MANUF. - Iron & Steel

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Dieptrekstaal vir blikke in SA vervaardig

(189)

Rapport 7/1/79

NOUE samewerking tussen Yskor en Metal Box Suid-Afrika het gelei tot die ontwikkeling van 'n spesiale soort metaal wat Suid-Afrika sowat R4,3 miljoen per jaar aan buitelandse valuta sal bespaar.

Die tweestukblikke is oorspronklik in Amerika ontwikkel en Metal Box het in 1971 sy eerste tweestukblikke in Brittanje begin vervaardig. Met die gebruik van ingevoerde staal is die eerste tweestukblikke op Rosslyn in 1976 vervaardig.

Een van die oorspronklike ontwikkelaars van die dieptrekgehalte staal in Amerika, Crown Cork & Seal Inc., het reeds die nuwe Suid-Afrikaanse produk besigtig en getoets. Die firma het daarna laat blyk dat hy belangstel in die aankoop van die Suid-Afrikaans vervaardigde tinplaat. In hierdie stadium is Yskor egter nog nie in staat om aan uitvoer te dink nie.

Die staal, wat van dieptrek-gehalte is, word in die vorm van tinplaat aan Metal Box verskaf vir die vervaardiging van tweestukblikke in die maatskappy se fabriek op Rosslyn, naby Pretoria.

Die blikke van 340 ml, wat in die bier en koeldrankhandel gebruik word, word in 'n trek- en strykproses tot die vereiste diepte vervorm en net 'n deksel is daarna nodig.

Yank-patent

Tot etlike jare gelede was hierdie tegniek onbekend en kon net driestukblikke — met romp, bodem en deksel — vervaardig word. Die spesiale staal wat vir die tweestukblik benodig word moes eers uit die buiteland ingevoer word.

Maar met hierdie nuwe deurbraak van Yskor en Metal Box word die staal plaaslik gemaak, met die gevolglike aansienlike besparing aan buitelandse valuta.

Die gebruik van die tweestukblik beskik ook oor heelwat voordele. Versiering kan in vier kleure aangebring word, en omdat die blikke geen nate het nie, kan die blikke reg rondom versier word.

etailed employment projection for the ished. This was contained in Professor s in 1974 to the South African Institute ose to approach the making of our ... nd evaluation of Professor Plewman's oneering effort. We do not have Professor Plewman's -tise nor his access to detailed technical and production ut individual mines - and so it seems sensible to use his ation, adding adjustments that may be required by infor- during the 3 to 4 years that have elapsed since he search.

ections

n first derives some estimates of the future rates of e main minerals mined or quarried in South Africa. The nined are 1980 and 2000. He then considers the 'balance ng technologies' likely to be used for each mineral in duces the implications of these technological assumptions output per worker likely to hold in the various branches hen presents the levels of employment in these various that are entailed by his output and output per worker

tions (Table 23, p.60)

e minerals that Plewman separates out as worth individual ause of the relative size of the employment associated ing) are:

platinum;

e, chromium, manganese ore, coal and asbestos.

including quarries and salt, and tin) he treats together Uranium is taken together with gold; zinc and lead with with platinum. In 1970, the base-year in Plewman's calculations, employment in these various branches was as follows (in order of size): gold - 413 272, coal - 72 555, platinum - 61 167,

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Rapport 14/1/79

DROË KNOU VIR TREKKERS

HOEWEL 1978 vir die land se boere 'n baie goeie jaar was, het die afset van nuwe trekkers in hierdie jaar met sowat 17 persent gedaal. Daar is 12 001 nuwe trekkers verkoop, wat sowat 2 500 minder is as verlede jaar.

Die verwagting is dat die swak landboujaar wat vanjaar in die vooruitsig gestel word, die afset van nuwe trekkers verder kan knou en 'n syfer van tussen 10 000 en 11 000 word verwag.

Mnr August von Eckardstein, bemarkingsdirekteur van Malcomess, het aan Sake-Rapport gesê dat boere ondanks die paar goeie landboujare 'n tekort aan kontant het en dit is die rede waarom die trekkermark so kwaai verswak het.

