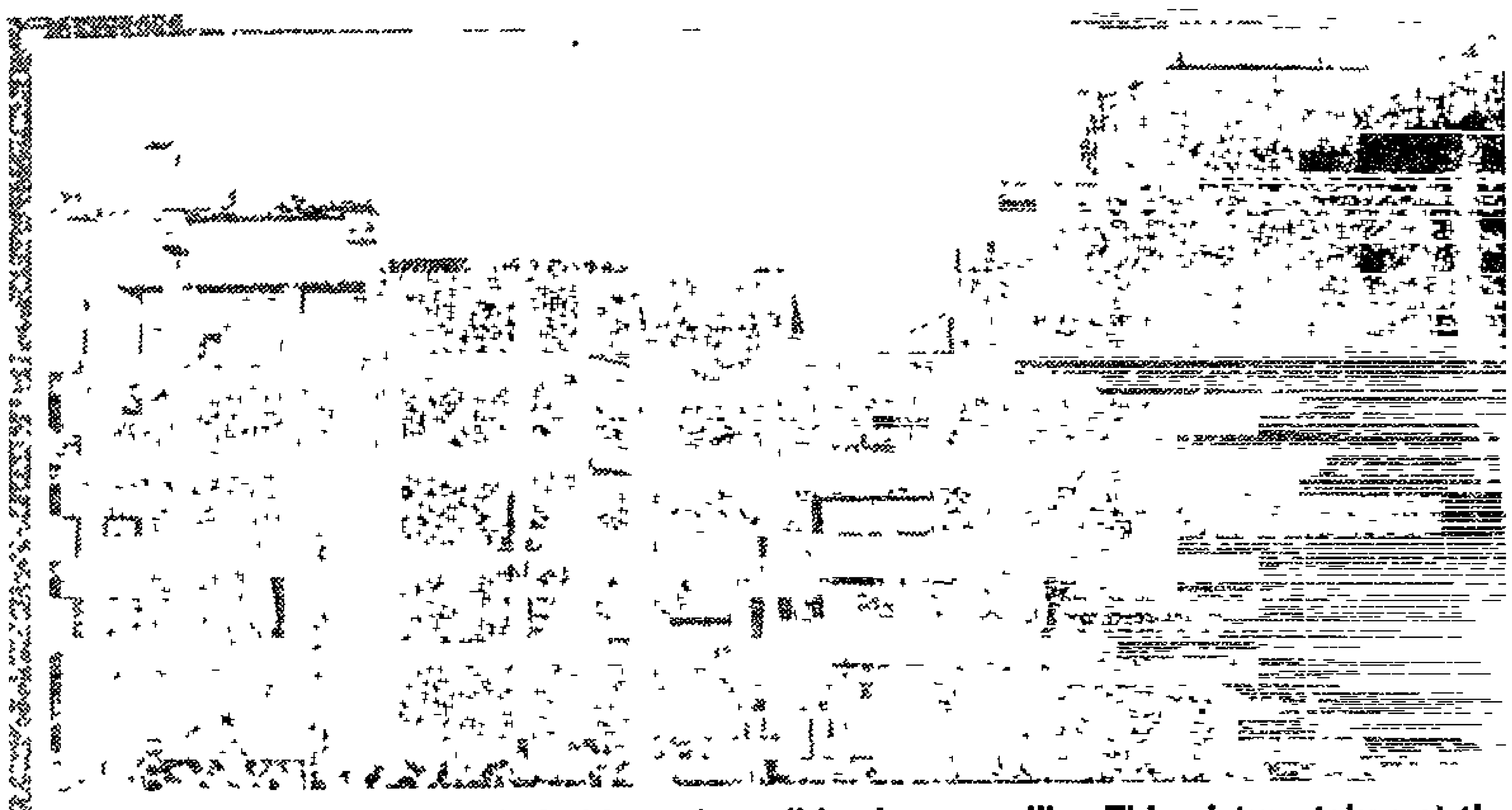
● With its national impact and the means at its disposal, providing the small-business sector with a wide range of effective services,

● Becoming, through its stimulation of the small-business sector, an important creator of employment opportunities for our rapidly growing population in the light of the universally proven employment-creating [illegible] tial of small businesses,

● Being an importa[nt] supporter of the free [mar]ket system and of en[tre]preneurship in our c[oun]try, and

● Becoming an effe[ctive] catalyst for the creation opportunities whi[ch] would lead to a mo[re] equitable sharing by members of our society the wealth and rewa[rds] inherent in our [illegible] system

Dr Rupert said that [the] past 14 months of t[he] SBDC's existence after establishment in F[ebru]ary 1981 was inevitab[ly a] formative period



EDUCATION plays a vital role in big and small businesses alike. This picture taken at the recent opening ceremony of the new campus for Natal Technikon gives some idea of the massive scope of the project, which will probably be under construction or developmen[t] up to the turn of the century.

U S sweeps ahead in floor-cleaning

THE rising cost of labour has had a dramatic impact on the development of new floor-cleaning systems in the United States

The marketing manager of Reckitt-Columbus, Mr Paterson, went to the United States on a fact-finding mission to keep the South African company up to date with latest cleaning developments

He said an exciting development which might soon be introduced here was a new automatic scrubber called 'Leader'

Manufactured by Clarke, it is the first scrubber to incorporate a pneumatic pump which raises and lowers the brushes and squeegee of the machine without any physical effort from the operator

With an emphasis on speed and ease of operation, it includes a Polydur plastic bodywork, which is scratch- and dirt-resistant, a sloping front for better visibility, an automatic mechanism which lifts the squeegee unit and prevents digging-in when reversing, and finger-tip controls

Although large, the machine is lightweight and requires little effort by the operator, so reducing fatigue The machine 'leads' the operator

Degreaser

A NEW liquid degreaser for the removal of heavy industrial grease deposits has been launched by Reckitt-Columbus.

Grease Buster can be used with Clarke/Advance automatic scrubbers or rotary machines with scrubbing brushes

Diluted, it can also be used on areas like garage floors and showrooms

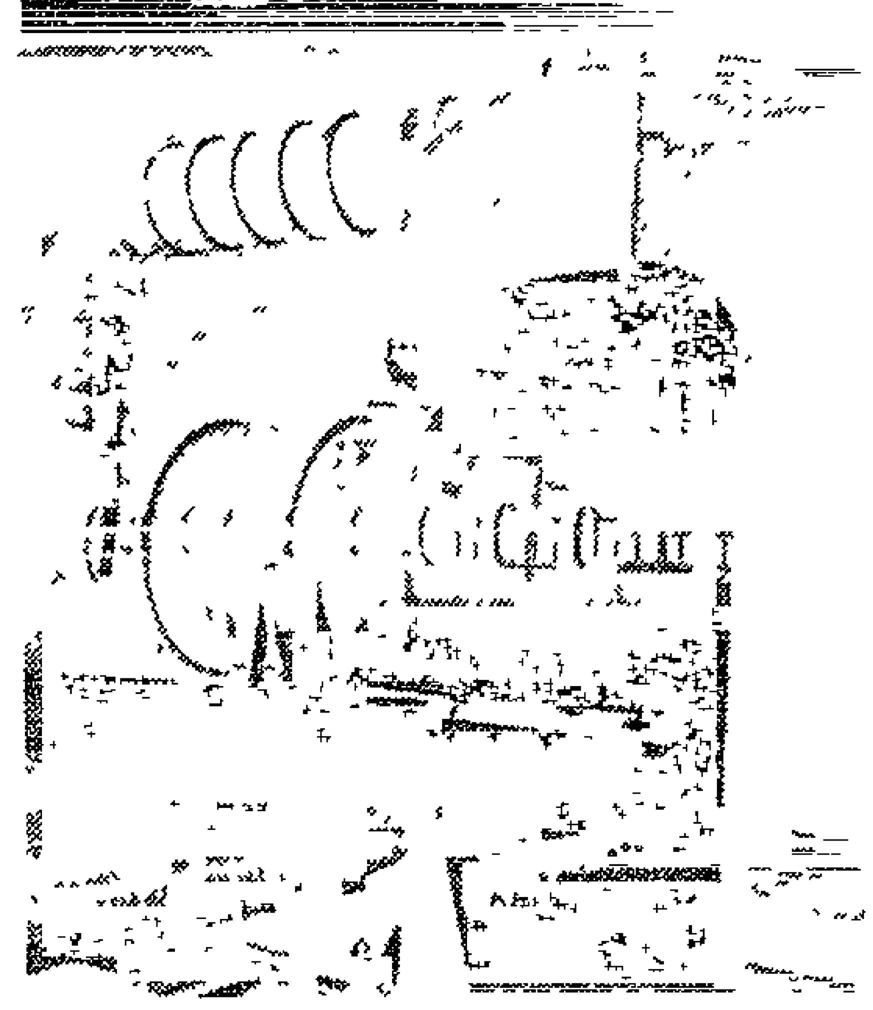
Sludge mixer

LARGE quantities of lime sludge are produced when limestone is washed

A Flygt mixer and submersible pump can now be installed to agitate the sludge and allow the material to be pumped away

The mixer comprises a propeller and motor which can be mounted rapidly. Different models can handle up to 2 000 m^3

Sugar mill scrubber will fight pollution



BRANDT Engineering has installed this huge gas [scrubb]ing scrubber at the Umzimkulu sugar mill, elimin[ating a] pollution problem created by a new bagasse-fired [boiler].

The firm has been awarded a contract of more [than] R250 000 for two giant scrubbers for a new boiler [at] the mill Brandt has been involved with four of [the] units for C G Smith Sugar.

The boiler has a capacity of 86 tons an hour Its [instal]lation follows that of a smaller scrubber to serve a 45-[ton]-an-hour bagasse-fired boiler.

The equipment Brandt Engineering is supplying the new unit includes two multivane scrubbers, all ducting, a 350 kW fan and stack

Each scrubber is 3,6 m in diameter and more than [illegible] high

Emission tests carried out on the earlier scrubber [in]dicate that the equipment complies with the very [strin]gent emission-control standards set by health auth[orities]

Plant-hire firm gets its best turnov[er]

AS THE economy groans under the weight of the recession, a Natal-based plant hire company last month recorded its best turnover to date

'We achieved 90-percent overall utilisation of our earthmoving equipment which has a replacement value of R4 000 000,' said Mr John Feeney, general manager of Preeson Plant.

Confirming that the outlook for this Strachan Group subsidiary was equally promising in the future, he said 'I have always maintained that economic recessions mean boom times for the plant-hire industry'

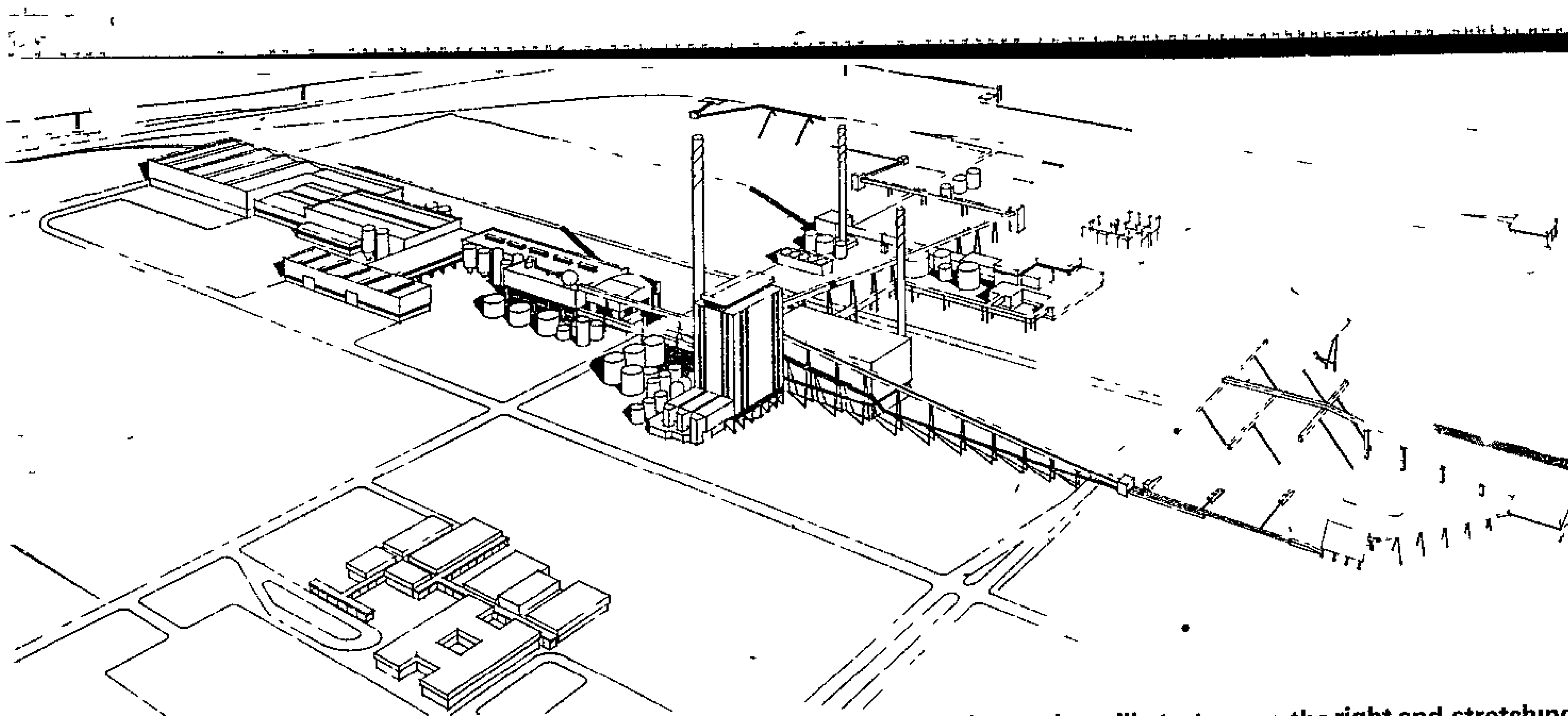
High interest rates and escalating capital equipment costs had succeeded in causing civil engineering and building contractors to rethink their attitudes towards plant hire

'Generally speaking, you have to get an earthmoving machine to consistently work an average nine-hour day, five days a week over five years in order to pay for itself

'Very few people are prepar[ed to] take this risk especially when [they] discover the interest pay[ments] alone total more than 50 per[cent of] the price of an item of plant [pur]chased over five years,' he said

Mr Feeney did not believe increased demand for plant [would] boost hire charges

'The plant-hire industry w[ill re]main highly competitive so [long as] interest rates remain at pre[sent] levels'



THIS north-east perspective of Mondi's R600-million Richards Bay pulp mill shows the mill starting on the right and stretching 1,3 km to the left Timber, salt, coal and limestone will be brought into 20 km of railway sidings at the top of the site while future expansion of new paper mills will be in the left-hand corner

New division caters for smaller civil contracts

AS THE recession bites deeper into the economy and increasing numbers of civil engineering companies feel the pinch, the Shire group has launched a minor works division to develop new areas of business

'In times like these, the key to survival is versatility,' explains Shire Construction Minor Works' manager Ray Jerome

'There aren't many large civil contracts around at the moment, but since we started the minor works division we have discovered that the state of the small projects market is surprisingly healthy.'

Shire launched the division this year with the attitude that 'no contract is too small', and according to Mr Jerome, it's paying off.

Turnover during the first five months of his division s existence exceeded all expectations. 'And figures for the next quarter are equally promising,' he added

Examples of the small engineering contracts that Shire has been securing are parking areas for shopping centres, concrete and brick-work on freeways, stone pitching on roads and domestic drive-ways, and tennis courts — an area into which his division was moving strongly

Carry on trucking!

HE merger of Supreme ruck Hire, Cape Town Durban, with McCar- Rental of Natal, has sulted in a powerful coastal base for new operation, which adopted the McCarthy name

Mr Julian Gross, founr of Supreme Truck, to Durban where will head the market- thrust as managing

Harnessing the vast re- of the McCarthy p, the company has eye on the Reef

The facilities of the p's new vehicle out- and used-vehicle op- will be useful to stantly balance the eet in terms of utisation

pc share

The Durban branch has than 200 vehicles Mr Gross says has slightly above-average ilisation giving them a percent share of the lo- market

With a market share of size, future growth pects must be limit-, unless the market it- grows — which Mr ss believes is unlikely the coming year

Fleet sizes, he says, are a good indication of share

What counts is how h the vehicles are Maximum utilisa- he points out, results more competitive rates the customer

The Cape Town fleet of units, with a utilisaion which Mr Gross laims is 'significantly than the local in-ry', gives the company percent of the cake, he ys, and the intention is to boost the Cape Town fleet with an additional 50 vehicles in the next year

But it is the Reef, presently regarded as extremely competitive, with an estimated 4 500 vehicles in the industry, where most of the company's marketing muscle is to be expended

The company opened a branch in Johannesburg in September, kicking off with about 140 vehicles, and expects to add a further 95 units to the Reef branch by the end of 1983

'As the Reef market is based on an intense degree of industrialisation, the needs are inclined to be more sophisticated than other regions,' explains Mr Gross — a factor which will influence the vehicle mix and will require a high degree of skilled expertise to exploit

'In the short term 1982/1983, while market growth for the industry is going to be extremely limited, if not altogether stagnant, the only potential geographic growth areas are the ones enjoying large industrial development and possibly centres in rural areas

Attractive

'Rural centres present a management problem due to geographic isolation, and should be serviced by smaller localised operations rather than by the larger national networks

'High development areas are much more attractive to us because there is, in most of them, the potential to develop into significantly larger markets

'We have concentrated on larger fleet-type operations, as much as 160 vehicles, rather than the common 25-40 vehicle operations used

'Smaller fleet outlets allow for a more dispersed fleet and wider geographic representation, but certainly entail overheads spread over a far-smaller number of vehicles, again increasing costs and prices

'The economies of scale in larger fleet operations are enormous and again allow for better rates without affecting profitability

The expected period of limited growth, he says, will be used to strengthen and consolidate marketing policies and techniques

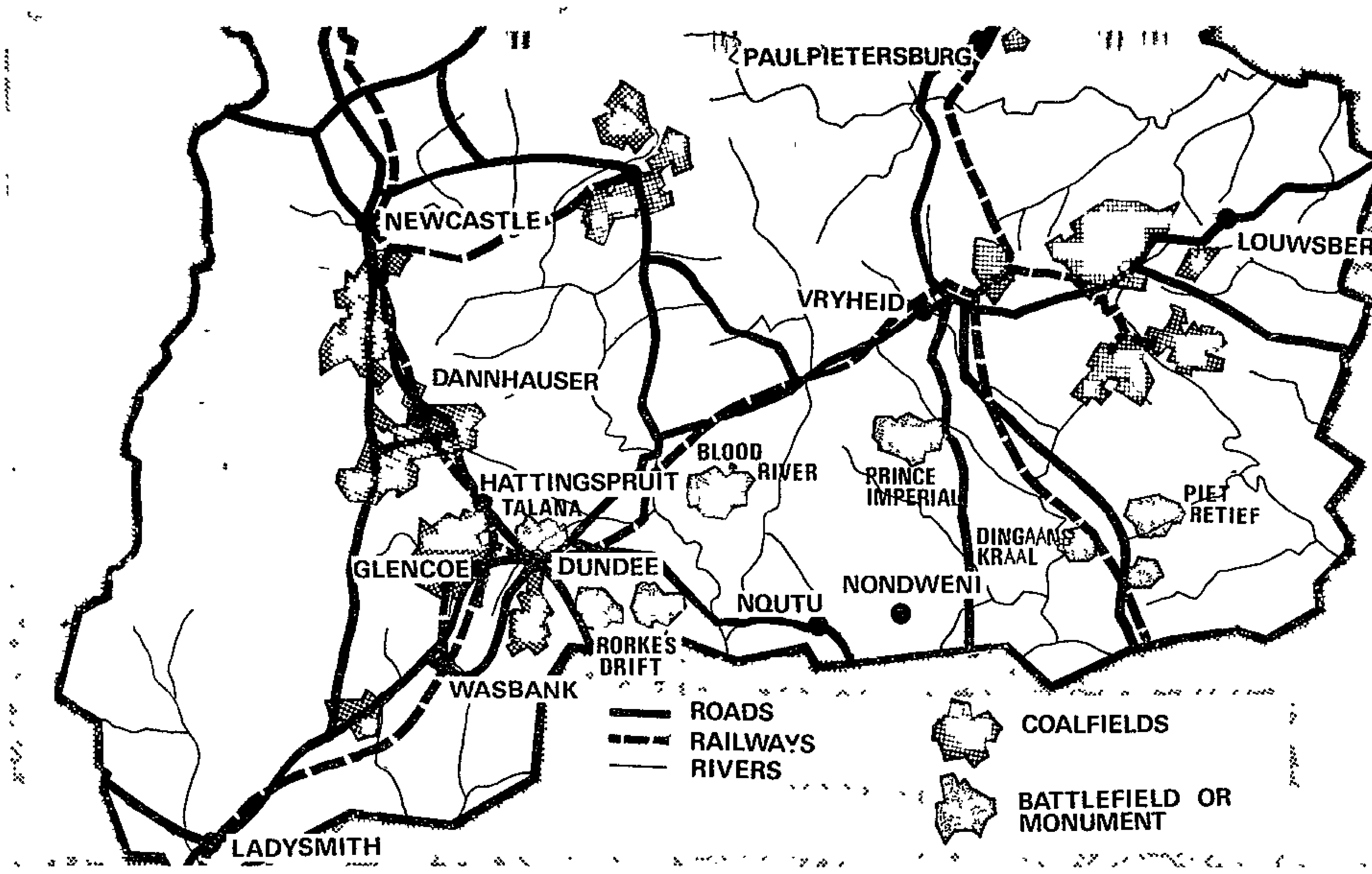
To establish awareness, he believes that advertising is essential but feels that direct response to advertising in any specialised industry has its limitations

Reputation

Companies providing services of such a nature, he says, are supported more for their reputation than their exposure in the media

Consequently, available budgets will be allocated to staff training rather than media advertising

'Our most effective tool in advertising will always be the vehicles themselves, and consequently this is one area which will not be neglected



S A coal industry set for big boon

SOUTH AFRICA'S coal industry is on the thres-
of tremendous and steady expansion as Escom
tinues its programme of coal-fired generating s
tions and the Government readies itself to announ
coal export quotas for another 32 million tons s

Exports are profitable and the Government is
ing steps to push up the tonnages to be shipped
to reach 80 million tons a year by 1992. Exports
rently stand at about 32 million tons

The local market is not so profitable with the controlled coal price and investors are hesitant to spend up to R250 million or more on new mines if returns are low and they can't export

The Government's guidelines for the issue of coal export permits are that there should be a high extraction of reserves and the assurance of adequate supplies of domestic coal for the future

Johannesburg Consolidated Investments is one of the smaller coal producers. Its Tavistock Colleries — comprising three mines — produced a little more than 4 000 000 tons in the last year to June 1981.

South African coal production in 1980 reached 115 million tons

Johnnies is a small producer and has only recently 'perked' up on the coal front.

Mr P F Retief, its director in charge of coal interests, answered some questions

Coal is in competition with oil as a source of energy and while oil prices were sagging, were there not fears that oil might be favoured?

The oil price is unpredictable and governed by the polical decisions of Opec. I think something will happen politically that will increase the oil price again.

One must look at the issue over the long term Many industries have switched out of oil because they doubtless consider that oil can only rise in price

To switch back is expensive in terms of obtaining and installing oil-burning equipment and the time factor

Coal is messy and more difficult to handle than oil, but we believe it will remain very competitive

Johnnies recently linked up with the oil company Total. What are the benefits of this move?

Our agreement with Total is that the jointly-owned Arthur Taylor colliery will export up to 1 250 000 tons a year for about 30 years

It will also supply in the interim about 1 000 000 tons out of the

Financial Edi

Tavistock group's all
tion of 4 300 000 tons
the domestic market

The export of 1 250
tons a year will co
mence once the Ri
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the third phase by ab
1985 6

**If Tavistock wins an
port quota, what will
mean in terms of
sion?**

It would cost us ab
R250 million to oper
new mine — which
would not do unless
could export. We
open up the Phoer
mine for open-cas
port development.

There is a lot of
in that mine suitable
this, which will oth
wise go to waste in
of current mining
niques

**Will Johnnies
coal development
Natal and KwaZulu?**

It is unlikely that
will turn our coal h
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time being while t
evaluation of opt
held in the Trans
and Free State is p
ceeding

**How does producti
stand on Johnnies
mines?**

We think it is
good. About 500 pe
produce 120 000 tons
month on each co
and we monitor dev
ments abroad

One of the major
lems facing the und
ground coal miner is
fact that pillars of
are left behind to
port the roof It mean
fair amount of coal
mains behind and
are investigating h
these pillars can
safely removed

Mr Retief said t
while Johnnies was
a small producer,
had been mining
for 60 years and
lieved that they
handle an increased
port quota

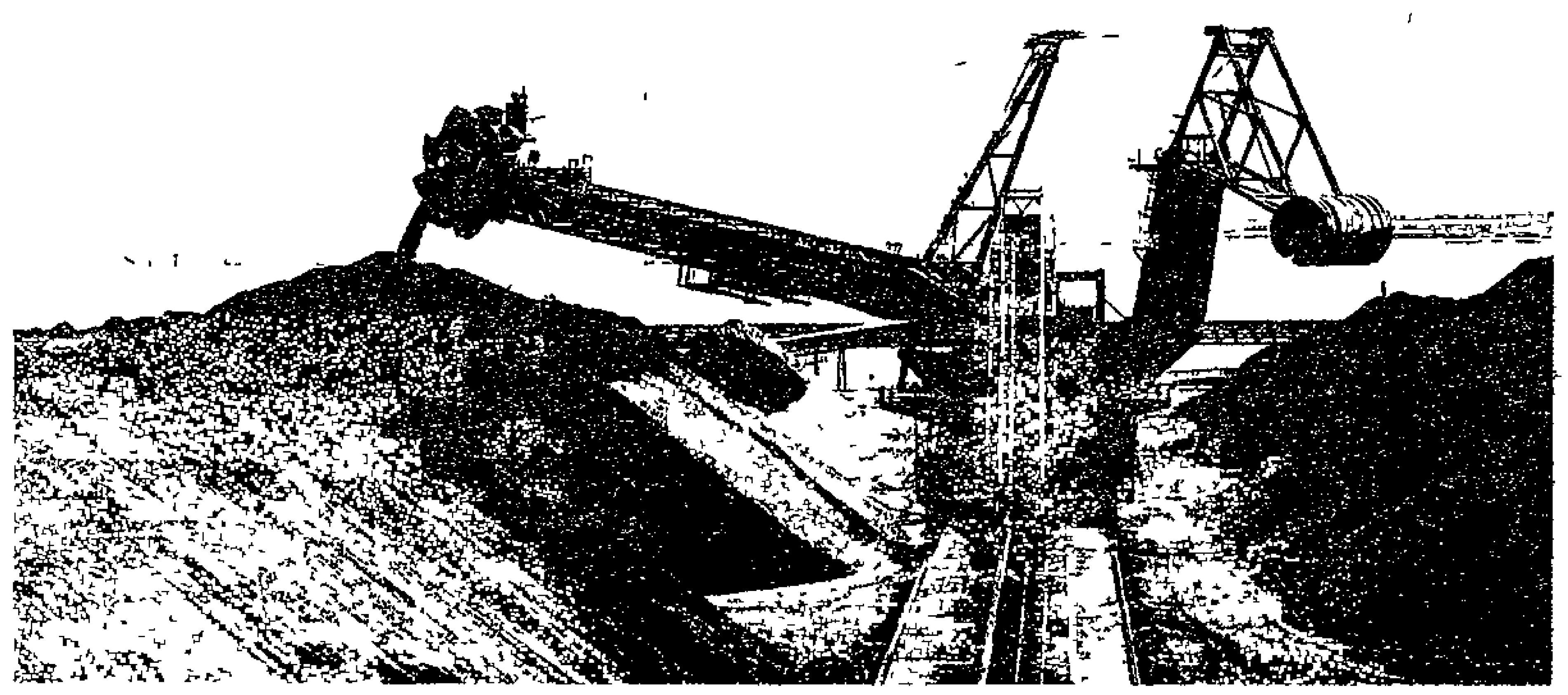
In fact Tavistock
creased its capacity
1977 in response
Government appeal
meet expected do
and industrial dema
for coal which has
so far, materialised

Natal's coal mines faced with problems

By JON BEVERLEY and CHRIS JENKINS

NATAL'S coal industry is faced with problems and several mines in Northern Natal have to cope with the consequences of Iscor's cutbacks

However, the heap of export coal at Richards Bay is being shipped out in spite of a world coal glut


A CONVEYOR belt feeds coal stockpiles at Richards Bay coal terminal.

And the expansion and upgrading of the coal export line and facility has been slowed down as the SATS seeks to conserve its cash

Speculation is rife in Dundee that the closure of the Indumeni coking coal mine is imminent Talk is that the Anglo-American mine — which employs more than 1 000 people — is to close and that workers will start moving soon

All that is certain, however, is that the mine, which planned to sell a reduced output of 300 000 tons of coking coal to Iscor from March this year, has held talks with the steel producer 'with the intention of advancing the closure date' which was the second quarter of 1984

In the company's last report it was said that a detailed examination would be made of the feasibility of exploiting high-sulphur anthracite and lean-coal reserves after the Iscor coking supply deal lapsed

The directors said then that there were 'significant difficulties' in marketing the lower grade coal — on both the local and export markets

Indumeni has been given an export allocation of 400 000 tons of bituminous and/or anthracite coal a year for 30 years It was also granted provisional permission to export a further 150 000 tons of coal a year which was unsaleable locally.

Both the domestic and export markets for anthracite and lean coal have deteriorated further since an export allocation feasibility study was completed

'It has become evident that, even if it should prove possible to identify a viable mining operation producing high-sulphur anthracite or lean coal for export, the phase four export programme is not expected to commence before the late-1980s '

Indumeni's directors said it would not be possible to maintain continuity of operations after Iscor pulled out and that a decision would be made soon whether to

● Effect final closure of the mine, or

● Place the colliery on a care-and-maintenance basis pending the possible exploitation of the export allocation in the late 1980s

Dundee's Town Clerk, Mr Otto Classen, said the mine had rented 20 houses from the council which would start becoming vacant from now until next March

'There is such a heavy demand for housing here that the closure of the mine could ease the problem to a large extent.'

He said the council was 'not very worried' about a closure because it was not the major employer of labour in the area These were Alucab cable manufacturers, Beech-Nut sweet factory, Consolidated Glassworks, the Natalse Landboukoop and Government departments

'While we are not an industrial giant, there is fair growth and all around one can seen expansion Because of our geographical position we are right in the middle of Northern Natal which makes us attractive for industrial development,' said Mr Classen

Glencoe's Town Clerk, Mr Hennie Jacos, said the mine closure would not affect his town to any great extent.

'The big bombshell was the closing of Northfield Colliery and we came through with flying colours,' he said

A Glencoe estate agent said that although business was quiet the town was 'not empty'

'We will never become a ghost town There is plenty of coal here and we will just have to wait until things pick up again '

In the face of an oversupply of steam coal on world markets, Richards Bay coal terminal and the railway serving it are working to capacity and coal exports are the highest ever

The Richards Bay Coal Terminal Company expects the previous record of 26 700 000 tons, reached last year, to be exceeded this year

The terminal, although having a nominal capacity of 24 million tons a year, has been able to handle coal in greater quantities

Mr Steve Ellis, chairman of Trans-Natal Coal Corporation, says the export performance of the coal industry can be attributed to several favourable factors

● Our record as reliable suppliers has been excellent — buyers have not had to pay demurrage because of delays to ships, which has been the case in several other exporting countries,

● Our coal is carefully washed and graded and the quality is more consistent than that supplied by many other exporters,

● The Railways and the Richards Bay facility have worked with great efficiency — because of this, our customers are supporting us without cancellation of orders, and

● Most of the coal being sold is on long-term contracts

By the time the world market turns upward again, South Africa's export capacity through Richards Bay will have been increased to 44 million tons, and the industry will be in a good position to take advantage of any increase in demand

But several other major coal-exporting countries are also gearing up for renewed export growth, and South African producers face increasing competition in world markets

The Standard Bank says in its latest economic review that the bulk of the increase in coal export revenue this year will result from the rand's depreciation against the dollar, and without the exchange rate advantage the growth would probably have slowed to about 10 percent compared with 42 percent last year

The 1981 prices were negotiated late in 1980, amid growing fears of a severe shortfall in world steam coal supplies and doubts about the ability of other exporters to increase delivered supplies rapidly During last year it became evident that these fears were ill-founded, and a surplus in supplies emerged towards the end of the year

Standard Bank concludes that even though anticipated heightened world competition is likely to severely limit future price increases, and the rand-dollar exchange rate will probably work against exporters during the next few years, substantial further growth in coal export revenue can be expected

Here they are . . . the new areas with incentives

TOWNS	RAIL REBATE	LABOUR INCENTIVE: PERCENTAGE TOTAL OF WAGE BILL	LABOUR INCENTIVE: MAXIMUM AMOUNT PER WORKER PER MONTH	TRAINING GRANT	RENTAL AND INTEREST SUBSIDY	HOUSING SUBSIDY	RELOCATION ALLOWANCE	[illegible]
Colenso, Eshowe, Harding, Estcourt, Mooi River, Port Shepstone Marburg, Stanger	30%	60%	R40	Yes	35%	30%	Yes	[illegible]
Greytown & Kokstad	30%	60%	R40	"	30%	30%	"	[illegible]
Dundee Vryheid	20%	60%	R30	"	20%	30%	"	[illegible]
Canelands & Verulam	20%	80	R30	"	20%	20%	"	[illegible]
Howick	20%	80%	R25	"	15%	20%	"	[illegible]
Glencoe Melmoth, Mispah	20	60	R30		20	30	"	[illegible]
Gingindlovu	30%	60%	R40	"	35%	30%	"	[illegible]

By Financial Reporter DENYSE ARMOUR

MANY of Natal's towns and villages are offering decentralisation incentives to attract industry

A number of new areas were added to those established in terms of the April policy announcement

Available since September, these new incentives have not been publicised

The towns, many of them small out-of-the-way places, were notified by the Decentralisation Board that differing rates of incentives could be offered to industrialists wanting to settle there

The town clerks of Colenso, Eshowe, Harding, Estcourt, Mooi River, Port Shepstone/Marburg, Stanger, Greytown, Kokstad, Dundee, Vryheid, Canelands and Verulam have been told their areas have been classified as 'other industrial points'

Mr Dougie de Beer, chairman of the Decentralisation Board, would not confirm or deny that these a[illegible] had been declared

But he said the board had been as[illegible] signed the task of determining [illegible] average level of short-term incen[illegible] tives for other industrial points, be[illegible] yond those named in the White Pa[illegible] per of April

'This task has been completed [illegible] the necessary Cabinet approval has been obtained for the concessions

'No further deconcen[illegible] tration or industrial de[illegible] velopment points hav[illegible] been classified,' said M[illegible] de Beer

'Provision has bee[illegible] made for ad-hoc case[illegible] which may, in excep[illegible] circumstances and f[illegible] particular reasons, b[illegible] considered to merit [illegible] tain incentives

New ad-hoc cases [illegible] Natal are Howick, G[illegible] coe, Melmoth, Mizpah [illegible] Gingindlovu

Mizpah is a railway s[illegible] tion on the Greytown Dalton line

It is the specific [illegible] and not the area which the deciding factor for [illegible] granting of incentives these areas

According to infor[illegible] sources, other areas [illegible] der consideration a[illegible] Ballengeich (near N[illegible] castle), Harrison St[illegible] (near Inchanga), [illegible] Paulpietersburg and S[illegible] roeders (near Greytown)

Although rates have [illegible] been decided for th[illegible] areas, industries mo[illegible] to Harrison Stasie are [illegible] fered housing subsid[illegible] while those in the o[illegible] areas are offered inter[illegible] subsidies

Incentives offered to [illegible] dustries include rail [illegible] bates, labour incenti[illegible] which apply for se[illegible] years, such as a cash [illegible] ment of a percentage [illegible] the total wage bill and maximum amount p[illegible] worker per month, a [illegible] ing grant of 125 per[illegible] rental and interest s[illegible] dy for 10 years, a ho[illegible] subsidy for key per[illegible] including a percentage building society rates relocation allowance price preference on [illegible] ders

But it doesn't mean industry will move there, says professor

PROFESSOR Gavin Maasdorp, director of the Economic Research Unit at the University of Natal, said he was dismayed to see that the authorities had not learned from the errors of the past.

'The policy announced in April was a significant advance on the original policy.

'Almost every town in Natal seems to be covered in one way or another now.

'But it is one thing to say the town is eligible for incentives and another to say that industry will move there.

'The previous policy was widely criticised for scattering decentralised areas too widely.

'No major industrial centre will develop away from the metropolitan areas if incentives apply all over the province.

'Verulam and Canelands, which are close to Durban, would be a natural expansion from the metropolitan area.

'It has more chance of success than any of the others because it's close to the sources of supply and the markets,' he said.

□□□

Prof Jill Nattras, director of the Development Studies Unit at the University of Natal, said decentralisation was necessary within South Africa's political structure because jobs had to be created.

'But much more effort is needed in KwaZulu than in Natal.

'The problem there is that one has to start from scratch with the infrastructue.

'To only increase employment opportunities in Natal will lead to more migrants having to come to Natal from KwaZulu.

'I should think that a large proportion of these new areas won't get off the ground.

'It is a matter of incentives and the areas are all in competition with each other.

'Industry is not being forced to move to these areas.

'Some, like Port Shepstone and Eshowe, will succeed, others will not,' she said.