In 1979 sal die mielie-oes, mits binne die volgende week deurdringend reën uitsak, slegs sewe tot agt miljoen ton wees. Goeie reën in die najaar sal verseker dat die koringoes op dieselfde vlak bly. Verder sal die pryse op die wêreldmark vir mielies steeds laer bly as die plaaslike prys, weens hoe internasionale voorrade.

Die gevolg is dat die landboumark nie meer as tussen 10 000 en 11 000 nuwe eenhede sal absorbeer nie. Dus sal die likwiditeitsprobleem steeds 'n faktor wees wat die aankope van nuwe trekkers raak en sal daar gevolglik 'n oplewing in die vraag na goeie laatmodel, gebruikte trekkers wees. Die totale nuwe verkope sal verder geraak word deur die ineenstorting van die suikerprys.

Ondanks hierdie laer totale afset, verwag Malcomess tog dat sy markaandeel sal toeneem. Die rede is tweërlei van aard, sê Mnr Von Eckardstein. Vir eers gaan boere met die moontlike beperkings op die

Vervolg op kol. 3

Trekkers

Vervolg van kol. 6

gebruik van dieselbrandstof, sowel die onlangse prysverhoging kyk na trekkers wat hoer uitsette per uur vir dieselfde brandstofverbruik lewer.

Hier is dit veral vierwielaangedrewe modelle wat 'n groter vraag sal geniet. Hoewel hierdie trekkers dieselfde hoeveelheid brandstof as hul tweewielaangedrewe staalmaats per uur verbruik, verrig hulle tot een-derde meer werk in dieselfde tyd, in los grondtoestande, sê hy.

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of grass grow ... before
any speculat
ion has shown how it can be done economically,

STEWARTS & LLOYDS

Lower margins

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FM 12/1/71

Activities: *Manufacturer and distributor of steel sections, structures and pipes, pumps, valves and sluice gates, diesel engines, irrigation equipment, castings, air conditioning, ventilation and refrigeration equipment, and mining machinery The holding company is Ipsa, which holds 52% of the equity British Steel holds 21%, Anglo American 11%.*

Chairman: *H C Kuiper, deputy chairman and managing director: T M King*

Capital structure: *22,8m ordinaries of 50c 300 000 6% cum prefs of R2 Market capitalisation R43,3m*

ou to know the work?

FM 2/2/79

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STEEL

No longer a worry

The shortage of good coking coal in SA has long been a worry to the steel industry. No longer. Iscor's recent discoveries of large deposits of both blend and straight coking coal have virtually removed the fear that the strategically important industry could become dependent on imported supplies of this crucial ingredient

The new finds — which include some of the best quality coking coal yet found in SA — also offer the promise of an improvement in iron making efficiency of about 12%. For a iron maker like Iscor, this would be a very handy bonus

Coke (the solid substance left when the volatile parts have been distilled from coal) is used as both a fuel and a reductant in a blast furnace. If it crumbles it can choke the furnace. Until recently the country's only known reserves of straight coking coal were in Natal, but these are of relatively poor quality. They have a high ash content (13%-14% against 5%-8% in the US), a higher volatile content (23%-30% against some as low as 19%-21% in the US), and poorer caking properties

To stretch its limited reserves, Iscor mixes Natal coal 50/50 with blend coking coal from the Witbank No 5 seam to obtain an acceptable coke. But because the coke is relatively weak, it cannot adequately support a large mass of iron ore and dolomite and the output of iron Iscor obtains from a medium sized blast furnace is up to 40%-50% less than that obtained in similar furnaces in Japan or Australia

With Witbank No 5 seam due to be exhausted early in the Eighties, Iscor is now developing (with the help of a R100m leasing deal with Standard Bank) its own deposit at Grootegeluk (see map), where there are reserves of 500 Mt of blend coking coal, and massive reserves of steam coal. At a planned production rate of 1,8 Mt/year, the coking coal reserves are sufficient to last about 200 years and the mine will come on stream in the early Eighties. It will reduce Iscor's dependence for coal on the private sector from 77% to about 50%

Grootgeluk coal is of better quality than Witbank No 5 seam, and the blend will require less straight coking coal than at present. Even so present sources of straight coking coal (five private sector mines in Natal and Iscor's own Durhacol mine) have limited lives and the hard fact is that blend coking coal cannot be used on its own. This is where the new discoveries (three straight coking coal deposits north of the Soutpansberg in the Northern Transvaal) are so important

The best yet

"There we have identified better coking coal than anybody has ever seen in SA," says Mike Deats, Iscor's mining division general manager. "I have a gut feeling that there is no longer a quality problem in the long term."