Unemployment at low eb[illegible] in manufacturing in July

UNEMPLOYMENT in Natal's manufacturing industry at the end of July was at a low ebb compared with previous years, according to figures from the Department of Manpower

This data shows employment had grown by nearly 17 percent in 1981

The number of factories increased in 1981 by 4,9 percent to 5 833 with employment at 441 663 people

These factories are responsible for the manufacture of about R14 214 million worth of goods (compared with R71 427 million in South Africa as a whole) Durban-Pinetown's share is about R9 343 million

Employment figures for manufacturing in December 1981 show all-round increases

The number of whites (54 431) had risen by 8 percent, coloureds (12 478) by 13,8 percent, Asiatics (113 613) by [illegible] percent and blacks (261 141) by 2[illegible] percent

In the six main sectors, unempl[illegible] ment stood officially at 718 at the end July 1982, this compared with 934 in J[illegible] 1981 and 1 540 in July 1980

In **engineering** there were 348 out [illegible] work (compared with 301 in 1981 and [illegible] in 1980),

In **building** there were 148 out of w[illegible] (compared with 212 and 577),

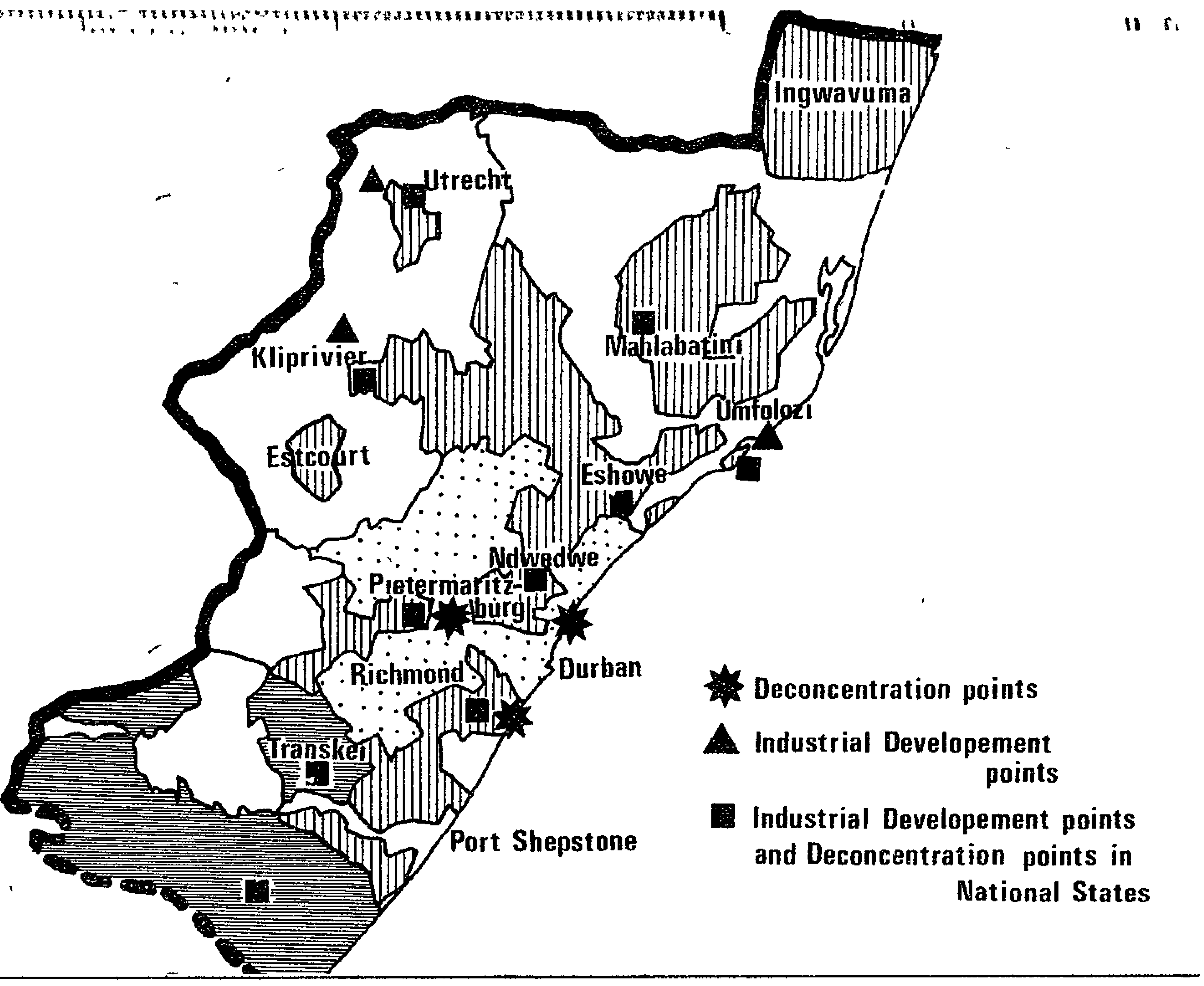
In **clothing** there were 75 unemplo[illegible] (compared with 115 and 187),

In **textiles** there were 22 out of [illegible] (compared with 44 and 36),

In **footwear** there were 100 w[illegible] jobs (222 in 1981 and 264 in 1980), and

In **motors** there were 25 out of work, [illegible] in 1981 and 75 in 1980.

Chamber objects strongly to any coercive measures



..HE Natal Chamber ..f Industries has one ..ajor concern in re..ard to the new de..entralisation policy.

The proposals for in..ustrial development ..ntain, in addition to ..e persuasive measures the concessions and ..centives offered to in..ustrialists setting up in ..lected area — provi..on for the introduction ..f coercive measures

These measures will be ..ected at regulating in..ustrial development in ..ose metropolitan areas ..here over-concentration ..f industry is deemed to ..ist

The only designated ..etropolitan area in ..atal is Durban/Pinetown ..d the wording of the ..hite Paper makes it ..ear that this complex is ..en as one in which indi..rect control measures will ..ve to be applied

The precise nature of ..ese measures has not ..t been revealed but the ..hite Paper states that ..ey will be 'aimed at ..covering the cost of ..frastructural and other ..overnment services'

We anticipate the intro..uction of increased ..ansport levies and pos..sibly some other form of ..payroll-related tax

Objections

The chamber is totally ..posed to this and has ..iced its objections in ..rong terms

Decentralisation based concessions is wholly ..ceptable, the applica..on of penalty measures metropolitan areas in ..der to bring about the ..sired results is not

We consider it to be in..equitable that industries ..n the Durban/Pinetown area, many of them long established, might be penalised in this way

When it comes to recovery of the costs of infrastructural and other Government services we must remind the powers-that-be that many of these costs derive directly from a policy which places certain population groups at distances artificially remote from their places of work.

Sectional tax

Without reference to the justification for this, we say that these are costs which should in some measure be borne by the community as a whole (through the medium of the Consolidated Revenue Fund) and not applied as a sectional tax on employers in a particular area or areas

Abutting the Durban/Pinetown complex there are major black towns whose inhabitants look to the metropolitan area to provide employment now and in the future

Official policy must be directed at ensuring the viability and future growth of industry in this area

A sample survey recently undertaken by the chamber showed that the 'new look' decentralisation policy was already giving rise to some movement or potential movement of metropolitan-based industries

Penalties

For the time being and until the picture becomes clear, the authorities should desist from the implementation of penalties which might unduly accelerate this trend

It has been suggested that the attractions of the metropolitan area are such that any industry moving away will quickly be replaced by another

This is correct to some degree, but the vacating industry will invariably be a labour-intensive industry in view of the nature of the incentives offered to decentralise, and will be replaced by a more capital-intensive high technology industry

This could in the longer term limit the employment generating potential of the metropolitan area

SINCE September more areas where incentives are offered have been added to the map. Other industrial points declared in the province include Colenso, Eshowe, Harding, Estcourt, Mooi River, Port Shepstone/-Marburg, Stanger, Greytown, Kokstad, Dundee, Vryheid, Canelands and Verulam. Ad hoc cases will be considered in Howick, Glencoe, Melmoth, Mizpah and Gingindlovu.

How small cane farmers are helped

Picture by ELIJAH ZO

A NEW and exciting phase in the history of sugarcane development began in 1974 when the sugar industry entered a phase of expansion, and a quota was set for black growers in KwaZulu

Providing an additional quota is made available by the sugar industry, this Ndwedwe scheme has the potential to develop at least 12 000 ha to cane and to produce about 500 000 tons a year

The South African Sugar Association set up its Small Cane Growers' Financial Aid Fund so that low-interest loans could be made available to the small cane grower

An important decision was the recognition by the KwaZulu Government that, although desirable, the establishment of its own sugar mills was not economically viable in KwaZulu, and that full use should be made of milling capacity at existing mills

The Tongaat Group participated in this expansion, initiating the development in Ndwedwe

Sukumani Development Company was formed in 1977 to continue the development, using additional loan funds from the Corporation for Economic Development.

The development has been a joint venture with the KwaZulu Department of Agriculture which has built all the in-field and major haulage roads Each phase of the development has been planned with senior officials from KwaZulu and their local district agricultural officers

Before 1974 farmers had put 600 ha to cane, with 180 new growers who had an average farm size of 3,3 ha. By 1981/2 there were 6 346 ha under cane with 4 818 growers who had an average farm size of 1,32 ha producing 230 000 tons a year

In the early stages of the development KwaZulu officials were eager to replan the district in order to create larger, economically viable farming units of around 10 ha

The people living on individual allotments realised that population pressure on the land was so high that if farms of around 10 ha were to be created, most allotment holders would simply lose what little land they already had

Rejected

Consequently, any form of land rearrangement was totally rejected and all development took place on the allotments as they stood.

This approach is not theoretically desirable because it leads to the development of tiny 'peasant farm' units which are not self-sustaining.

Clearly, individual land tenure in some form is desirable so that successful farmers can take over the farming operations from their less successful neighbours

Finding the right formula for change is not straightforward and, meanwhile, in order to bring about development in some form, the current scheme has been pursued.

The Ndwedwe district

ONE of the sugar companies which has helped to increase the number of African cane growers is Tongaat, which set up the Sukumani Development Company which operates in Ndwedwe. In this article written for the Tongaat house magazine, The Condensor, MR E C GILFILLAN, Sukumani's managing director, describes how the company helps small cane farmers.

has been selected for trial changes in the introduction of a new form of lease or freehold land tenure

Successful reform of the system of land tenure is the single most important element in bringing about meaningful improvement in the productivity of black farmers

Agricultural production in Taiwan, for example, has been revolutionised over the past 30 years, mostly as a result of land reform

Individual KwaZulu farmers are approached and asked whether they would like their farms developed for sugarcane

Because it is most important that the crop be established with correct fertiliser and disease-free seed cane, these essentials are provided by Sukumani.

Those farmers who do their own ploughing and planting are encouraged to undertake their own weed control, but Sukumani maintains a close watch and assists wherever necessary

Prefer

Most farmers prefer Sukumani to carry out the development and this it does, utilising local people for the labour-intensive operations of planting and weed control

This provides on-the-job training and experience in skills which are of particular value when farmers take over the care of their own cane plots

The Tongaat Sugar Factory is in the centre of the North Coast of Natal, midway between Durban and the Tugela River, and between the Indian Ocean and the borders of Ndwedwe, in KwaZulu.

Its production is one of the highest of the 17 sugar mills in the industry From more than 2 000 000 tons of cane it produces in excess of 200 000 tons of sugar a year

But industrialisation is making increasing demands of limited fertile and arable agricultural land The 72 000 ha Ndwedwe district straddles the area from which Tongaat's mill draws its cane

This district contains 12 000 ha of prime agricultural land within a rad[illegible] of 40 km of the mill It receives good rainfall

There are 17 tribes and all the land is controll[illegible] under the system of tribal land tenure Most of [illegible] land is divided into allotments of about 1,5 ha [illegible] and a small amount [illegible] land is set aside for communal grazing or is under the control of the chiefs

Most of the working [illegible] males seek employ[illegible] in the industrial ur[illegible] areas which means [illegible] the development that [illegible] taken place has be[illegible] done largely with the [illegible] of the women.

Lack of roads

In the early 1960s [illegible] then Department of [illegible] Affairs undertook the development of about 600 [illegible] for sugarcane in Ndwedwe Lack of roads, training, fertiliser and [illegible] resulted in the failure [illegible] the scheme within a fai[illegible] short period of time

Cane was being left un[illegible] cut in the fields, it was be[illegible] ing burned before harve[illegible] sting, farmers were [illegible] weeding or fertilising many of the contract[illegible] vehicles were mechan[illegible] cally unsound

Tongaat Sugar, be[illegible] the closest mill, was ask[illegible] to help with the cutt[illegible] and transport service [illegible] this was done for a [illegible] years, but it was se[illegible] realised that unless oth[illegible] back-up services were [illegible] up the farmers' level production would [illegible] lower and lower unti[illegible] cane farming became economic

An average farm [illegible] 1,5 ha in size woul[illegible] produce about 70 tons [illegible] cane a year. Taking [illegible] account all costs [illegible] must be deducted, such [illegible] harvesting, transpo[illegible] fertiliser and loan repay[illegible] ments, the net income [illegible] the average farme[illegible] changed as follows 1977/78 — R256, 1978/79 R293; 1979/80 — R[illegible] 1980/81 — R387, 1981/82 R460

Cash flow

Many roads have [illegible] built in the area to facil[illegible] tate the haulage of [illegible] cane out of the field, [illegible] schools and shops [illegible] sprung up in the dist[illegible] due to a cash flow into [illegible] area of R2 700 000 [illegible] 1980/81

It is a classic exam[illegible] of a developed [illegible] Tongaat Group, assisting developing economy, [illegible] community of Ndwedwe

DRAMATIC scenes such as this — when fire destroyed large tracts of sugarcane on the North Coast recently — are not seen often, but the industry has established an insurance scheme which helps farmers to cope.

Reporter ALEX MAPHALALA talks to Ndwedwe's most successful sugar cane farmer

He's all set to cut 1 000 tons of cane

Mr A M S Mhlongo of Ndwedwe decided that a 'home in the country, a telephone and a radio' were a better proposition than living in Durban's dormitory suburbs

This season he expects to cut 1 000 tons of cane from his 80-morgen farm which is expanding and is believed to be the largest in the rolling hills above Tongaat His gross income at the cane price of R22 a ton would be more than R20 000

But way back in 1972 it was not easy He had no money to start with and he had to start on a small scale — cutting the bushes, making the roads and building bridges himself

His family work on the farm, too They start in the fields at 5 am His sons, Brian and Henderson, are ready to take over, and did so very capably when he was ill recently His wife also helps in the fields

While he will have a good income there are heavy costs to meet He expects to pay R300 for weed-killers, R2 650 for fertilisers, the fuel bill is R700 a month and repairs to his tractors will cost about R1 300 a year

Mr Mhlongo believes that Ndwedwe provides the best caneland in Zululand and there is a 'lot of land waiting to be exploited'

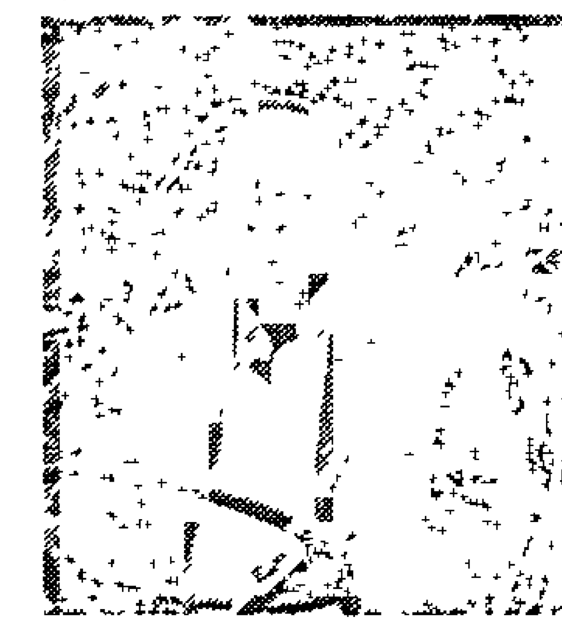
He says too many of the Ndwedwe farmers are too heavily dependent on Sukumani, which is willing to do most of the jobs on the farms — for a fee

'This means that many of them have very little money left after they have paid Sukumani'

Sukumani ploughs the fields and acts as a co-operative for farmers

Mr Mhlongo says that these farmers should be encouraged to organise labour and progressively take over tasks such as weeding, fertilising and so on

Farmers should realise that if they did the work they would be able to earn more from their farms — they could not sit back and expect to get rich



MR MHLONGO on his farm

He helps Ndwedwe cane farmers

MR NEWELL NZAMA is an extension officer employed by Sukumani to liaise with the chiefs, the indunas and Zulu farmers in Ndwedwe

His main duty is to help the Ndwedwe farmers develop the area to produce quality sugarcane and other crops, and Sukumani does this by supplying them with seeds, fertilisers and tells them of developments in the sugar market.

Mr Nzama has found the Ndwedwe farmers to be responsible and he is very happy with the response Some of them are doing without help from Sukumani — which can take care of the whole operation — carting the sugar to the mill, ploughing, weeding, supplying fertiliser and reaping

Farmers' associations have been formed in the area and so far Mr Nzama has established 11 Apart from showing the farmers practical approaches, they see slides on how it is done elsewhere

There are now 5 000 cane farmers in Ndwedwe and the farmer's association is affiliated to the Black Cane Growers' Association Last month they became members of the South African Cane Growers' Association

Mr Nzama is not happy with farmers who are too dependent on Sukumani

He once worked for KwaZulu's Department of Agriculture and Forestry, having been trained at Fort Cox Agricultural College in the Cape and served for many years in various parts of Zululand as an agricultural demonstrator

MR NZAMA in the field

Mill work rolls ahead

WORK on the R150 million Felixton sugar mill is moving ahead, with the first cane now expected to be crushed in January 1984.

The milling rate is expected to be about 600 tons of cane an hour, or 3 300 000 tons in a season when the second stage comes into operation

In one of the many contracts, single-stage turbine pumps are being supplied by APE Africa who are building them at the Wadeville factory for the new mill.

Some of the other contracts include: R1 400 000 worth of stainless-steel tubes from Salmac; APE Africa will import nine steam turbines and three 10 mW turbo alternators costing R2 600 000 from W H Allen in Bedford; and Blue Circle is to build an 11-cell cooling tower costing R1 500 000.

Phoenix Industrial Park

A survey by
Financial Reporter
DENYSE ARMOUR

DURBAN'S newest, rapidly developing industrial township

A surprising surge of interest

DURBAN'S newest area of industrial land, just north of the city, has had a surge of interest that even its developers did not expect.

Phoenix Industrial Park has only five sites available out of two phases already developed

Mr Dallas Reed, general manager of Phoenix Industrial Park, said 'These two phases went so much better than we expected that the resultant cash flow has meant we can begin development on what was planned as the fifth phase This will be the largest and most expensive development.'

Dallas . . . manager in the hot seat

General Manager Dallas Reed

The 231 ha of land were bought by Sanlam in 1978, and development started in 1980 The first phase was completed in February 1981 and the second in February 1982

'All non-railed sites in the first two phases have been sold There are only five rail-served sites left, with another four on option at present The sites range from 1,3 ha to 3,3 ha.

'By the end of this year 20 factories and warehouses will be occupied and another 15 will be occupied by the end of 1983,' Mr Reed said

In the phase currently under development the earthworks are due to be completed by the end of February, but are running ahead of schedule, and are likely to be completed by the end of December at a cost of R3 750 000

'Then begins the expensive part. We will be calling for tenders for services and the building of canals There are two rivers flowing through this section

'We hope that the contractors will be on site by the end of February 1983 It should take about a year to provide services

'So the third phase should be completed by mid-1984 Selling of the sites should start in mid-1983, when we have had a chance to assess all the costs

'If all goes well, work should start on the remaining two phases by the end of 1986 If our forecasts have been realistic, we should sell all remaining land by the end of 1987 or 1988

'But the land will probably only be fully utilised in the 1990s as most companies buy more land than initially needed, to accommodate expansion and development.

'We estimate that there will be 15 000 to 30 000 people employed in the industrial complex when completed, although this depends largely on what industries are attracted there

'At the moment there is a disproportionate amount of warehousing, which is a small user of labour But if the more labour-intensive industries move in, the balance could be swung.

'Kwa Mashu township and Phoenix residential area border on the park, which is within the Durban municipal boundaries So the area is really convenient for labour who can literally walk to work, so cutting down on their transport costs,' Mr Reed said

Wildlife takes a knock

THE development of Phoenix Industrial Park, much needed by Durban's industry, has had an unfortunate result for the wildlife of the area

When the earthworks for phase one began Mr Dallas Reed, general manager of the park, went out to the site with his family one weekend

To his horror he found a mini safari on the go The workers were hunting otters, duck and fish for the pot.

The rest of his weekend was occupied with transporting animals and fish from Phoenix to the Umhlanga Rocks lagoon

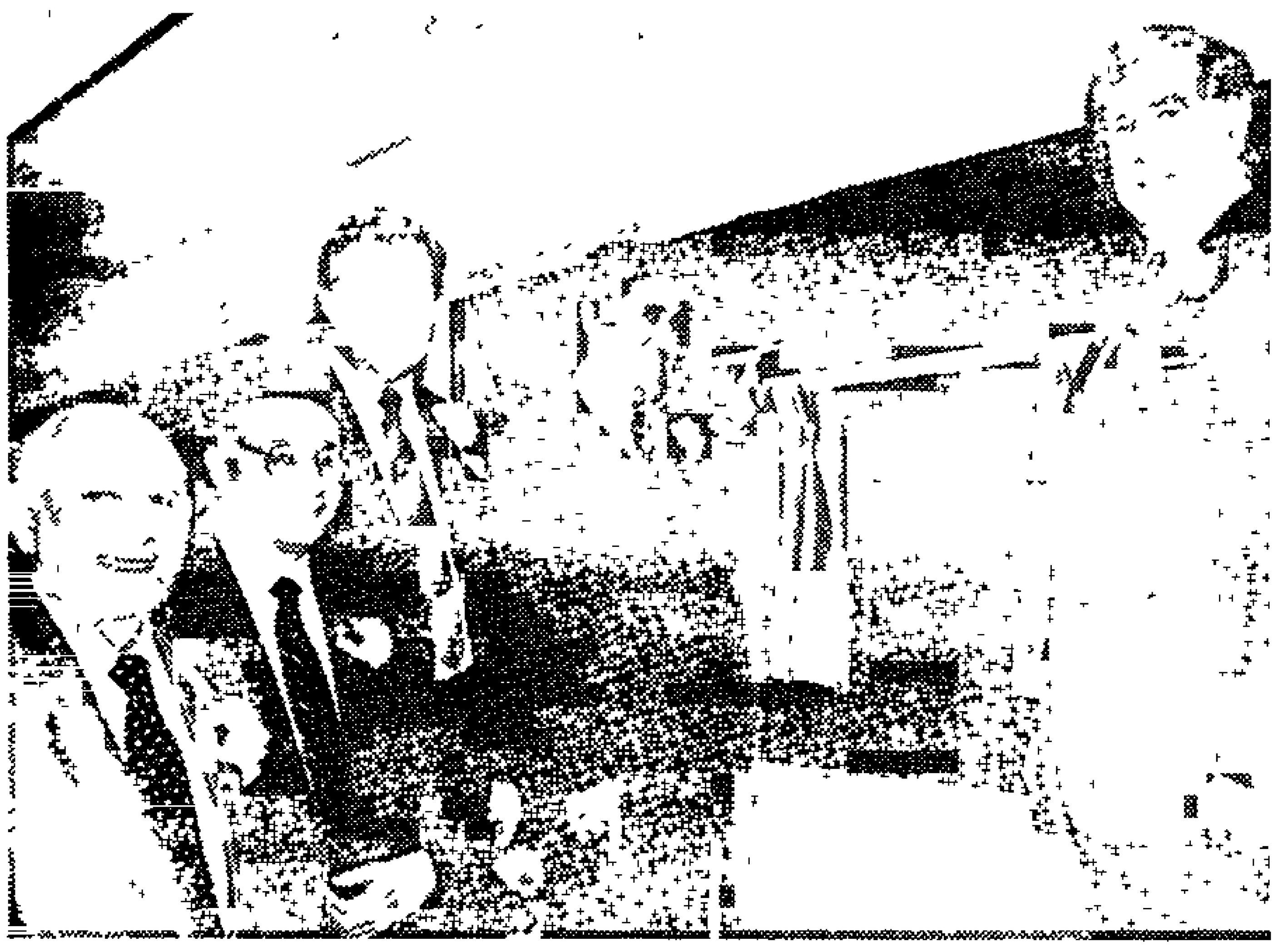
He now intends making sure that all wildlife is removed before the bulldozers move in on the next three phases

'Even if they don't get hunted, they will be killed when the bulldozers start moving the earth,' he said

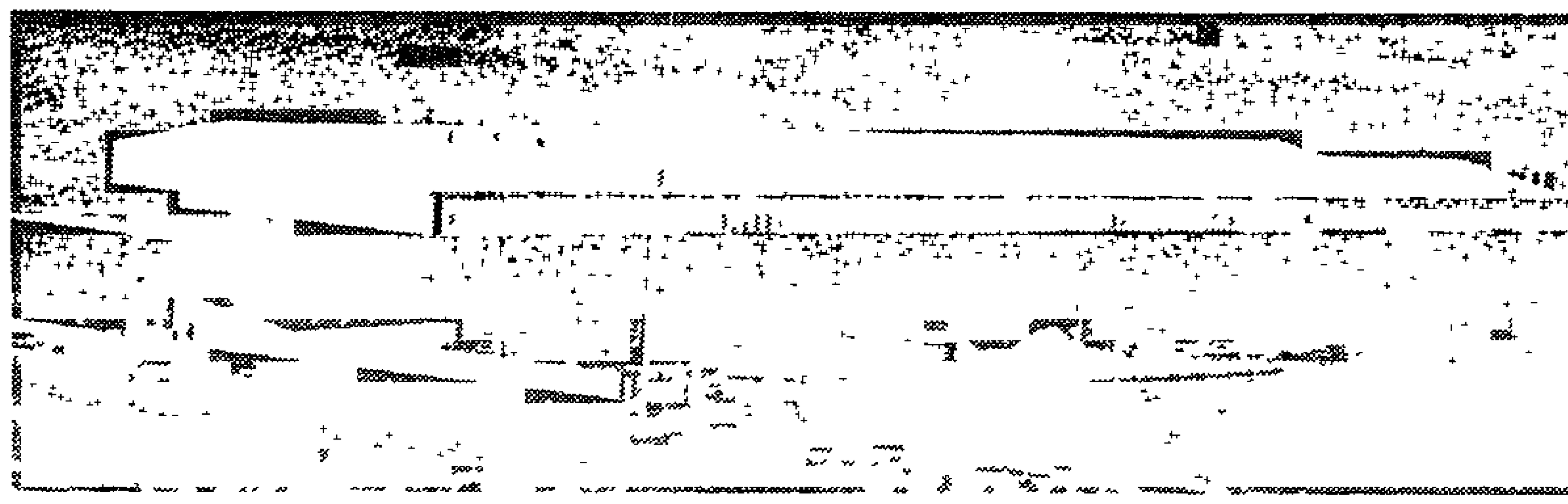
As much of the parklike nature of the area will be retained as is possible in an industrial area

It will be obligatory for all buildings to be set back from the boundaries, allowing for garden landscaping

And the management have been stockpiling topsoil and compost to help the industrialists with their gardens



AT MACSTEEL'S opening were Finance Minister Owen Horwood and company officials.



One of the first to buy land

MACSTEEL was one of the first companies to buy land at Phoenix in January last year

A warehousing and office complex (above), built on 2,5 ha of land, was opened by Finance Minister Owen Horwood on August 12 this year.

Mr Sheldon Smuts, managing director of MacSteel (Natal), said 'We are now fully operational, and are currently building a shot-blasting facility on the site

'This will entail an investment of about R1 000 000, bringing our total investment in the Phoenix complex to R8 000 000

'We have 10 000 m² of covered storage space, 500 m² of office space and 4 000 m² of vacant land to allow for expansion

'A R24 million turnover for our first year of operation in our new premises is anticipated

'MacSteel has been operating in Natal for many years, but this is our actual office complex here

'We bought at Phoenix because a steel industry needs rail sidings and flat land And we could get this at Phoenix '

Park's Wholesalers are at the crossroads

THE wholesale industry of Phoenix Industrial Park is literally at the crossroads, with four companies occupying facing sites

Industry sources have expressed doubts that all the companies will survive because the intense competition that has developed has meant that turnovers have been lower than expected

Avoca opened in October 1981, **Self Service** in April 1982, **Metro Cash and Carry** in May and **WG Brown** in June

Mr Neil Robertson, regional manager of Metro Cash and Carry for Durban and Zululand, said the firm had initially bought land at Phoenix, but had sold it back to Sanlam and was now leasing a building of 4 500 m² on 1 ha of land The store employs 50 staff

'Our new store opened on May 10, 1982 As we expected business is unpredictable at the moment, but basically we are where we want to be

'Development has actually been far quicker than we expected it to be, but that is inevitable in a competitive situation like we have at Phoenix

'There will be plenty more business in the future. Phoenix residential area will eventually be three times the size of Chatsworth, and the North Coast is developing too

'Also, we are likely to get the overflow from Pinetown and Inanda,' Mr Robertson said

However, he did have one complaint It seems that electrical supplies to Phoenix have been erratic

This has hit Metro particularly hard because their Phoenix branch is the first Natal branch to be fully computerised

'But the situation is improving,' he said

Mr Nigel Irvine, managing director of the cash and carry division of WG Brown, said the Khulani Brown Wholesale branch at Phoenix was a result of a partnership agreement between WG Brown Investments and Khulani Holdings — which is supported by Inkatha and the Inyanda Chamber of Commerce

WG Brown bought the land at Phoenix and sold it to a private developer called Khulani Phoenix Khulani Brown are now leasing the building of 2 000 m²

'I believe we have the optimum size warehouse for the size of our branch because it has been proved that we can achieve a very good stock turn at Phoenix.

'We believe the savings we have achieved in this area have been passed on to our traders

Attracted

'We are happy with our sales achievements to date and have attracted customers from a very wide area Since our opening in June we have done better than expected, we thought it would take longer to establish ourselves

The firm employs 31 staff members

'Between our competitors and ourselves Phoenix has become a very important wholesale area

'We believe that competition is good for the trade and keeps us all on our toes Besides, it ensures that the marketing divisions keep their pencils sharpened,' Mr Irvine said

Mr Leo Smithers, chairman of Self Service, and managing director Dave Woodland (who is known to his black staff as 'mahlathini' — or 'in the woods') hope that their Phoenix branch will become as successful as their first venture

'Since 1964 we have developed a large African trade on our existing premises in Ordnance Road

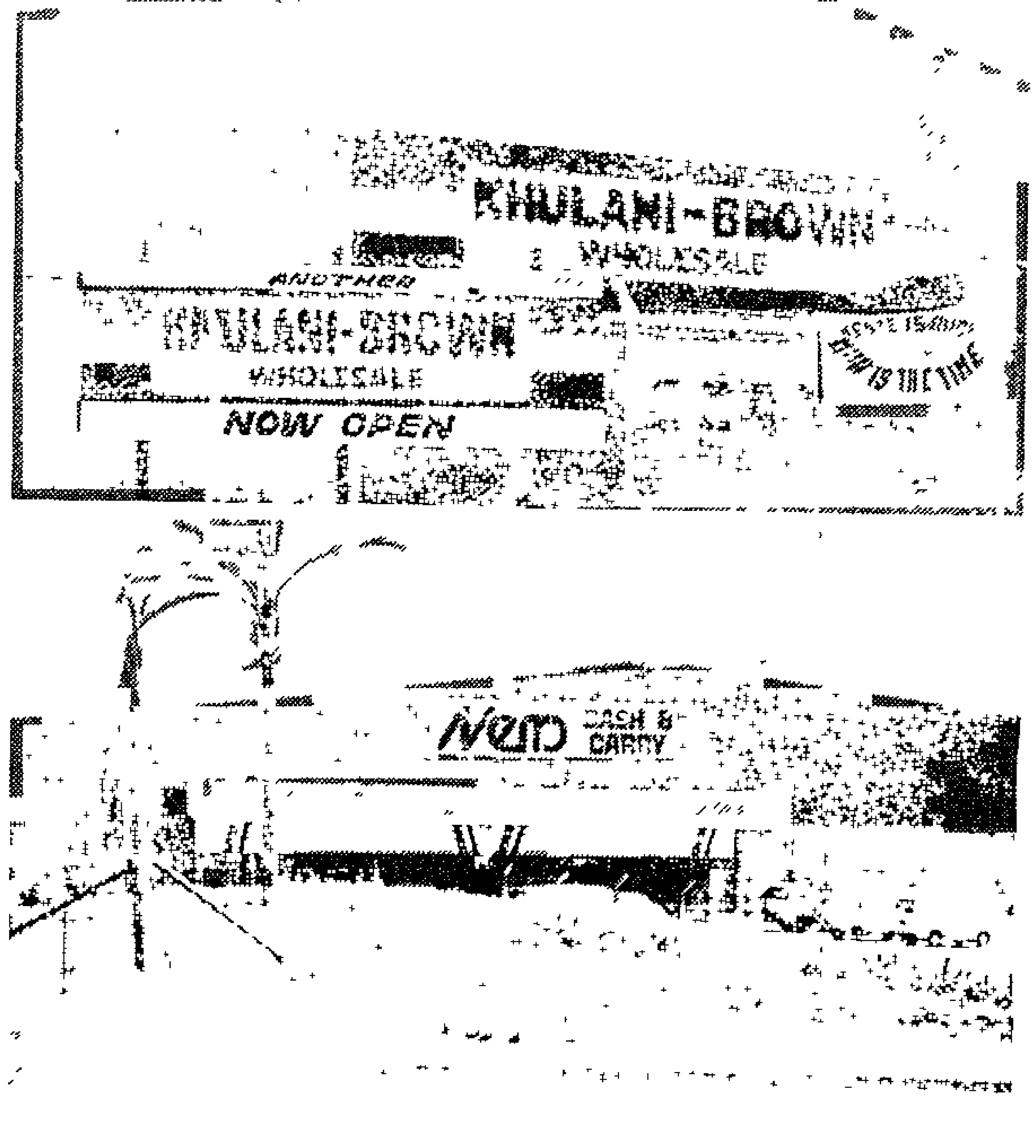
'When it became apparent that others were moving to Phoenix we felt we should, too But now the four of us are together there cheek by jowl, and traders are having a fine time "cherry-picking".

Obvious

'We initially bought land there, but when it became obvious that the others were about to start business, we sold the land and are now leasing our present site of 3 000 m² from Russel, Marriot and Boyd

'We are committed to Phoenix and feel that ultimately everyone will do well It is a highly developing area, and we are optimistic about the future It is our intention eventually to sell part of the equity to our black traders.

'We employ nine African staff and a white manager at our Phoenix branch, Mr Smithers said.



TWO of the wholesalers engaged in fierce competition at Phoenix.

Moving lock, stock and barrel to Phoenix

CREATIVE Productions, an up-and-coming Durban company, is moving its entire operations from Rossburgh to Phoenix

The company, which manufactures fancy stationery, supplies most stationery and gift shops in this country, although 40 percent of its production goes overseas.

'We will be moving in from December 1, and are due to start production in our new premises on January 1, 1983. The total Phoenix project has cost about R1 000 000

'The property is just more than a hectare, and the factory is 3 000 m² We will employ a staff of about 120,' said Mr Peter Slater, managing director of Creative Productions

The company has warehousing facilities in Johannesburg, Cape Town and Britain Its products are exported to Britain, Greece, Australia, Canada and a few European countries

'We decided to buy at Phoenix because we had a major problem finding land It was either too expensive or impossible to

[redacted]

find.

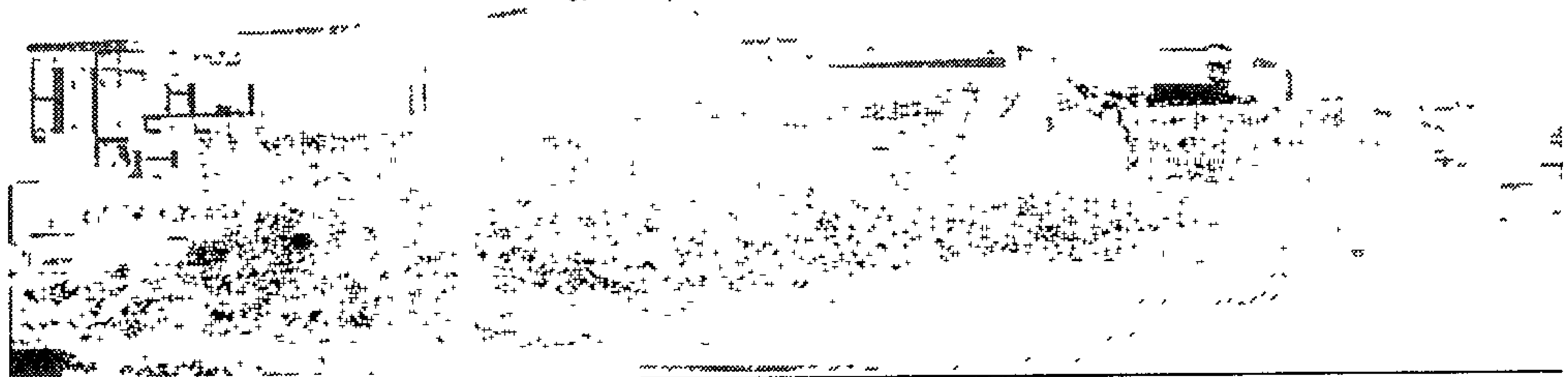
Although Phoenix is inconveniently situated for a service industry,there is plenty of labour

'We also decided that it was better in the long term to move north of Durban because La Mercy airport will be established soon And we wanted something that was large enough to offer us the opportunity to expand in the future,' Mr Slater said

He said the eventual aim of the move to Phoenix was to consolidate the group's activities An extra hectare had been bought to allow John Peter Clothing, Universal Plastics, Furnicraft and Graphetti Screen Printers to move in the future

'There was nowhere else in the greater Durban area where we could buy 2 ha of land'

Big firms move into top gear



THE new Coca Cola warehouse being erected at Phoenix

A MAJOR development taking place at Phoenix is the four-stage development of warehousing and a production plant for Coca-Cola Bottling Company of Durban. The company has bought 8 ha of land and hopes to move in by the end of the year.

'Phase one, which is 15 000 m² of warehousing, is complete. It has cost R2 900 000 and we hope to have moved in by the end of this month.

This will help supplement distribution in the Phoenix and North Coast areas.

'Phase two will be an extension of the warehousing. We anticipate that construction will start in 1983.

'Work on the bottling plant will commence only when the warehousing is complete, possibly in 1984, depending on our growth.

'With 8 ha we have made provision for expansion in the future and, if the demand grows sufficiently, we can expand production facilities in the long term,' a spokesman for the company said.

About 30 delivery trucks will be based at the Phoenix site, which will have storage capability in excess of 100 000 cases of Coke.

Another major company to move to Phoenix is **Stewarts and Lloyds**. Mr Ronald Corcoran, general manager (southern region), said the company had bought 1,6 ha of land and was busy establishing warehousing facilities of 2 500 m² as well as office accommodation.

The R2 000 000 contract for the development was won by Stevenson Construction.

Stewards and Lloyds started looking for other premises when their present site in Maydon Wharf was sold to the Sugar Association.

'We looked at the various options and chose to go to Phoenix where there was plenty of land available.

'We wanted to choose the size of land and build premises to suit our needs. Instead of buying existing premises and renovating, we can now start with exactly what we want,' Mr Corcoran said.

He said Stewarts and Lloyds would be moving into their new premises early in 1983.

CELEBRATING the official roof-wetting of the new Coca-Cola warehouse at Phoenix Park were (from left) Mr R L Stevenson, managing director of Stevenson Construction, Mr M D Taylor, the architect from Fridjhon, Fulford and Partners, Mr J P Shaw, project controller from J Walters and Simpson, Mr J R Coyne, contract manager from Stevenson Construction, and Mr Lional Cork from Coca-Cola Bottling Company of Durban.

Malls Ceramics, a Durban-based tile retailer, purchased 7 700 m² of land in September.

This property, the last non-rail serviced site sold, will house a warehouse for the storage of containers of imported and local tiles.

Malls Ceramics, which started a little more than a year ago, imports tiles from Brazil, Italy and Germany. The Phoenix warehouse will store tiles for nationwide distribution.

The purchase of this land at Phoenix is part of the general expansion programme which has been undertaken by Malls.