While high in volatiles (30%) and ash (12%) the new coal has excellent caking properties indicated by a swelling index of 9 (5 or 6 is the norm in SA) and a Roga index of more than 90 (55 is acceptable here)

The three deposits, which get progressively better in quality as you move eastwards from the N1 highway south of Tshipise, are Block C (about 20m sales tons), Block D (quantity unknown) and Block E (100 Mt *in situ*, probably less than 50m sales tons). In Block E (which stretches to the boundary of the Kruger National Park) the coking coal is comparable with the best anywhere. Clearly, there is a lot more of it within Kruger Park, but the environmental lobby, may prevent it ever being exploited. Nobody has, as yet, even been allowed to find out how much is there

Iscor last year consumed 6,1 Mt of coal for coking. Assuming at least 30% of this in future will be straight coking coal, Blocks C and E could replace present Natal sources at present consumption levels. That is not enough to get complacent about, but it certainly removes the immediate worry. Block D has still to be assessed, and other deposits may yet be found

But, says Deats, it is unlikely Iscor will ever be able to switch away from using a mixture of straight and blend coking coal. Iscor intends to put out an enquiry for private enterprise to mine Block C on its behalf. A call for tenders may go out in the third quarter of the year.

l survey of firms
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iod stated?',
an, both the
l the number of
of technician
are given below.

Table 25. Number of ... atal Employers'
Associatio... , and number of
firms requ... .

A. NATIONAL DIP... TECHNIC...	...s required 1980 Techni-cians	Firms
Electrical Engineeri	7	2
Electrical Engineeri	6	3
Industrial Instrumen	10	5
Mechanical Engineeri	40	6
eri	9	6
eri	20	2
ir-	4	2
eri	2	1
rvi	1	1
tsm	3	2
tsm	8	5
s	1	1
gy	1	1
an	28	9
tr	8	4
er	18	6
gy	2	1
	5	2
y	6	1
Microbiology	4	1
Food Technology	4	2

HUNT LEUCHARS & HEPBURN

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(189)

Aiming for bluechip status

Not only should this fourth-generation family business be in for a re-rating 12 months after its listing when its first interim results are published in November, it could come close to its aspired-for bluechip status

Although MD Chris Perry expects the group to do little more than achieve the forecast modest 9,3% taxed return on the R48m shareholders' funds this year, which ends on February 28, the management objective of a 15% return could be exceeded within 12 months of the listing

Construed by some analysts as a stumbling block to a ranking

among the best on the JSE is the low (2 5) interest cover While the directors take the point, they add that up to the time of the listing growth through acquisition and capex on plant and equipment was funded solely from ploughbacks and borrowings Internal capital developments, such as the recently established steel tubing subdivision, are only now contributing at acceptable levels

Perry further parries by pointing out that the listing will enable the group to "tailor" its capital structure This suggests that the equity base may soon be broadened by some sort of rights issue

So far, the steel division, which began with the acquisition of Wolhuter Steel in 1973, has been HLH's most successful diversification out of mining supplies Sweeteners to profit growth include steel tubing, which is enjoying stronger local and overseas demand In fact, higher export sales of tubing, particularly to the US, have enabled HLH to push its total overseas turnover up to R15m

The board is particularly excited by the growth prospects of the engineering division which now has a full order book and could make a substantial contribution to next year's group profits, although

PROJECTED PERFORMANCE FOR 1979

	– Sales –		-Gross profit–	
	Rm	%	R'000	%
Building projects	25,1	18,4	365	3,0
Engineering and instrumentation	21,3	15,6	1 458	12,2
Mining supplies	41,5	30,4	5 901	49 1
Steel	47,3	34,6	4 112	34,3
Other	1,4	1,0	173	1,4
Total	136,6	100	12 009	100

research into finding suitable alternatives to timber supports But this does not mean timber has become an outmoded support material It is probably still the best means of supporting walk ways in gold mines However, future demand for timber support is not expected to rise significantly