'This includes the establishment of shops in Johannesburg, Cape Town, Bloemfontein and East London,' said Mr Francis Molyneaux, corporate development manager.

Malls are currently tendering for the construction of the warehouse which is expected to cover 4 000 m².

'The decision to purchase land at Phoenix was influenced by the high cost of industrial land in the Durban area.

Phoenix Park is just 17 km from central Durban and situated on main roads leading north and south,' Mr Molyneaux said.

Malls recently opened a new showroom in Johannesburg aimed at the D-I-Y market. Mr O Mohideen will be the store's general manager.

Sentinel Transport bought just more than 3 ha of land in four adjoining sites for close on R1 000 000.

Mr Ranjith Ramnarain, owner of the company, said the new site for the company was purchased to house the transport and construction functions of the company.

The transport depot for the fleet of trucks already had been established. It houses 12 trucks of various sizes which operate nationally.

The workshops and warehouses have still to be constructed and Mr Ramnarain hopes to take occupation by early next year.

Prestige Lingerie, a clothing company, is planning to build a production plant in the near future.

However, no details are available because it is still in the planning stage.

Other companies established at Phoenix are **Bosor, Weldmesh** and **Cape Lime.**

The Department of Posts and Telegraphs has a storage facility.

The 'big guns' get set up

THE Barlow Group's steel merchants, **Robor**, have expanded their Durban operations and moved their warehousing facilities to Phoenix.

Mr Clive Swan, a director of Robor and manager of the Natal division, said the firm's expansion had led to the need to find suitable industrial land. Phoenix Industrial Park with its rail sidings and proximity to the main roads was ideal.

In June 1981 Barlow Properties purchased 2,8 ha of land at Phoenix, which cost R3 000 000 to develop. The new warehouses hold 5 000 tons of steel, stainless steel aluminium and tubing.

'The undeveloped area on the site is large enough to house two additional bays. This should be sufficient to cover our needs for years to come,' he said.

Grinaker Equipment Company, recently appointed sole agent for Liebherr-Africa earthmoving equipment in South Africa, is to establish a marketing centre at Phoenix Industrial Park.

Grinaker bought 1,6 ha at Phoenix Park in September 1982 and is working on proposals and plans for offices, workshops and storage facilities.

It is estimated that the project will cost about R660 000, including the land.

'We are starting small but building to provide for expansion. We hope to have moved in by March 1983,' said Mr Colin Opie, director and company secretary.

Hard-luck story

A SAD story to emerge from Phoenix Industrial Park is that of Ilco Homes, the only company that was there before the area was bought by Sanlam.

Mr Jos Demmers, managing director of Ilco Homes, said the company had been on the same site for nine years.

'We used to lease the land from Natal Estates for R1 000 a month. When the land was bought, we had to either buy the land or move out.

'After being forced into buying we are now paying R8 000 a month in interest and repayments on our loan to Sanlam. So now we are looking for buyers.'

Part-summary of Rörich Report

THE Rörich Committee's Report into the sugar industry has been summarised by the South African Sugar Association which covers the main issues in the 159-page document. The summary is printed in part here

System of control of production and marketing· The committee proceeds from the standpoint that marketing control measures should in all instances be confined to the minimum required to achieve sound economic and other objectives

The committee is satisfied that the complete lifting of control and the placing of full reliance on the free-market mechanism to regulate the production and disposal of sugar would have disadvantageous results, not only for the sugar industry, but also for the consuming public and the economy as a whole

The committee is satisfied that it would not be in the interests of either the sugar industry or the economy as a whole if the local price of sugar were to be allowed to follow the unstable course of sugar prices on the free market, and that an effective mechanism for the pooling of realisations on the local and overseas markets is accordingly desirable

It is furthermore satisfied that because of the vital interest that both growers and millers have in the financial return to the industry, and also because of their interdependence in promoting the development of the growing and milling operations, the one-channel pool arrangement with growers and millers sharing in the proceeds on a partnership basis would appear to be justified and beneficial to all concerned

On the question of production control and quotas, the committee agrees with the findings and recommendations of the Van Biljon Commission and, because basic circumstances have not changed since that commission issued its report, the committee recommends that the system remain

The committee does not recommend any basic change to the main features of the existing control system

There are various aspects where the committee believes more flexibility and other improvements in the existing measures can be brought about

Findings of the committee in regard to possible extent of expansion. The committee concludes that the industry can be expanded horizontally (that is by an increase in the amount of land put to cane) over the next 10 years by about 141 000 tons of sugar a year

The committee believes certain restrictions should be placed on vertical expansion (that is by stepping up the efficiency of existing canelands by, for example better yields) with a view to utilising the reduction in the growth of sugar output from existing quota land

Ethanol production: The committee sees no possibilities for expanding cane production further now on the grounds that a viable outlet for sugarcane can be found by the manufacture of ethanol as an alternative or complementary product to sugar

Multiple pool system· The industry is of the opinion that there would be no point in introducing a multiple pool scheme for the purpose of allowing expansion which may otherwise not be possible The committee agrees with these views

Findings and recommendations of the committee in regard to how and where expansion should take place: The committee recommends that the future development of the industry should be planned by the industry and the Government jointly for a predetermined period ahead, say 10 years, and extension of cane plantings and milling facilities should be phased in on a co-ordinated basis during this period

In the light of the available information, there appear to be no compelling or convincing economic reasons why one cane producing area should receive priority over another

It would appear that if expansion were to be envisaged on a scale which would justify the erection of a new mill in an area, the Eastern Transvaal Lowveld and the Makatini Flats would be the logical regions for the establishment of such a mill

Developing areas· The committee is of the opinion that high priority should be given to the development of cane production in the developing areas and recommends that the quotas requested (see panel) be granted subject to qualification that the Central Board should satisfy itself that the applicants in each case have the manpower and other resources required to implement the expansion programmes envisaged

Eastern Transvaal. In the opinion of the committee, a strong case has been put forward for the expansion of the sugar industry in the Onderberg area of the Eastern Transvaal

While the strategic aspect is obviously of importance, the committee has difficulty in quantifying this and bases its recommendation that quotas amounting to 150 000 tons of sugar, including 32 000 tons for KaNgwane, be granted to the Onderberg area mainly on economic and social grounds

Economic cane production units: In dealing with representations received from the Pongola Cane Growers' Association regarding the size of economic cane production units, the committee has recommended that additional quotas be allocated to all the smaller commercial growers who are able to expand to bring their quotas up to the equivalent of 7 000 tons of cane a year

Vertical expansion. The total quantity of 320 000 tons (developing areas 175 000, Eastern Transvaal 118 000, smaller growers 27 000) of sugar required for horizontal expansion in terms of the foregoing recommendations of the committee exceeds the projected quantity of 141 000 tons available for this purpose by 179 000 tons sugar a year,

The committee is of the opinion that, in order to meet this shortfall, a restriction should be placed on vertical expansion of the larger growers during the ensuing 10 years

It accordingly recommends that from 1 May, 1983, until the end of April 1993, the quantity of sucrose allowed to be delivered during a season by any quota holder, who has produced an average of more than 7 000 tons of cane in his three best seasons during the preceding six seasons, be frozen at a level equivalent to that average

Summary of sugar expansion recommended by committee The expanded sugar production recommended by the committee for the next 10 years is

Quotas authorised but not planted to cane by end 1980/81 100 000 tons a year

Vertical expansion to be allowed only to growers with an annual production below 7 000 tons cane a year 69 000 tons

Horizontal expansion Developing areas (KwaZulu, Mangete, KaNgwane and Transkei) — 175 000 tons, Eastern Transvaal (excluding KaNgwane) — 118 000 tons, Additional quotas to be allocated to smaller growers to bring their production up to 7 000 tpa — 27 000 tons Total 489 000 tons

Small mills With regard to the relative position of small uneconomic mills, the committee recommends that appropriate steps be taken by the Department of Industries, Commerce and Tourism to give effect to the relative proposals of the Van Biljon Commission

Optimum size of mills It is recommended that reliable facts should be ascertained by the Sugar Millers' Association and submitted to the department for the purpose of guiding future expansion policy

The cane transport system The committee recommends that a new cane transport scheme, in terms of which the growers will accept full responsibility for cane transport costs and appropriate compensation, will be paid to the losers, be introduced without delay

The committee further recommends that a special arbitration board be set up to decide on 'special' cases of hardship and unforseen matters in regard to which the rules are not adequate or the parties concerned cannot reach agreement.

The local marketing system The committee recommends that the Sugar Association be given the responsibility of determining the industrial selling prices of sugar within parameters which would be approved by the minister from time to time and which would grant the industry sufficient flexibility to decide on the timing and frequency of price adjustments

With reference to representations made by two Eastern Cape sweet manufacturers regarding the introduction of a uniform delivered price, the committee has reported that it is not in support on the grounds that it is, in principle, economically sound for manufacturers to bear transort costs incurred on their factory inputs and that the proposal would be unfair towards industries which have established themselves near Durban

A fruit juice manufacturer in the Eastern Transvaal who obtains his sugar requirements from the nearby Malelane Mill requested that he should be allowed to pay the actual delivery cost instead of the railage charge from Durban

The committee has not found cause to recommend any fundamental changes to the existing local marketing system.

Price control at wholesale and retail level. The committee is in full agreement with the present policy of the Government that price control should be removed wherever possible, and as it cannot find any justification for the continuation of a wholesale and retail price control over sugar it recommends that these controls be lifted

Recovery of cost of transporting raw sugar to Durban: As far as the system as such is concerned, the committee believes it would be fundamentally unsound for the actual road transport costs incurred by each mill, over which the Sugar Association has no control to be reimbursed on an individual actual cost basis

It is accordingly recommended that the existing system of reimbursement on the basis of standard rates be retained

The system of export marketing No evidence was submitted to the committee suggesting a need for changes in the existing marketing system

Quota requests

THE committee dealt with a number of requests for additional sucrose quotas — but it is quite possible that if the Government approved a policy of general expansion, there would be more demands Requests from the developing areas were

KWAZULU asked for 33 200 ha which would be equivalent to 116 000 tons of sugar

MANGETE wants 1 000 ha, equal to 5 000 tons

KaNGWANE wants 6 330 ha, equal to 32 000 tons,

TRANSKEI wants 4 000 ha, equal to 22 000 tons.

In the developed areas the requests were:

E TRANSVAAL LOWVELD wants another 15 000 ha, equal to 118 000 tons,

IXOPO/HIGHFLATS want another 3 530 ha, equal to 18 000 tons.

PONGOLA sees potential for 2 623 ha, equal to 24 000 tons

All told, the requests are for an additional 65 683 ha of land to be put to sugarcane to yield 335 000 tons of sugar a year

The Lowveld request — of which there were several — is based on a minimum quantity of sugar of 150 000 tons, which would make a new mill viable Some of this would be derived from the KaNgwane output and the rest — about 118 000 tons — from the white farming areas of the Onderberg

Transport plan

THERE are 10 salient points in the committee's proposals They are.

- **Cane growers will be responsible from May 1, 1983 (that is the 1983/4 season) for the costs of carting cane from their farms to their quota mills,**
- **The transport costs will be recovered by growers on the averaging basis in the division of proceeds,**
- **Millers and growers who suffer losses because of the change will be compensated on the capitalised present value of the annual loss computed on the 1982/3 season, an independent three-man panel will fix this rate,**
- **Compensation will be spread out over five equal annual instalments;**
- **A compensation fund will be set up, those who gain from the new arrangement will contribute, and the balance will be made up by a 'soft' Government-backed, low-interest loan,**
- **The fund should be liquidated over a seven-year period, but if the basis changes it would be closed by a levy on the whole industry,**
- **The transport arrangements would also apply if there were major changes in mills (closures, resiting or new ones);**
- **Subsidies for cane growing or transport should be banned by law unless there were cogent socio-economic reasons,**
- **All present mill-site rights would fall away and form part of the compensation procedure; and**
- **No miller or grower would be able to demand the right to change his mill or mode of transport without consulting the other party**

His success story

MR ADOLPHUS MKHWANAZI

A MAN who slept in scrap cars because he had no accommodation in Durban, is today one of the leading African businessman in Natal and is running a supermarket and the only night club for Africans in Natal and Zululand

ALEX MAPHALALA reports

Mr Adolphus Musawenkosi Mkhwanazi, born in Maphumulo in 1940, showed the characteristics of a businessman at an early age, although he started life like other Zulu boys — looking after cattle

His father, Mr Gcina Maphumulo, was a peasant farmer in the area and his son did not get enough education

Promoted

Mr Mkhwanazi worked for a tobacconist in Durban and was so efficient that his employer soon promoted him to manager Later, at another firm, he learned confectionery and cooking, specialising in Swiss delicacies

Not satisfied to be employed, he became a hawker selling face creams, patent medicines and jewels While his business was flourishing, the Somseau Hostel where he lived was demolished

Because he had no work permit, he could not be accommodated in other hostels and was forced to sleep in scrap cars for seven months

He moved to Kwa Mashu township where he sold cakes in the streets which he baked himself His cakes were so popular that he soon supplied the local shops

He was employed by a prosperous businessman in the township, Mr B Maphumulo, as a counter assistant and later a manager — a position he held for 10 years

But he lacked education and asked Mr C O Nkabinde, a local teacher, to teach him commerce

Then Mr Mkhwanazi felt he was armed to enter the business field and hired the Gambushe store in Umlazi

The Bantu Investment Corporation, which owned Umlazi Wholesalers, invited African businessmen to buy it

Mr Mkhwanazi invited his former boss, Mr Maphumulo and others, to form a company which took over Umlazi Wholesalers and converted it to a supermarket He still manages it today

Supermarket

Then he built the Inkanyezi Supermarket Both businesses have a staff of 150 — among them managers and bookkeepers

Then he built the Star Point Five Night Club in Umlazi for R125 000, which attracted people from as far as the Cape and the homelands

Among international singers who have visited the club are Jack Duprei, Jimmy Cliff, Brook Benton, and TV 2 star Washington Sixolo

The club has become the community centre where weddings and parties are conducted and ministers hold their church activities

Mr Mkhwanazi has donated more than R10 000 towards bursaries for students to study maths and science The fund is administered by Maphumulo Circuit

He has visited America to study business techniques and recently went to Israel where he saw stock farming, peasant farming and light industry development

Sugar industry's future seems to depend on the Government . . .

● From Page 1

There are similar problems in other countries which import from South Africa

While the committee supports the plans to expand in Transkei, it does not take the matter to the conclusion. This area could be removed from the domestic market

Fructose (HFC) is only a part of the $30 million market for sweeteners, but companies eager to get into it are seeking ways to make fructose cheaply

Fructose has captured 10 percent of the American market, but is banned in the sugarbeet-rich European Common Market, according to The Economist

And the Danish discoverers (in 1966) of the enzyme which creates fructose from corn starch have made another discovery which can cut costs

Novozyme 247 will be on the market within a year. It increases the glucose yield by 6 to 7 percent — a significant bonus in large-scale production

A question in my mind also rises about sugarbeet While cane is a long-term crop, beets can be whipped in and out of the ground very speedily.

The significance here is that the world surplus could be boosted very rapidly if there were a mistaken decision to plant more beet — and if the growing season were good

Consider the question of the future of sugar Will it go on filling its traditional role as a sweetener, or are there more possibilities which could dramatically increase the demand for sugar

The committee's report is silent on this matter, and dismisses ethanol.

It seems logical that the world demand for oil will continue to increase, the oil price will rise and the point at which ethanol becomes viable may be reached in a decade, or sooner

The committee takes the view that the Sasol process — using finite resources — will meet the need for ethanol

There is another factor, which is political — the proposal that KaNgwane be allocated a sizeable sugar quota What happens when that territory is swallowed up by Swaziland?

Similar remarks apply to the Makatini Flats where Lonrho wants to put up a sugar mill, which may go into Swaziland

Swaziland has the advantage of belonging to the Lome Convention which means it has automatic access to Europe, and an almost guaranteed price for its sugar, plus its access to soft loans from Europe and world assistance bodies

That sort of help makes the sums totally different to those applying to the South African sugar industry

The proposals could be criticised further, but Mr L Gordon-Hughes, chairman of the Cane Growers' Association, has pin-pointed the committee's approach 'It has devoted more attention to social and strategic requirements than to economic considerations'

Somewhere there has to be a trade-off If the Government sanctions expansion, then it must be prepared to help the sugar industry

- No more reductions in the sugar price followed by steep rises — which created a disastrous sugar demand pattern,
- Realisation that export profits are an uncertain 'cherry on the top', and
- Adequate price rises with reviews twice, instead of once, a year

Finally, a thought on cane transport. From the report it appears that the problem lies in the inefficient use of transport.

The result of the committee's proposals — if the Government agrees — could be traumatic for a few years and then might well mean increased profits

My view is that they would be marginal, without being of much assistance to the weakest link in the symbiotic structure of the industry — the grower

From backyard to a big force in springs

IN LESS than seven years Pietermaritzburg-based Webroy Springs has grown from a backyard workshop to a major force in the competitive spring industry, with factories in Natal and on the Reef

In spite of a downturn in the economy, Webroy's managing director, Mr Don Royston, recently saw an opportunity to expand into the Transvaal when it became possible to acquire the USSA spring factory in Benoni

'In establishing Webroy, I have always looked to the future I have always aimed to be one of the best precision spring-makers in the country, and when I learned that I could buy USSA — I jumped

'The acquisition of USSA, formerly owned by the United Springs & Steel Group in the Netherlands, gives Webroy the capacity and machinery it will need in coming years for a more diversified range,' says Mr Royston

Don Royston

The Transvaal factory, set up in 1980, has been a specialist producer of stainless-steel springs

Part of Mr Royston's strategy to become one of the country's best spring producers is to continue stainless-steel spring production at Benoni

He is introducing the manufacture of cold-rolled, carbon-steel springs at the plant and the Pietermaritzburg factory will continue producing a diversified range of precision springs

The Webroy Group now consists of Webroy Springs, which is the group head office and Pietermaritzburg plant, and the former USSA factory, which has been renamed Webroy (Transvaal)

'Although the spring industry in this country has tremendous potential, it is still very difficult to produce and market successfully because the industry is very limited, with no help from the Government.'

'Prices are keen because each producer wants to secure his slice, and this is good for all concerned.

'But I believe that we should be looking ahead and planning better, to enable the South African industry to be become self-sufficient for its spring requirements'

The Pietermaritzburg industrialist is convinced that the only way the South African spring manufacturers will really mature, is if they diversify their range, and develop them into export markets

'South Africa still imports vast quantities of spring steel commodities such as cold-rolled springs and spring washers,' said Mr Royston

'We, the local spring producers, should be supplying our own country with all these commodities — and we should be going even further and looking to sell our products in other countries in significant volumes'

Best solution

Mr Royston believes that exporting is the best long-term solution to the dilemma that faces the South African spring manufacturer, as the local market is not large enough to justify the heavy financial commitment involved in tooling up with sophisticated equipment.

'I have decided to take the bold path and commit myself with the best equipment I have been able to procure in Europe and the Far East

'I have now acquired the Transvaal factory which will give me the long-term flexibility I need to offer the diverse range that South African component manufacturers require

'I must now further develop the export markets I have researched in America and Europe to make it all work.

'One thing is certain, unless South African spring manufacturers start taking these chances, they will always lag behind the rest of the world's best spring-makers, and ever since I started Webroy it has been my ambition to be in among the best in the world'

Group shows forward planning

FORWARD PLANNING, to an unprecedented extent, is being shown by the Greytown-based Pioneer Group.

It has recently bought 24 ha of land in Greytown, to accommodate a planned expansion programme which will last at least a decade

Building will start early next year on new premises for three of Pioneer's operations

One is a recently acquired furniture company, the second is Pioneer's cutworm bait plant, Kombat, and the third is still on the drawing board

Mr Cedric de la Harp, technical planning and development manager for Pioneer Seed in Greytown, said building costs for the two factories already approved would be about R350 000.