HLH's plantations cover some 70 000 ha, a third of which it owns, and the rest is leased Conveniently sited sawmills extract and cut the hardwood for direct despatch to the gold and platinum mines One massive sawmill at [illegible]

When Hunt Leuchars & Hepburn went public through a reverse takeover of Randles Brother & Hudson last November, the mechanics made SA merchant banking history. This report dissects the group's present operations and suggests what could be in store now it has the status — and resources — that accompany a JSE listing

Expansion through [illegible] failed to get off the mark at the expected cracking pace Since HLH's [illegible] a small mining engineering firm [illegible] has been the only takeover [illegible] prime targets will be well managed companies servicing the mining industry A prerequisite would be a proven return of at least 15% on shareholders' funds

Acquisitions could be large involving double (and more) the amounts involved in the past when limited capital resources restricted the group the largest to date being Wolhuter where R4m was spent on the original stake After all, the listing has placed in the directors' hands unissued shares worth R21,5m at the current 260c share price Their reticence is probably due to their conviction that the share price has some way to go

The reverse takeover of Randles, whereby it became the group's pyramid, changed its name to HLH and retained its listing, made SA merchant banking history, because Standard Merchant Bank actually bought a controlling interest in Randles on behalf of HLH A condition of the transaction was that SMB realise Randles' assets for at least R5m in cash The total consideration received was R5,2m, which includes the expected proceeds from the disposal of the jewellery business

As an investment HLH is sound and investors are awakening to its prospects Last month they pushed the share price up 40c to 260c Given that the group will improve slightly on its forecast earnings and dividend, it is on the cards that a 13c dividend (equivalent to an annualised 19,5c) will be paid for the 8 months to February 28 1979 [illegible]

HIGHVELD STEEL

FM 9/2/79

(189)

Export successes

In contrast to most other steel and ferro-alloy companies worldwide, Highveld continues to forge ahead, and, thanks to production restraint coupled with European reference prices, US trigger prices and a weak dollar Highveld realised substantially higher prices for its steel exports in the six months to December 31.

Together with the consolidation of Rand Carbide for the first time this led to a 54% increase in turnover to R121m and a 40% rise in pre-tax profit to R19m. But Highveld did need that 10% domestic price increase last September to partly contain rising costs. For, at the attributable level earnings rose less sharply, gaining 27% to R12,5m and enabling an interim dividend increase of only 1c to 6c.

In general world steel consumption is expected to grow by a modest 3% this year. However most of this should be accounted for by the communist bloc which continues to enjoy high operating rates. On the domestic front only modest growth is expected and Highveld continues to view the medium term with apprehension as large steel intensive State projects like Sasol II and new Escom power stations will soon begin to absorb less steel.

Demand for vanadium is still depressed so the Vantra division continues to run at a reduced level. However export demand and prices for Transalloys manganese and silicon ferro-alloys showed sufficient improvement in the first six months to keep all five furnaces operating at capacity.

Rand Carbide also benefited from improved world demand for ferro-alloy, both directly through ferro-silicon exports and indirectly through higher local sales of metallurgical char and electrode paste. Overall, it contributed 13% to group earnings.

As market conditions appear to have stabilised Highveld expects to maintain its first half performance. This implies earnings of 37c for the full year and with capex now down to only R3m there should be room to increase the total dividend from 16c to 18c. On this basis the share is fully valued.

John Wynne

...ng farm, Goedverwag, (residence of Mr ... ginally as "Goedeverwachting" it became Brink's Inn", until bought by the Jardine "Applegarth". Major Wm. Jardine, collector, ...

Should it rain, the excursion will be cancelled.

Members are required to pay 10 cents each for the excursion; they are ...

In sum ... 2000 by about 50 per cent.

3.4.2 Labour productivity projections, 1980-2000

All long-run projections must be highly tentative, but one has the feeling this is especially true for forecasts of technical progress.

Plewman made assumptions (in Section 2.2 of this chapter) about the change of techniques and labour productivity over time. In general he assumed something about what we might call marginal labour productivity in the various branches of mining viz. that all increases in the production of minerals will be at productivity rates at least

IMPORT REPLACEMENT

(47) + (381) FM 16/2/79

Joys and woes

What are SA firms doing to replace imports? The scope for raising the local content of consumer goods is small. Consumables make up only 14% of the total import bill. But the import replacement drive has snowballed in capital goods industries. The *FM* has taken a sample of particularly active sectors.

In the electrical engineering field, GEC has replaced imports worth nearly R22m in the past two years. Traction control gear equipment for the SAR, transformers, switchgear and railway signalling components are some of the locally manufactured products. GEC also plans to manufacture PABX systems and control valves locally. Investment in new plant needed to replace imports totals almost R10m so far.

Only about R20m of Dorbyl's annual turnover of about R350m is imported. The firm has negotiated a number of agreements to compete with sophisticated imported products.

Last year Siemens started making high voltage motors, medium and high voltage circuit breakers and switchgear in SA. MD Wilfried Wentges reckons that though the company's products are not always cheaper than imported goods, their quality is as high. In the case of telephone systems and railway signalling equipment, he claims that the local product is competitive even in price.

SA is now almost self-sufficient in the manufacture of electric cables, and local industry can satisfy roughly 90% of domestic demand. But, says William Randell, MD of African Cables, more effective tariff protection is required because the industry is currently operating at less than 65% of full capacity and having to compete with low priced imports. He reckons that much of the R25m currently spent by the industry on imports could be saved.

Protection against sanctions

In electronics, Altech is planning to expand its import replacement programme. Currently it spends over R3m a year on research and development. Executive director Ken Maud says: "We firmly believe that the threat of embargoes on communications and electronic equipment will become less and less as local manufacturers become more self sufficient."

Altech's telecommunications division is developing a transmission system which will provide thousands of long distance trunk circuits for SA's telephone network. Once production starts SA will be self sufficient in such equipment. The company has also received a R1m order from the Post Office for telephone capsules (the transmitting and receiving parts of a telephone) which for the first time will be made locally. Plans are in hand to produce certain quartz crystals, making SA totally independent in synthetic quartz.

At least seven companies are increasing the local content of valves made in SA. According to Hennie du Preez,

Altech's Maud . . . profits from patriotism

chairman of the SA Valve Manufacturers Association: "There is some pressure from government on the industry to go for import replacement, particularly in the more strategic applications." But, like industrialists in other sectors, he points out that the SA market is so small that production of some lines is not economic.

Sulzer Brothers are producing sophisticated pumps for the petro chemical and chemical industries, replacing imports totalling more than R2m so far. However, this saving of foreign exchange has so far been largely negated by investment in imported capital equipment needed to manufacture the pumps.

Sulzer is also making specialised welding rods and electrodes in SA. Though the value of import replacement is small, the products are used to prolong the life of imported equipment.

Piggott Maskew, of Boksburg, has replaced R700 000 of industrial rubber imports. The firm notes, however, that restrictions on the use of black labour are among the factors inhibiting import substitution.

Massey Ferguson has cut imports of a number of farm implements, such as grain drills, combine heads, and certain ploughs and disc harrows, saving several million rands worth of foreign exchange annually. New fixed investment to produce this equipment locally has not been necessary.

Apex Industries has started producing gasifier grates for Sasol II, and high chrome grinding equipment which is already being exported to South America. The firm also expects to be able to manufacture SA's total requirements of corner castings for containers.

Eclipse Engineering produces battery-powered industrial vehicles which were all imported two years ago.

Has it gone too far?

Great strides have been made in the coal mining industry. Hubert Davies, Dresser SA and Joy Manufacturing are among the firms which have boosted the local content of their products. Dowson & Dobson will this year start manufacturing a continuous drum miner that drills, blasts and loads coal.

But Allan Hodgson, GM of FG Licence Mining, warns that in some cases the industry has taken import replacement too far. His firm now has to produce items such as face drills and scoops, which are not always price competitive. Nonetheless, he notes that "mining companies prefer locally manufactured machines."

The pharmaceutical industry is rapidly moving towards self sufficiency. Until now most manufacturers merely compounded and packaged imported active ingredients. But in the last few years the local manufacture of active ingredients has been stepped up. Last year Wellcome began production of two active ingredients and will soon be producing a third. Roche and Noristan are also involved in primary manufacture, while Ciba Geigy is considering plans to build a factory for the synthesis of active ingredients.