'We are looking at the feasibility of putting in a rail siding. But that alone will be in excess of R500 000.

'Further development of the land will depend on the rate of growth of the group.

'We will not sell any of the land in the near future in case we need it for our own purposes at a later stage.'

'We plan to develop 10 to 12 ha ourselves within the next five years.

'What we do with the rest of the land then will depend on our growth and whether or not our expansion programme is continued At least we will have the land if we need it,' he said.

New Isithebe factory

A R735 000 stock-feed factory is to be erected at Isithebe

Finance and buildings are being provided by the Corporation for Economic Development (CED) and 105 new employment opportunities will be created when the factory starts

Dehy (Pty) will manufacture roughage from sugar-cane waste The tops of the sugarcane plants and other waste will be compacted to form stock feed

The nutritional value of the feed consists mainly of 6 to 8 percent protein and 35 to 40 percent carbohydrates

Sales will be aimed chiefly at the Japanese market, where large quantities of the product are required The possibility of export to Europe is being investigated

Dehy expects to export between 500 and 600 tons of the roughage monthly

There are enough sugarcane fields near Isithebe to ensure that the project does not fall short of raw material

Isithebe is the largest industrial growth point in the self-governing national states, where 44 industrialists are already established and 5 500 people are employed

Ladysmith gets surge of interest

THERE has been a significant upswing in interest in Ladysmith as an industrial development point and a number of factories are expected to start operating within a year

The president of the Ladysmith Chamber of Commerce, Mr Sam McGuigan, says he is confident that at least four to five new industries will be established in the area within the next six to 12 months

He has reason to believe that at least two of these will be operating within the next six months One of these will be a packaging factory Details of the others have not been made available

Mr McGuigan says he believes the interest shown is a direct result of the concessions and incentives offered by the Government to industrialists in the area.

Concessions to the Ladysmith area, consisting of the Pieters and Danskraal industrial areas, are so attractive that no potential industrialist with an eye to future development can afford to ignore them

Although the concessions were announced in April, it has taken a few months for developers to sort through the maze and to clear up confusion about the application of concessions

The Town Clerk, Mr Peter Hurter, has confirmed that several inquiries have been made in respect of industrial sites in the Pieters area in particular

Asked whether Ladysmith could accommodate employees of the new factories, he said there were still sufficient sites available to build new homes for any number of people

The borough of Ladysmith obviously welcomed the establishment of new factories, particularly because the influx of money would benefit local business and because new industries would create job opportunities

Door panel firm exports to U K

A MAJOR export drive started by Masonite in March this year is set to earn the company R1 000 000 a year from the sale of its pre-finished Legacy door panels to the British market.

The panels are made at the Estcourt mill and are exported at the rate of 40 000 a month — enough for 20 000 distinctive embossed doors which are being snapped up for new housing and renovation work in Britain

The product has been praised in Britain for its quality and the market for the panels has been growing steadily

'A number of major U K housing companies are specifying the panels and, apart from housing, they are going into office and other prestige buildings,' says Mr Alan Wilson, Masonite marketing manager

'We are shipping up to 14 container loads a month and this will be worth about R1 000 000 a year,' he said

'Apart from this, there are benefits to the Natal economy in terms of the use of locally-grown timber and locally made paints in the manufacturing processes at Estcourt.'

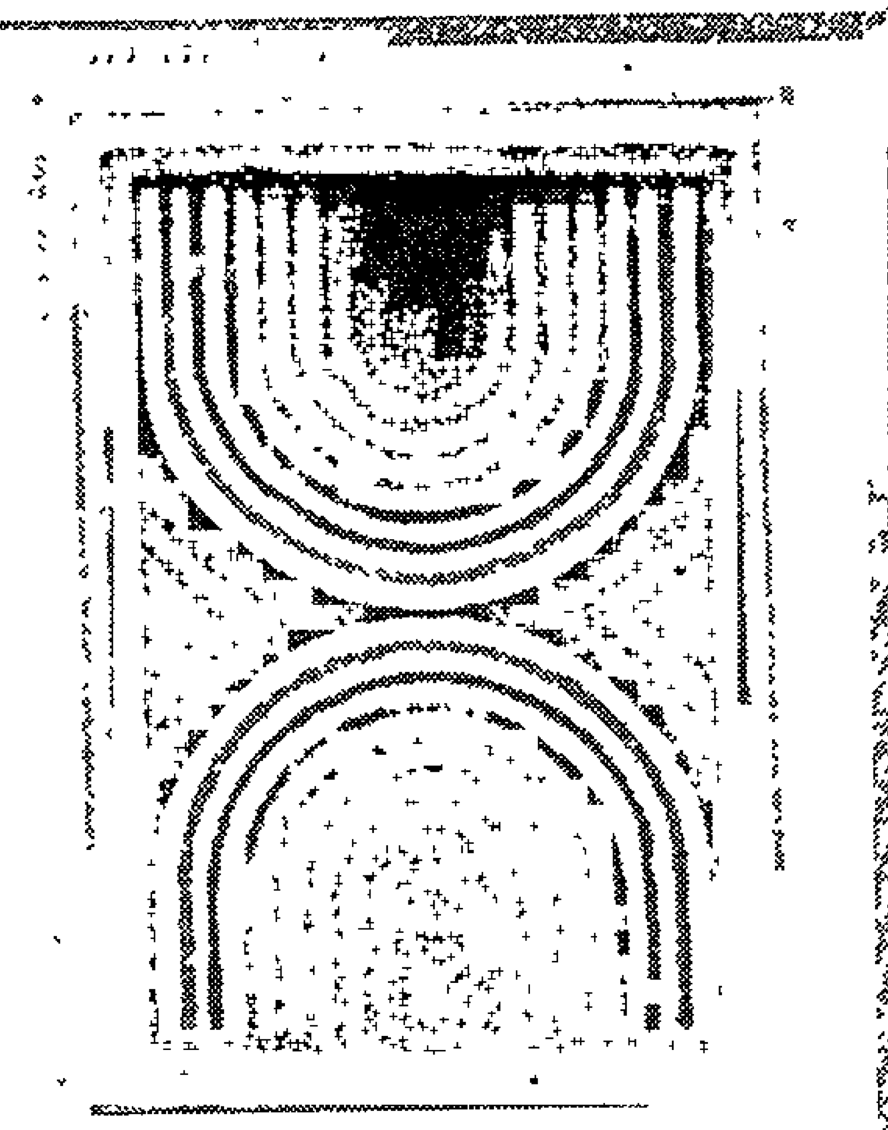
A wholly-owned subsidiary of Masonite, Hardboard Servicing, distributes the panels in Britain and they are made into complete doors by three of the country's largest door manufacturers

The textured door panels come in three finishes — mahogany, walnut and blond oak — and the major benefit to end-users is that they are pre-finished

The panels are exported to Holland, and Masonite has ordered additional equipment to increase capacity at Estcourt

Discussing local demand for the panels, Mr Wilson said that acceptance of the pre-finished door concept was now becoming evident in the South African market

'This will grow as our builders become more and more concerned with the high cost of on-site finishing,' he predicted



THE Tactile range of hand-knotted carpets designed by Valmai Edwards and woven by 120 Zulu women at Biggarsberg in Northern Natal won the Design Institute/Shell Design Award for 1982, it was announced recently Only one other Natal company qualified for this year's awards — Conlog, the Durban-based electronics company. Top-quality carpet wool or mohair is hand-knitted on linen warp using a Turkish knot with a linen weft woven through and beaten down on the completion of each row of knots. A dense pile is the result.

From stockbroking to the world of catering

MR JOHN HARRISON has abandoned the world of stockbroking to set up a catering concern for the small factory which does not want to go to the cost — and health rule difficulties — of setting up a kitchen

'We will supply food in special containers designed to keep it warm for about four hours The packs are 900 g or 500 g with the larger costing R1,06 Firms can decide whether to supply them free or subsidised '

At first meals would be designed for black workers — curry, beans, samp, stew, mutton, chicken and mince — seven basics, one for each day of the week.

Iphawa Caterers uses C'est Si Bon Confectionery to prepare the meals

Mvumase Dam plan for Tugela

THE main project in Natal for the Geological Survey is the planned Mvumase Dam on the Tugela River

Geological examinations established the contact zone between various geological formations

The geologists point out that the ability of the granite-gneiss beds to withstand differential loading and the stability of the planned 148 m high rock-fill dam and its outlets is crucial to the scheme

Geologists investigated the Mvoti River near Greytown with the intention of finding a site for a dam, but could not

An alternative proposal for short-term requirements is to build smaller dams on tributaries of the river and this led to three sites being examined — 'one of which yielded promising results'

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THE search for bauxite — the source of aluminium — continued in Natal last year, the annual report of the Geological Survey discloses A comprehensive report on the resource is being compiled

The search was extended to high-rainfall regions outside Natal — the South-Western Cape, Eastern and Northern Transvaal and the Southern and Eastern Cape

An interesting — but of academic interest only — occurrence of bauxite containing 44 percent aluminum oxide was found in the Cedarberg Pass in the South-Western Cape

Two experimental boreholes were drilled in the Howick area to study the fluctuations of the water table and the pH of groundwater on the process of bauxisation

Samples of Natal bauxite were examined by Mintek in 1980 and were given upgrading tests last year A report is being compiled on the tests

Bauxite is found in the Richmond, Mooi River-Underberg, Cedarville-Harding and Northern Natal areas, but in very low concentrations unsuitable for processing

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PROSPECTORS showed a strong and sustained interest in the exploitation of base minerals and the search for new deposits in Natal, the Mining Commissioner for the province reported

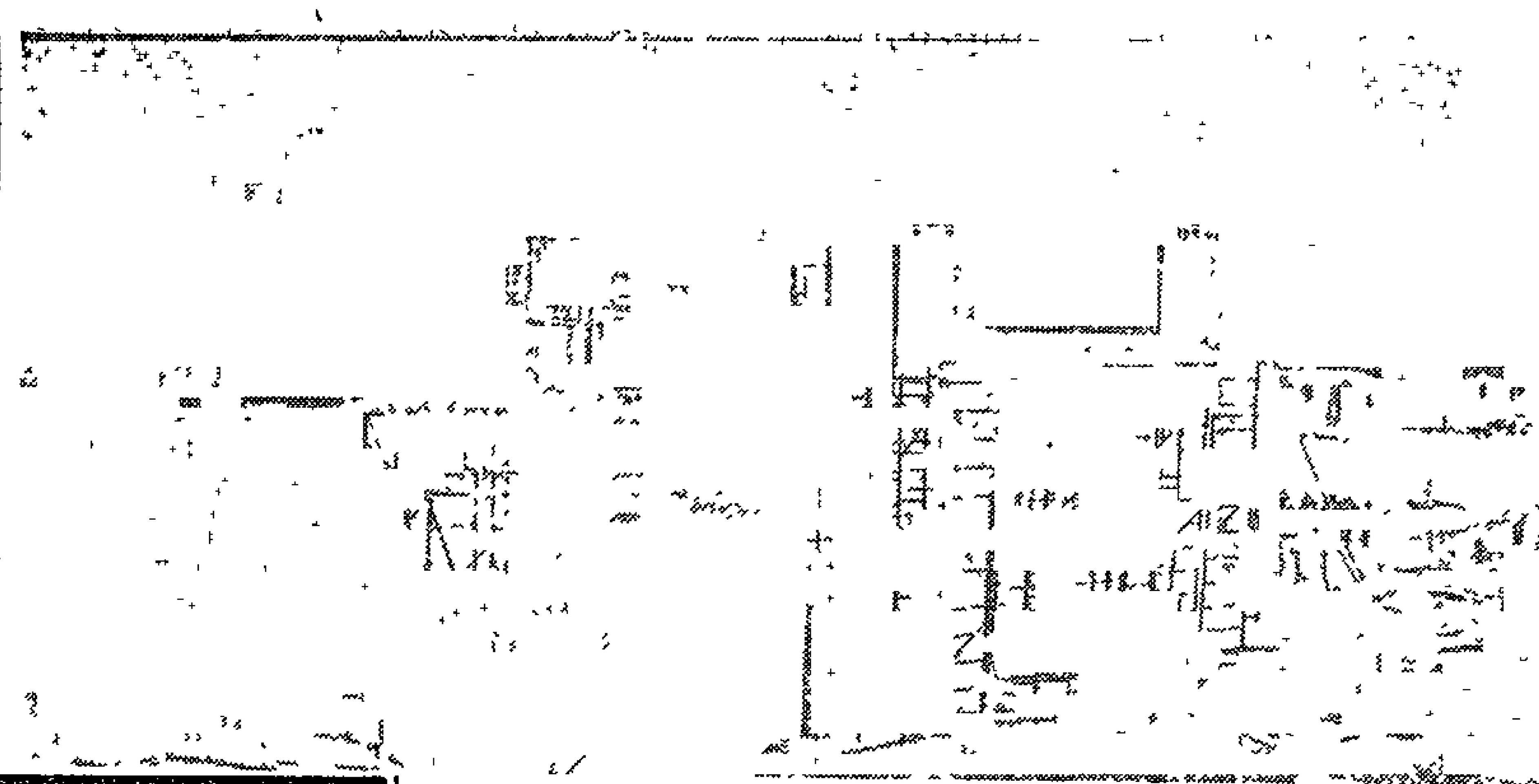
He said a large number of applications for prospecting licences were finalised and several applications for prospecting leases were dealt with

'Prospecting by means of boreholes was conducted on an extensive scale throughout the mining district and information on a large number of boreholes was lodged during the year'

An extensive search for diamonds took place in 1981 It was extended during the year with 109 new prospecting permits being issued for properties in the Nkwalini settlement district near Eshowe

No discovery has been reported

What's happened in the past year



CONSTRUCTION of the R160-million Simuma clinker factory near Port Shepstone is on schedule and no serious technical problems have been encountered. The picture shows the early stages of the pre-heater tower construction It will produce 500 000 tons of clinker which will be milled at the Durban Cement factory

SENTRACHEM'S synthetic rubber plant at Newcastle, now expected to cost about R350 million, came on stream in June this year and is expected to be functioning fully by June next year

It was one of the last projects to capitalise on some very favourable income tax provisions which are likely to rescue it — in financial terms — and provide a source, albeit expensive, of home-made synthetic rubber

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FURTHER down the road at Ballengeich one of the AECI companies — **Holland Electro Chemical Industries** — commissioned in August a R30-million furnace to produce carbide which will look after the country's requirements for the next 10 years

Following closely on the opening of the carbide furnace, it is to build an acetylene black plant at an estimated capital cost of R6 000 000

Scheduled for completion in the third quarter of 1983, the plant will manufacture strategically important high-purity carbon for the local dry-cell battery industry

The plant will draw acetylene feedstock from existing dry generator capacity at Ballengeich It will absorb under-specification carbide and odd-size material for which there is no immediate commercial demand

The local dry-cell battery industry imports between 1 200 and 1 500 tons a year of acetylene black

HECI's new plant, rated at 2 000 tpa capacity, will supply all local requirements with excess for export It is estimated that the savings in foreign exchange will be in the region of R3 000 000 a year

Because the local product will be competitively priced with overseas material, it is anticipated that it will enable battery manufacturers to compete more favourably in export markets, says AECI

Unlike carbon black, which is used extensively in the tyre and rubber industry and sourced from oil, acetylene black is non-greasy and derived from coal It is an extremely light material of a feather-like consistency, rating as a carbon second only to diamonds in purity

The process to be utilised by HECI involves a series of refractory-lined steel retorts into which a mixture of dry acetylene gas and air is introduced and ignited

Once the refractory lining has reached a sufficiently high temperature, the air supply is cut off and the acetylene decomposes to pure carbon in a continuous endothermic reaction

The acetylene black produced is then fed through a series of ducts to be compressed and packed in 10 kg paper sacks These are compressed to a block form and shrink-wrapped on pallets for delivery to customers

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A SUBSIDIARY of Sentrachem, **NCP**, opened a R5 000 000 plant at Isipingo during April to produce maleic anhydride

There will be enough production to halt imports which are used for making unsaturated polyester resins, printing ink resins and acids for the food industry

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ALSO in April Dr Kobus Loubser, general manager of **South African Transport Services**, opened a R4 000 000 concrete sleeper plant at Vryheid

The sleepers are to be used in the upgrading of the Richards Bay-Ermelo coal export railway line The 1984 target for exports was 40 million tons a year

Plans which have been slowed by the world recession are to use 200-truck trains with an axle load of 20, and later 26, tons This compares with the original plan to use 76-truck trains with an axle load of 18.5 tons

The factory will make nearly 2 000 000 sleepers which will be able to cope with the increased loads

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IN JULY **Huletts Aluminium** brought its R9 000 000 foil-rolling plant into operation in Pietermaritzburg

It will boost foil production by 80 percent and meet local demand until the late 1980s

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THE **Simuma Project,** costing about R150 million, will come on stream at the end of next year to rail from the plant outside Port Shepstone 1 450 tons of clinker a day to its Durban cement processing plant at Bellair

The project, undertaken in the heat of a conservation controversy, will be owned equally by **Anglo-Alpha, Blue Circle, Pretoria Portland Cement** and **Cape Lime.**

It will be run by **Natal Portland Cement** which is owned by these four companies as well

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AT UMBOGINTWINI an American concern, **Monsanto,** opened its Alachlor plant in March which makes special herbicides

It will be run by AECI

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WORK has begun on two major projects at Richards Bay — the R600 million **Mondi** pulp mill (expected to be completed by 1984) and the replacement sugar mill at Felixton which at last estimates was to cost R110 million

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A LARGE R14,5-million motor parts complex is under construction at Pinetown for **M B Spares,** a division of UCDD, which manufactures and distributes Mercedes Benz and Honda cars in South Africa

R9 m shopping centre set to open on the Bluff this month

SANLAM's new R9 000 000 shopping centre at Tara Road, Bluff, will open its doors with all space let on November 16

It is the first major shopping centre on the Bluff, other shops being in small and fragmented parades

Work began on site shortly before the end of 1981 and the anchor tenants, Checkers and Edgars, were given beneficial occupation during September

Mr I Colepeper, head of Murray & Roberts (Natal) said the successful completion, on time and on budget, showed the value of the 'package deal-negotiated approach' to such developments and of having a resident property negotiator, Mr Chris Lawrence, in Durban

Mr Colepeper explained that Murray and Roberts Properties (MRP) had been invited by Sanlam, who owned the 5,25 ha property for 10 years, to prepare a scheme to take advantage of the improving rentals that became possible from mid-1981

'Six or seven schemes were worked out, modified and priced by MRP with our building division and the architects before the final solution was arrived at', said Mr Colepeper

In the end MRP gave Sanlam a satisfactory price and certain undertakings on the financial return on the building

Anchor tenants were signed up before building started and a successful letting programme undertaken by MRP had resulted in the achievement of higher returns than budgeted

Mr Colepeper said the final decision had proved feasible largely because a simple structure had been worked out without compromising the elegance of the finishes

The whole project is on one level and has one entrance into the circular shopping mall

The mall is tiled in hard-wearing Emaillit Prodorite NCI tiles and the ceiling is of bronzed aluminium slats

All shops have canopy-style protrusions at their entrances so that they can be identified from any position in the mall

Calci-gold bricks are used for the whole exterior and the fascia is of style asbestos claddin

The centre is air-conditioned throughout by Improvair, and free parking for 800 cars is provided

Once the design was agreed, the major challenge facing the builders, said Mr Colepeper, was to meet the very tight completion date

To ensure completion before Christmas, the project was built on a fast-track method in which design and construction commenced simultaneously

There are 25 shops in all and tenants requirements will have to be met right up to the day of opening

The tenant mix assures the centre will be 'one-stop' with everything from furniture to liquor and florists

Natal transport operators start to retrench


A HULTRANS rig with paper from Zululand on Maydon Wharf. A 30 percent drop in traffic through Durban harbour is forcing some operators to slow down and retrench staff.