According to Dieter Klingenschmidt, chief executive of Wellcome, it is not cheaper to manufacture these active ingredients locally, but for strategic reasons it is important to establish a primary pharmaceutical industry.

How attractive is import replacement? Strategic considerations cannot be measured in money terms, but the Reynders report on export incentives criticised the cost-increasing effects of government's policy of protecting domestic industry. Several firms have admitted to the *FM* that short production runs make locally-produced items more expensive than the imported product. "Short runs are the greatest problem. Excessive capital investment is not justified if production volumes are too low," says a Massey Ferguson man.

UNION STEEL 189

Improvement ahoy!

An improvement in the local steel market and controlled price hikes increased Union Steel's pre-tax profit more than five times to R6,1m (R1,1m) in the year to December 31. But while earnings improved 233% to 12,03c (3,6c) the dividend was lifted 120% to 5,5c, the level prevailing in 1976 when earnings were 19,8c.

Turnover, which includes ferrous and non-ferrous metals, rose 8,9% to R137,2m (R126,1m) The divergence between the increase in turnover and the increase in pre-tax profits arose from absorption of overheads at higher tonnage and the company's swing to higher margin speciality steels.

MD Jan de Waal says the sharp improvement in the local motor industry was the main factor increasing demand for speciality steel. Forecasting this year is a difficult exercise However, he says the company is looking towards a similar market to last year.

Demand for mild steel was weak in line with the construction industry. Mild steel's controlled prices and low margins are prompting the shift towards more

Union Steel chairman Marais . . . specialising in steels

profitable lines. However, manufacture of speciality steel is becoming increasingly expensive, says De Waal. Price increases for ferro-alloys, transport, and electricity have added to higher unit costs.

The non-ferrous metal market was not particularly good, says De Waal. Aluminium conductor sales finally tailed off as demand following the energy crisis died away. Moving the manufacturing plant from Richards Bay to Vereeniging should cut down overheads, though it could still leave the company with excess capacity.

Dividend distribution remains conservative as the company continues its policy of reducing debt It is also a function of the industry's cyclical nature, meaning that dividends do not rise or fall in proportion to changing profits. At 55c the share yields 10%

Des Kilalea

BRICK & CLAY (189) FM 9/3/79

Recovery prospects

Activities: *Engineering group supplying components to the mining and other industries. Also manufactures bricks in the Western Cape Owns Natal Steam Coal, and investments include 48,7% of Triang Pedigree (toys and prams). Union Corp holds about 10% of the equity and 30% is held by a foreign consortium.*

Chairman: *R G B Amm*

Capital structure: *3,3m ordinaries of 50c 68 000 6% cum prefs of R2 75 000 7% cum prefs of R2. 112 262 8,5% conv red prefs of R2. Market capitalisation R3,2m.*

Financial: *Year to December 31 1978 Borrowings. long and medium term, R5,0m; net short term, R2,4m. Debt·equity ratio· 94,3% Current ratio. 1,4 Net cash flow: R1,1m Capital commitments R328 000.*