A 30 percent reduction in traffic through Durban harbour, coupled with the deteriorating economy, is forcing some Natal transport operators to park their rigs and retrench staff

Mr Mike Norris, managing director of Hultrans a major Natal-based transport operator and one of the country's Big Five', says the transport industry has not bottomed out yet

'The economy is really starting to take its toll on our industry'

'There is simply not enough business around and transport fleets are lying idle What is most disturbing is that operators are being forced to retrench' he said

Mr Norris said the recession was affecting different sectors of the industry in different ways

'Much depends on the size of the operation and the nature of work on which it relies'

The well-founded companies that owned their own mechanical horses and trailers were in a far better position than those which run their units on hire-purchase or lease agreements

'We had the situation, not too long ago, when money was fairly easy to borrow and a lot of operators took advantage of this to update or expand their fleets They did this on the premise that they would be able to conduct business on an on-going basis to meet the monthly payments

Mr Norris said that a further result of the flagging economy was that the smaller operators were cutting rates dramatically to uneconomic levels in an effort to maintain a cash flow

South African Transport Services (SATS) is also making a determined bid to capture a bigger slice of a declining market by aggressive campaigning in what used to be the domain of the private sector

'It's not only the Natal transport operators who are having problems It is as bad in the Transvaal,' said Mr Norris

'I would estimate that there has been a 20 percent fall-off in general transport demand, and Transvaal operators are also starting to cut rates'

Hultrans, he said, was in a more fortunate position than most because its operation covered a diverse range of activities, which included the steel industry paper haulage, timber bananas, sugar, general goods and abnormal loads

'Apart from our diversification, our other strengths lie in long-term contracts Many of these are tied to stable agricultural activities — 30 percent of our operation is involved in the sugar industry which is having a good season The banana industry is also experiencing a bumper crop this year'

The transport industry in general would still suffer more before things got better, predicted Mr Norris

'We can't look for recovery until the economy recovers, and in the meantime we must tighten our belts'

South Coast polyether polyol plant

IN A joint venture, AECI and Dow Chemical have opened a polyether polyol plant at Umbogintwini, on the Natal South Coast.

Polyol, an essential chemical in the manufacture of flexible polyurethane foam, will be manufactured in South Africa for the first time.

Financial Reporter

The new plant was opened by Mr Tom Sparta, executive vice-president (commercial), of Dow Chemical Europe S A, on October 26

It will trade under the name Polyol Chemicals

Initially the primary feed stocks — propylene oxide and ethylene oxide — will be imported from Europe

These chemicals will be shipped in gas-tank vessels and landed in Durban

Terminal

A specialised handling terminal has been constructed in Durban Bay for this purpose by PD Oil and Chemical Storage Durban

Designed to meet all local polyol needs, the plant uses 'voronol' technology developed by Dow

However, it is thought that growing demand from the polyurethane industry, currently estimated at 12 000 tons a year, will lead to the eventual production of these feed stocks in South Africa

This could lead to a wide range of other downstream products, derived from propylene oxide and ethylene oxide

Personnel for the plant have been selected from all race groups and the 30-man operating team has been trained on site, during construction, by the Dow commissioning team

Imported

To date, all polyurethane components for flexible foams, which are used extensively in the automative and furniture industries, have been imported

AECI and Dow claim that the new polyol plant will represent a significant saving in foreign exchange and an assured supply of raw material for the local converting industry

Prospecton firm grows

SINCE its establishment on a 3 ha site at Prospecton in 1966, Non-Ferrous Metal Extruders has grown in size and concept — along with the industrial township in which it is housed.

Part of the Non-Ferrous Metal Works group, NFM Extruders has fulfilled the parent company's desire to create a fully-integrated non-ferrous metal production unit

This has meant achieving self-sufficiency from the purchasing, sorting and smelting of scrap metals to the manufacture of many hundreds of different products ranging from copper tube for domestic plumbing to a comprehensive range of copper and brass extrusions for industry's diverse requirements

In addition to a variety of semi-fabricated items, production has been extended into the metal-stamping field

Strong management the key in recession

By MR ETIENNE DE VILLIERS, chief executive officer of the aluminium division of the Plate Glass Group and executive chairman of Frederick Sage (S A) A Rhodes scholar and civil engineer with an economics degree from Oxford, Mr de Villiers recently joined the group from the renowned management consultancy, McKinsey and Company in London, where he was for the past five years. His field was corporate strategy for senior management in multinational companies such as Kelloggs, General Electric and Rank Xerox. He believes that his experience in advising such companies as to managing and exploiting their businesses through recessions stands him in good stead for the next few years in South Africa.

COMPANIES in the building industry are frequently the worst hit during economic recession, but strong management and the appropriate strategy can make the difference between steady improvement and disastrous swings in profitability over the long term, besides optimising earnings in the short term

While we will concentrate on the short-term, day-to-day efficiencies, longer-term strategy will be influenced by our determination to succeed in the four key areas which will generate an advantage for us if we cope with them really well These are

- Firstly, to ensure that any set-back is due to a recession and not the beginning of a long-term decline for a company,
- Secondly, companies need to be realistic about the way that recession may affect them, and
- Thirdly, they need to be bold — speed and alertness are essential if the company is to gain advantage and undertake capex when needed — even at the bottom of the cycle

They should also avoid the 'short-term fix' of cost-cutting at the lowest point which can only result in old products, outdated production methods, labour unrest and, eventually, decreased ability to compete

Strategy

Refinements of this recession survival strategy are to exploit competitor's constraints, and capitalise on gaps in his service or product-mix, flaws in his positioning and errors in his judgement.

Bold action and swift moves are needed to improve market and supply positions and invest in assets which will generate a competitive advantage

Examples of realistic selective measures which may be indicated are sometimes a cutting of a product line, rationalising of over-capacity and reducing overheads

Improved operational efficiency is always important. However, recessionary pressure usually makes the introduction of improvements more acceptable

Another key function is to guard the cash flow

This is best done by tightening control on working capital, mobilising less-liquid assets early, watching for suppliers' or customers' failures

Contingency

Finally, be prepared Structure your business and systems to withstand the next recession

Contingency plans for reducing the financial exposure should be prepared years in advance for a company in a volatile industry

It is important for any company, but particularly for the small man, to gain competitive advantage from a recession, if possible, to balance the whole business for long-term cost/value leadership

At Frederick Sage (Natal) we have tried to ensure this by structuring a robust business and establishing our reputation for reliability with our clients

We have ensured balance financing and have developed appropriate information systems so that we can keep track of the forces at work on our environment and react appropriately

To interpret this management philosophy in terms of my responsibilities, I consider that it is my duty as chief executive officer to ensure that in any decline of the Frederick Sage market, we are able to obtain a larger share of a declining market and ensure continued growth because of the competitive advantage offered by the skills and the structure of the group

First half of 1982 'was good for Natal'

THE first half of 1982 proved very successful for business in Natal, reports Mr Eddie Halstead, branch manager of APE Africa, a part of the international NEI group, who says that the company has finished R6 500 000 worth of contracts in the period.

Many of the contracts are for vertical pumps, which Mr Halstead says require very little floor space compared with traditional pumps This means a pump station can be cut by one third or one half in size

This type of pump is self-priming, eliminating other requirements and has a very flat power-absorbed curve

'This makes it ideally suited to varying load conditions without large changes in power requirements while still maintaining high efficiencies,' he says

A major contract will be three 10 mW steam-turbine alternator sets which will provide all the power needed for Hulett's new Felixton sugar mill

SINGLE-STAGE pumps being constructed by APE for the Tongaat sugar mill.

The company has supplied more than half the installed capacity of these sets in the local sugar industry

They will also supply nine steam turbines to the mill which will drive the crushing mills, pressure feeders and boiler-feed pump.

Another contract is for the Umgeni Water Board where they will supply machines for a pump station with a capacity of 16 200 m³ of water an hour

There will be six vertical-turbine pumps with electric motors

Some will have standby diesel engines in case of power failure

No stopping the property market!

By COLIN VINEALL
Property Editor

THE industrial property market has continued apace in spite of the high cost of money and the general slackening of business

And, says Mr Brian Cole, industrial division director of RMS Syfrets, demand for property in industrial areas is still outweighing supply

'We are having our best year yet,' said Mr Cole, who added that much of the business was coming from larger firms

'It appears the bigger industrialists do not believe that the recessionary times are likely to be very long in severity.

Quieter

'With that in mind, they are going ahead with their plans for expansion fairly normally

'I have found that at the smaller end of the market, business is quieter and there are perhaps fewer deals — but this is more than made up for by the larger transactions.'

But Mr Cole emphasised that smaller premises becoming available for renting were still being 'snapped up', and he quoted the example of an industrial building that came on to the market one Tuesday recently and was leased by 11a m on the Thursday

'I am not for a moment suggesting that the smaller end of the market is disappearing,' he said

Mr Cole said the strength of the market had been underlined by recent auctions where property had achieved prices sometimes in excess of anticipation

Here, buyers were not looking at cheap buildings — they were paying at least the market level

Most important

'In the last recession, the industry went in with a considerable amount of property available That is why prices tended to drop because supply was exceeding demand

'Supply is always the most important ingredient of prices But currently there is a shortage of "stock" and hence the industrialists are going ahead with their plans'

Mr Cole explained there was little speculative building going on in the industrial sector This followed the high rentals needed to achieve a reasonable return because of building costs and high interest rates

'Property owners have no room to manoeuvre on spec buildings because there is no upside potential,' he said

'Without spec building, the shortage of supply will remain and rentals and prices will remain high'

Mr Cole forecast this situation would continue for a year or so He also believed the cost of money would stay high for quite a while.

Long-term

But he added that the lack of spec building might provide a better market than one which was flooded with property

'Property is a long-term proposition and it is better to have steady growth,' he said

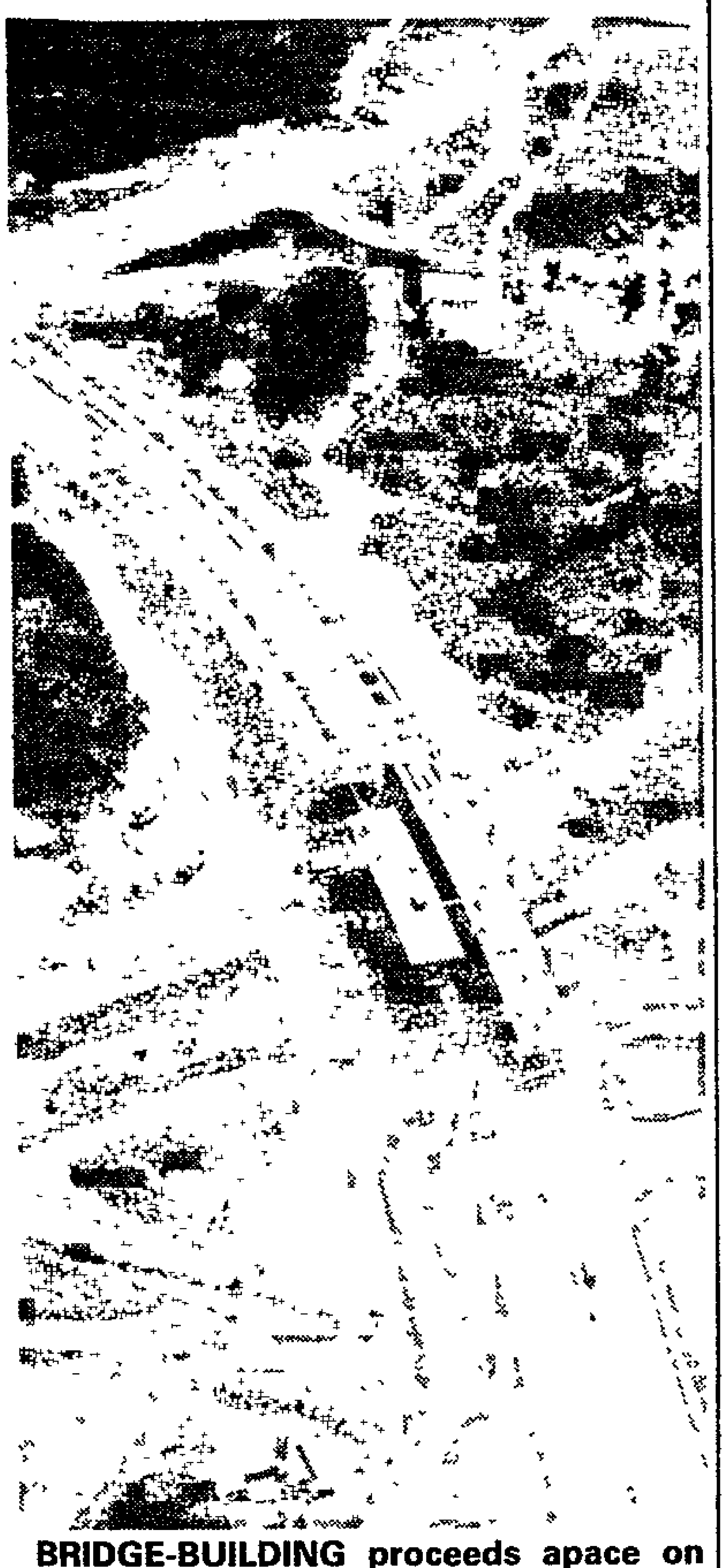
On the availability of land for industrial use, Mr Cole said nearly 10 hectares in Sydney Road, Durban would be coming from the Municipality, while Springfield Flats would be developed, probably in a couple of years or so

'This is prime, well-situated land and there is more in the Tongaat area and other growth points'

Mr Cole said there was a trend towards the tenant of industrial property picking up more of the expenses of running the building — as had happened in commercial property

Built-in

Landlords now were against long leases, but what was becoming more common was a lease with a built-in agreement to review the rents after three or five years, with an arbitration clause to determine rents in case of dispute



BRIDGE-BUILDING proceeds apace on the Sarnia road as work on the network of Natal's roads continues.

He didn't get Natal Fever, but . . .

NATAL FEVER never quite got hold of the Murray brothers, although they trace their Durban ancestry to 1850

One brother, Gordon, designs the Brabham Formula 1 racing cars in Britain, while the other, Terry, has stayed in Durban's enervating climate to build, almost from scratch, the biggest direct marketing agency in the country

Terry Murray, like some of his contemporaries who are successful businessmen, showed little form at Durban High School where he plodded along in a B class, and made the third rugby team

He had a spell as a management trainee for a printing firm and a couple of years in publishing in Canada

In 1962 he joined Direct Mailing Services in Durban as manager of the printing department This grand-sounding position involved about half a day's work in the tiny company which employed a handful of people

The 23-year-old Murray became restless and asked to take over the mail advertising side which was stagnating and had made a paltry R7 000 in the previous 12 months

'At that stage it was almost like a secretarial service,' says Terry

The business developed steadily and was joined by Colin Shepherd, Nigel Gray and subsequently Tom de Gale — all directors and shareholders to this day

By 1976 turnover had reached R500 000 and then the business started expanding rapidly after the introduction of modern management methods

Achieving results

'We really started achieving results and in each of the past four years increased turnover by 50 percent to the current level of about R5 000 000,' says Terry An office was opened in Johannesburg three years ago and the Transvaal now accounts for 70 percent of income

Much work is also being done in the Cape. Clients now come from a wide field of activity and include Edgars Stores, IBM, Time/Life Books, American Express, Avis, Nestle, Standard Bank and Mondi Paper In the past four years DMS has netted 14 top international awards for its campaigns.

Based on income and the employment of 120 people, it is the 14th biggest advertising agency in the country and is on the verge of further major expansion into separate operating divisions. These are: DMS Direct, a full-service direct-response advertising agency, The Mailhouse, a direct-mail production house, an instant-print venture called ZAP, and a separate data division

New computer

The data division moves into its own premises next month in a major R700 000 expansion that includes the installation of a new IBM computer

'This will allow our mailing and computer services to broaden their market by taking in work from outside, including other agencies and competitors,' says Terry

DMS Direct plans soon to apply for NPU recognition as a full-service direct-response agency

Mr Murray ascribes the growth of the agency to long-range planning which included a decision to concentrate resources on improving results for existing clients rather than constantly looking for new business.

Direct marketing has long been the Cinderella of advertising but the advent of computer technology has helped to broaden the market so that some of the bigger agencies are now setting up their own specialist direct-marketing companies

The computer also has increased the pace and accuracy of measuring response from the whole spectrum of media that is now being used.

TERRY MURRAY, chairman of DMS, oversees renovations which will house a new IBM computer in the data division.

Full speed

BUILDING extensions costing more than R1 500 000 at GUD's factory at Prospecton were completed at the end of 1981 and the factory has been operating to capacity since mid-1980 to handle the exceptional boom experienced by the motor industry in the past two years.

In the extra space, additional equipment worth more than R1 000 000 will be able to meet all local requirements of the automotive market.

A specialised manufacturing line has been acquired from Europe to cope with the increasing demand for polyurethane-ended pocket or panel-type air filters which are now becoming standard in European cars

A new raw materials store has been erected, and the finished products store has been tripled in size

Because of the exceptionally wide range of filters which have to be carried for the local market, the company has to keep enormous stocks of finished products

These stocks are kept at Prospecton and at new and larger premises in Johannesburg and Cape Town.

In 1981 the company entered into a licence agreement with Mann & Hummel, which is one of the largest manufacturers of automotive filters in the world and a leading supplier to the German automotive industry

It has a world reputation for quality and technical advancement, and has factories and licences in many countries in various parts of the world

In a separate agreement, GUD has been appointed agent in Southern Africa for Mann filters which are not in the GUD range.

GUD is committed to the Atlantis Diesel Engine programme

In 1981 the company entered into a contract with Atlantis Diesel Engines in terms of which GUD will supply ADE with oil and fuel filters made under the Mann & Hummel licence for part of the range of ADE engines

AT THE site of their latest shop-fitting contract on the tug Voortrekker are Rinus van Riet (left) and Dennis Strugnell.

From a humble start to the top ...

FROM humble beginnings in the 1920s, Robertson and Cubitt, a division of Frederick Sage (South Africa), Plate Glass's contract business, has grown steadily to become the largest shop-fitter in Natal

As part of the reconstruction of their business, the company is being absorbed into the newly formed Frederick Sage (Natal)

Acquired by Plate Glass after a period of stagnation, Robertson and Cubitt has shown rapid growth since 1980 under managing director Rinus van Riet and the guidance of Fred Bingle, who then headed Frederick Sage (coastal) with responsibility for the development in the Cape and Natal

Important

Several interesting major contracts have been completed recently Ship-fitting has become an important activity and the Voortrekker, for Soekor, is soon to be followed by contracts for two more tugs for a Swedish company.

Joinery remains one of the important activities — as the extensive work done at the Clairwood Racecourse, Amatola Suns Hotel and Holiday Inns Wild Coast testify

As testimony to the quality of work, Sage was awarded an outstanding merit award for the remodelling of Stuttafords, Durban, from the Institute of Store Planners and the National Association of Store Fixture Manufacturers, both of America

Designs were supplied by the Walker Group of New York and included dry-wall perimeter walls, wall fixtures, shelves and decorations.

Not only has Frederick Sage (Natal) extended its product line under the new structure, but the division is working in the Transkei and Swaziland

Order book

'Far from feeling the recession, we have actually just increased our resources to meet a full order book,' says Mr van Riet.

'One of our greatest difficulties this year has been to keep up with the demand for skilled people. Our training and financial strength will help us bring relative stability into this sensitive area in future'

Today, as Frederick Sage (Natal) the company retains these key people but has added other activities to those of the Robertson and Cubitt shop-fitting operation-such as windows, curtain walls, window walls, ceilings and partitions

Mr Fred Bingle, now group managing director of Frederick Sage (S A) acknowledges the success of the local operation under Mr van Riet

'His long service and skill as a team builder, matched by that of Mr Dennis Strugnell, his friend and recently appointed general manager, have been developed over 23 years,' says Mr Bingle

Mr van Riet started his shop-fitting career in 1959 in Johannesburg and was involved across the full spectrum of activities before he and Mr Strugnell were given responsibility for Robertson and Cubitt in Natal

'They call us the terrible twins,' laughs Mr van Riet, referring to their unyielding standards on quality which, combined with technical expertise and an open, participative management style, have helped establish Natal as the fastest growing member of the Plate Glass Group

As group managing director of the recently consolidated Frederick Sage operations, Mr Bingle has contributed significantly to the thrust which has overcome recessionary conditions, stagnant markets and other localised problems

Essential

Recognising that it is essential to have growth in a fixed-cost intensive business such as shop-fitting if one wishes to retain one's skill pool, he has extended his product line, created new services to match client needs while creating new opportunities and an increased geographic flexibility

Work competed in one area can be transported to another, technical services, skills and labour are used flexibly wherever needed

The growth and diversification into a powerful and comprehensive contracting organisation with emphasis on strong interpersonal links has necessitated Mr Bingle's flexibility and active search for opportunities on one hand and Mr van Riet's and Mr Strugnell's personal involvement on the other

'We have succeeded in keeping the operating advantages of a small company while passing on to our clients the benefits of belonging to a big group

'Operations which are too big suffer from diseconomies of scale,' says Mr Bingle

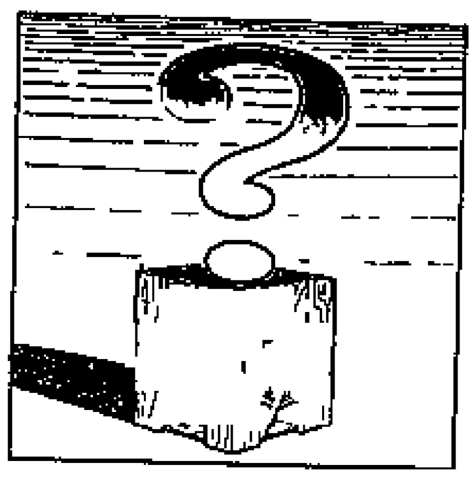
Advantage

'We are not so big that we cannot find quite small contracts worth a great deal of effort, but we can buy our materials on a very big scale, an important advantage for our clients

'If you combine the advantages of group size with a fairly small operating company that can give very personal attention to clients, you can begin to understand what we are all about,' says Mr van Riet

INDUSTRY DILEMMA FM 12|11|82 (180)

To export or to substitute



SA industry is at a watershed It now provides some 90% of the country's consumer goods, about three quarters of its armaments and fuel and an ever-growing proportion of capital goods Yet, despite these achievements, it could soon be facing a period of profound test

Factors such as persistent inflation, growing black unemployment and increasing barriers to world trade have forced government to rethink its industrial strategies to maximise economic growth This could bring changes to the country's existing industrial structure and future development patterns, especially as protectionism gives way to foreign competition

Establishing the new order could entail the demise of some established industries and a temporary lowering of white living standards until the adjustments bear greater fruit. But government, apparently, considers that the sacrifice is necessary for longer-term prosperity and a secure social environment.

Industries, Commerce and Tourism Minister Dr Dawie de Villiers is in the process of studying a number of radical proposals They are contained in several documents, some of which he has still to receive They include

- An investigation by the Federated Chamber of Industries (FCI) into "Obstacles to the effective functioning of private enterprise in SA,"
- The long-awaited national economic and industrial strategy document prepared by a study group headed by Dr Basie Kleu, chairman of the Board of Trade and Industries (BTI) The group started work five years ago, but its report should be with the Minister by the end of the year
- Numerous representations on whether SA should sign the Gatt subsidy code and the industrial and trade consequences involved (See *FM* October 29)
- A study on the costs of tariff protection by the Bureau of Economic and Political Analysis, headed by Professor Jan Lombard, special advisor to the Reserve Bank

The bulk of SA industry owes its existence to government protection, assistance or direct intervention of some description It started to grow in the mid-Twenties, under a scheme described by some as an "inward-looking" policy to promote import replacement

The growth was accelerated in the Sixties by the threat of international boycotts It received further impetus from the oil crisis of 1973, the UN mandatory arms embargo in 1977 and the overthrow of SA's friend, the Shah of Iran, in 1979.

In these times, SA industrial development resembled preparations for a siege Whereas "import replacement" was considered a desirable enough goal for the old days, "self-sufficiency" was then held to be critical for national survival The view was that certain "strategic industries" should be established almost without regard for their cost to the taxpayers and consumers Many were built with massive state funding and almost all are protected from foreign competition by heavy import tariffs or import control This led to the crash programme to put up Sasol Three while Sasol Two was still being built

The vast Atlantis Diesel Engine (ADE) project was also from this era, as was the heavy truck gearbox and axle project The construction timetable for the latter was so short that truck builders were unable to adapt their vehicles to the new components by the time they were expected to come into production

However, this project probably represents the high water mark of the self-sufficiency drive, as it has since been scaled down and given a lower time priority

Government's new thinking appears to be moving towards the view that SA belongs to a community of trading nations It now appears that boycotts are to be combated, not by self-imposed isolation, but by promotion of two-way trade with other countries — on the assumption that nations with strong SA trade links are less likely to vote for sanctions than those which have little trade with this country

Informal sector ... encouragement needed

Further, it is now felt that stability in SA will never be maintained in conditions of chronic, growing unemployment and that job creation is a political necessity

But these views do not fit well with the present structure of SA industry or the government machinery which controls and protects it And if the new thinking is to be implemented, there will have to be drastic changes

In the first place, if SA is to gain an increased access to world markets, it will probably have to sign the Gatt code which seeks to restrict government subsidies to export industries Ironically, this will make life more difficult for some exporters, as they may have to compete on foreign markets without the advantage of government assistance But, if the country as a whole is to benefit from its exports in the long-term, exporters will have to be able to stand on their own feet internationally

Barriers against imports will also have to be dismantled to some extent if Gatt conditions are to be met Measures such as import controls will eventually have to be phased out In some cases, import tariffs may have to be reduced and even the import surcharge, which is considered a fiscal rather than a protection measure, may have to be reduced

This would put severe pressure on many local manufacturers, which have long been accustomed to operating behind a safe government wall against competition from abroad Depending on how determined government is to open the channels of international trade, some manufacturers could be put out of business by these measures

Another move on the import protection front could be to replace import tariffs with government production subsidies to those industries considered worth protecting In this way, the prices of their products could be kept in line with world prices It could be particularly useful with industries producing intermediate products such as synthetic rubber, diesel engines or plastics

Under the tariff system, prices of these items are well above world prices, which pushes up downstream costs of products in which they are incorporated, making the final products uncompetitive with foreign-made products This occurs presently, for example, with some tyres and footwear containing locally-made materials

Reserve Bank advisor Professor Jan Lombard, who now heads the study group into the costs of tariff protection, has long been an advocate of production subsidies

"If we are to protect industry," he says, "we should know exactly how much it costs With import tariffs, the higher costs of local production are difficult to quantify and are passed on through the manufacturing process to the consumer. A production subsidy would have to be debated in Parliament and this would force a more rational cost/benefit analysis."

An objection to the scheme is that production subsidies would have to be paid by government which would necessitate higher taxes. This would be politically unpopular and would go against government's resolve to keep taxes down. However, many economists believe that public knowledge of the costs of supporting local industry would in time effectively depress the levels of the subsidies given. And, while the consumer may have to pay higher taxes, he should benefit from a consequent reduction in consumer prices as the cost of local manufacturing inputs falls.

In tackling what could be one of the country's most explosive problems — unemployment — government is giving serious consideration to removing restrictions on the country's informal sector, now thought to account for about 30% of the gdp. As one economist puts it: "SA is a mixture of First and Third World economies, but we currently insist on First World standards even for businesses in our Third World sector."

This would allow the growth of many presently illegal businesses now serving the black market. And, because of their labour-intensive nature, they should soak up a lot of semi-skilled jobless blacks.

Establishing more of these businesses would require relatively little capital. Instead, there would have to be a wholesale revision of regulations on licensing of premises, trading licences, professional qualifications and building standards. Regulations could also be modified to promote the growth of self-employed teachers and health workers, similar to the paramedics of Red China.

Businesses benefiting from this would include traders, backyard garages and workshops, small manufacturers, construction firms, bus and taxi operators, and road hauliers. Many of these organisations would operate in areas outside the cities, where wage expectations are lower. This would relieve pressure on the facilities in overcrowded urban areas and also slot in well with the political objectives of government's decentralisation policy.

Because of their low cost structures, the more successful of these businesses could, in time, offer strong competition to established businesses. But, as one economist points out: "Big companies could well lose sales to these organisations if they are allowed to grow. But the grim alternative is being taxed out of existence because of the need to counter the social and political consequences which would otherwise arise."

The informal sector could also play a big part in solving the black housing problem, which is another potentially explosive social issue. The FCI estimates that about 200 000 new houses a year will be needed for urban blacks by the year 2000. This compares with the average of 20 000 houses a year completed for blacks in the Seventies.

Housing standards are also likely to be lowered on the reasoning that it is better to provide rudimentary accommodation than none at all.

The burden of financing black housing would also move to the private sector and Lombard says: "There is no way we can carry on with the old system of government financing black housing."

The other leg of the strategy to provide more employment, now being examined by government, is to encourage labour-intensive, export-orientated manufacturing industries. This runs counter to its strategy to date of favouring the establishment of capital-intensive, import-replacement industries.

Examples of SA's new generation of manufacturers could be food processors, medium to high-quality clothing manufacturers and plants specialising in high value-added, short-run production. These already exist in the motor industry, where several component manufacturers do lucrative export business supplying batches of items considered too small by bigger plants overseas. And Ford of Port Elizabeth is currently exporting 1 000 bakkies a month to the UK because costs of setting up facilities there are not justified by this level of demand.

However, these plans will not materialise unless there is an education explosion in SA. As Sasol, for example, has repeatedly stated, no matter how desirable it may be to build more Sasol plants, the skilled labour needed to run them just does not exist.

The De Lange Commission (into education) has already recommended greater privatisation in this field as well as greater emphasis on "non-formal" education.

Of course, extending education facilities to all population groups may mean that those who have enjoyed free schooling for so long may increasingly have to pick up more of the tab.

If government implements a new export-orientated industrial policy, there are undoubtedly going to be influential businessmen who will cry treachery. Having been enticed into investments by an administration that held out protection, they will claim that, on its removal, they are being left holding the baby.

Pretoria, and Minister De Villiers in particular, must not be reduced by such siren calls into attempting to maintain the *status quo*.

There may be cases where phased compensation is justified. But, by and large, investors in protected industries must have at the outset weighed up the sovereign risk of the possible removal of protection by a future government.

Plea to foster small business

ARGUS 16/11/82 180

Dr Frans Cronje

Political Correspondent

ONE of South Africa's leading bankers, Dr Frans Cronje, today made a strong plea for encouragement of the "informal sector" of the economy

Giving evidence to the President's Council's Committee for Economic Affairs, Dr Cronje called for greater freedom in small business

Standards

The committee's hearing today was part of its investigation of measures for an efficient free market.

Dr Cronje said although South Africa was largely part of the third world, first-world standards were applied to many aspects of the economy

He felt that the following should be investigated

- The sometimes unnecessarily high and strict standards set by the Shops and Offices Act, which made it impossible for the small entrepeneur to get on his feet and to compete with bigger entrepeneurs,
- Legislation which made it impossible for hawkers or the self-employed to do business in certain areas,
- Unnecessarily high building standards which in a sense wasted the country's scarce capital resources and which hindered "self help"

Surfeit

And he said the sooner the country questioned many of the standards and surfeit of regulations which had become part of Western civilisation, the sooner it would be on the way to greater self-employment of part of the population

"We must as soon as possible investigate and try to remove the impediments that prevent people from creating work for themselves," he said

Dr Cronje said the ideal was to reduce as far as possible measures which hindered the efficient functioning of the free-market system

There already existed a vicious circle in this regard

More Government action was essential in order to create the basis for greater entrepeneurship

Education

This should include more equal education opportunities, improved business and technical training and the removal of factors which limited trading, hawking and the establishment of business undertakings

Dr Cronje said a publicity campaign to introduce the advantages of the free market system to "less sophisticated" people would either have no effect or a negative one

A large part of the black population would attach no credibility to a campaign launched by the authorities if these authorities had not already removed the largely political obstacles in the way of a completely free economic system

Such a campaign could also be seen as a defence of the status quo.

Dr Cronje said there was also a need for a thorough investigation into State interference with marketing

Anomalies in production and distribution of food products, specifically in the case of bread, and limited licensing of traders in liquor and meat, were examples.

Call for more floral reserves

Environment Reporter

THERE were too few floral reserves to ensure the future of South Africa's wide variety of plant life, Mr P J Grobler of the National Botanical Gardens told the President's Council planning committee today.

Giving evidence during an investigation of environmental matters, Mr Grobler said that while surface area was not the only criteria on which conservation should be judged, South Africa's 3,7 percent reserved for conservation was not sufficient.

Besides the total land set aside for conservation, reserves should be of sufficient size to preserve a representative ecosystem

KRUGER PARK

The Kruger National Park and Kalahari Gemsbok Park covered vast areas, but each was representative of just one ecosystem

Conversely, virtually every mountain peak in the Cape represented a different plant community

While it was obviously impossible to conserve each and every flower-type in a reserve, it was necessary to find a balance between conservation and development

CORTISONE

Referring to the importance of conserving plants, Mr Grobler said the drug cortisone was originally discovered in the elephant's foot plant, which grows only in the Clanwilliam district

A small percentage of South Africa's plants had been thoroughly investigated for their medicinal value and this in itself was a good enough reason not to allow any species to become extinct

Mr Grobler said the Botanical Gardens had primarily an educational function and that although rare and endangered plants could be grown artificially there, this was not the answer

The plants should be protected in their natural habitat

ARGUS, TUESDAY NOVEMBER 9 1982

Chamber warns of 'politics'

Consumer Reporter

ARGUS 9/11/82 (180)

SOME strikes and disputes in the past year appear to have had some political motivation, the executive committee of the Cape Chamber of Industries says in its annual report

The chamber points out that levels of productivity in this country are comparatively low, and that unemployment is likely to rise because of the downturn in the economy

It warns that because of these factors it is increasingly important that 'industrial disputes be resolved without strike action which is harmful to both sides

Strife

A particularly regrettable feature of some strikes during the past year was that 'they related to disputes over matters for which the companies concerned were not responsible and over which they had little or no control"

In some cases the disputes involved inter-trade union strife

This has become increasingly evident with the emergence of new unions in recent times," the report says

There have also been indications of political motivation underlying some of the action taken against employers

"Such disputes are accordingly more difficult to resolve than straightforward differences between management and labour on issues such as wages, hours of work and general conditions of employment

With the economy already experiencing the initial indications of a cyclical downswing and with unemployment rising, it has become increasingly important that industrial conflict should be resolved by way of orderly negotiations between the parties, using the processes of conciliation available to them'

The report says the chamber is doing its best to promote sound employer-employee relations at all levels

It is doing this by issuing guidelines to member firms and by arranging for them to exchange information about their experiences

Its policy of encouraging the resolution of conflict through conciliation will be expanded during the coming year

● See page 19

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Materials research

RDM 20/11/82

Financial Reporter

A NATIONAL Institute for Materials Research is to be established in South Africa on January 1

Its nucleus will be the materials science group of the National Physical Laboratory which has been carrying out research on a variety of materials for some years

Formation of the institute within the Council for Scientific and Industrial Research is expected to give new impetus to this field of science in SA

The institute will be on the main campus of the CSIR in Pretoria and have a staff of about 130. A director will be appointed shortly

SH 1/12/83 (120)

Industry hit by drop in demand

Financial Staff

A pattern of reduced demand leading to poor utilisation of manufacturing capacity is evident from figures released by the Government.

By August the downturn in manufacturing activity could be seen in a variety of sectors, says Central Statistical Services.

One of the worst hit has been the iron and steel basic industries where utilisation dropped to 84,1 percent in August — a 8,5 percent decline against the same month last year and almost 10 percent below the average for 1980.

Last August insufficient demand accounted for only 6,6 percent of the poor state of affairs. By the same month of this year this factor had assumed greater importance, contributing 15,2 percent.

This fact — coupled with an outlook which obviously gave no sign of meaningful recovery in the immediate future — explains Iscor's recent decision to cut its workforce by 6 500

Similarly, the experience of the textile industry is much the same, with utilisation down seven percent and flagging demand now more than 11 percent of the reason, compared with only 6,7 percent a year ago

Other sectors to feel the draught in August — and in certain cases the reaction was sudden — include glass, pottery and furniture Insufficient demand was beginning to make itself felt in the motor industry but obviously the full effect of the weak market had not yet become clear.

Cape must draw light industries — CCI chiefs

ARGUS 13/12/82

(180)

CAPE TOWN has the potential to become the centre of South Africa's service and light industries, senior officials of the Cape Chamber of Industries say.

Mr J R Wilson, president, and Mr Jack Roos, director, said in a wide-ranging interview that the Western Cape was lagging behind the rest of the country in growth.

It must move away from activities that were tied to specific resources and markets and should concentrate more on service industries

In this category were the computer industry, consultancies and head offices of large corporations

ELECTRONICS

The growing electronics industry was also well suited to the Cape because of the supply of sophisticated labour employed in industries such as textiles

Cape Town could become a centre of the country's burgeoning technological industries with a high level of employment skills

It was traditionally a centre of education and was at an advantage because local labour was generally more industrialised, which was a major attraction

AIR LINK

The Government could improve the air link between Cape Town and Johannesburg and make it easier for executives to travel between the two cities This could be done by revising the air fare structure

The restraints on private transport companies could also be relaxed to allow competition in the private sector.

Mr Roos said the increase in SA Transport Services tariffs would hit the Western Cape harder than other areas of the country Goods from the Western Cape had to be transported 1 500 km to the main markets

LOW PRICES

It was difficult for the Cape to concentrate on export products, as some had suggested, because in a time of recession South Africa's major trading partners were trying to offload their surplus at low prices

Local industry must be protected from disruptive or predatory competition This did not mean the chamber was opposed to free trade

Import control had always been a controversial issue, especially in time of international downturns

The chamber had never advocated uneconomic duty levels, but industry had to be protected from cheap goods that were dumped on local markets

The Western Cape was particularly vulnerable because it manufactured mainly light consumer goods. These good could easily be subsituted by offloading cheap imports

KEY ISSUES

There were four key issues that had to dealt with in 1983 These were inflation, the balance of payments, the rand-dollar exchange rate and productivity

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(In block letters)

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

	Internal	External
(1)	(2)	(3)
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Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

to disqualification and to possible exclusion from the niversity

(180) Star 14/12/82

Cape has big potential for light industry

Financial Correspondent

CAPE TOWN — The Cape has the potential to become the centre of South Africa's service and light industries, senior officials of the Cape Chamber of Industries say.

Mr J R Wilson, president, and Mr Jack Roos, director, said in an interview that the Western Cape was lagging behind the rest of the country in growth.

It must move away from activities tied to specific resources and markets to concentrate more on service industries

In this category were the computer industry, consultancies and head offices of large corporations.

The growing electronics industry was also well suited to the Cape because of the supply of sophisticated labour employed in industries such as textiles.

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The Western Cape was particularly vulnerable because it manufactured mainly light consumer goods — easily substituted by offloading cheap imports

Mrs. J Products