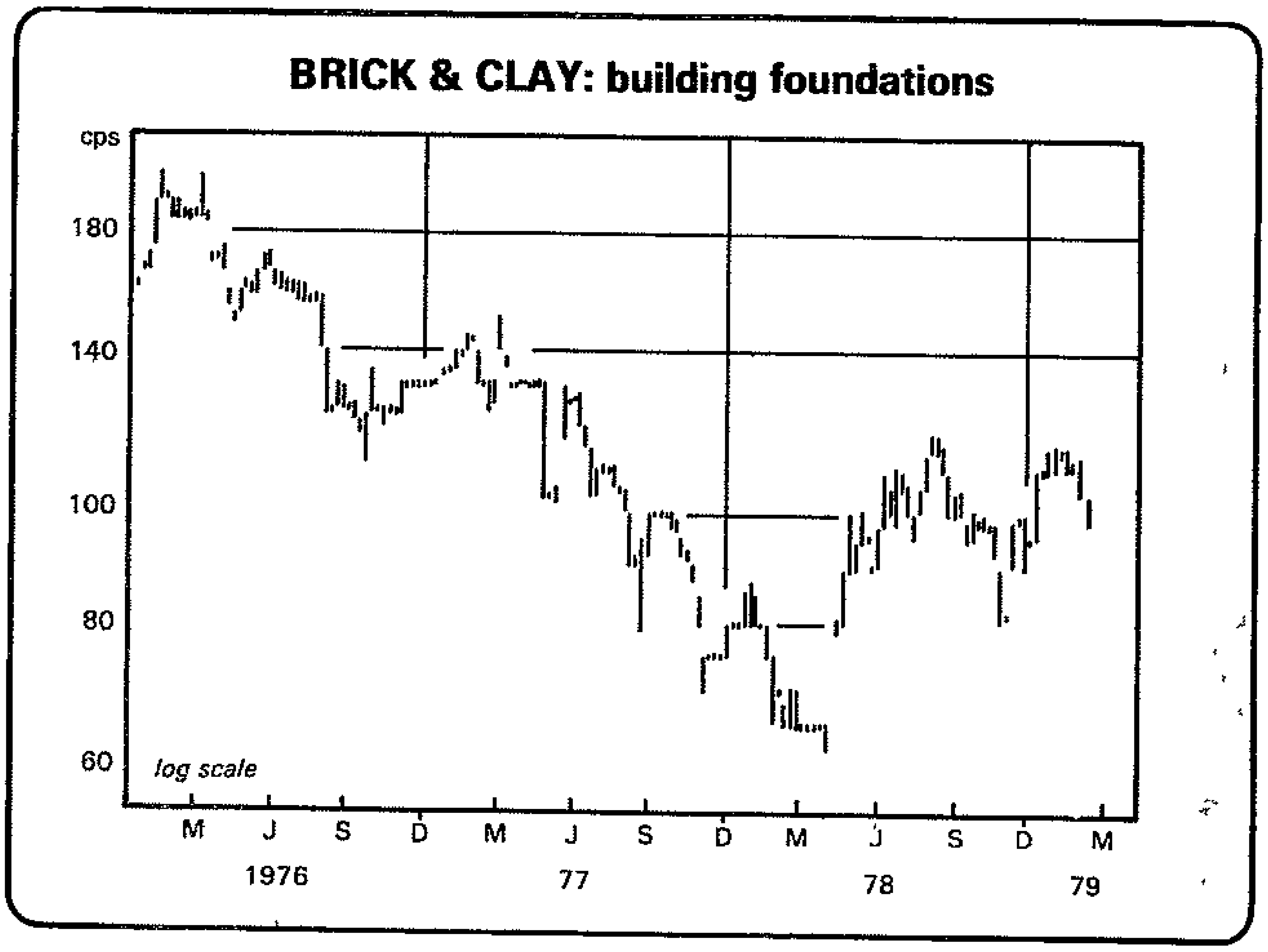
Share market: *Price; 98c (1978-79 high, 117c; low, 63c, trading volume last* *quarter, 170 000 shares) Yields 25,8% on earnings, 10,7% on dividend Cover 2,4 PE ratio 3,9*

	'75	'76	'77	'78
Return on cap %	15,8	17 1	14 3	13 6
Turnover (Rm)	16 3	19 0	17 5	21 5
Gross profit (Rm)	2 2	2 7	2 1	2 1
Gross margin %	13,4	12 8	12 0	9 8
Earnings (c)	36 6	39 7	20 7	25 3
Dividends (c)	19	19	10	10 5
Net asset value (c)	235	244	227	224

Despite higher turnover in each of the group's operating divisions, only engineering improved its pre-tax profit contribution After write-offs, the brickmaking operations recorded a loss

Clabric is no longer an associated company, but an investment, and its results are therefore not consolidated After the disposal it was found that consumable stores and the brick stockpile had been overstated and was written down by R149 000 A further amount of R296 000 was also written off against the investment as it did not improve its performance until the third quarter of the year However performance is expected to improve and the investment to be profitable this year.

Demand for bricks picked up in the second half of the year; and if this demand continues in 1979 the company will consider re-opening the Belville plant The Kohler plant, which resumed operations last year, suffered from closure and start-up losses though it is now operating profitably.



The gas side, Capegas, cut its contribution to pre-tax profits from 8% to 5%, mainly because of the Cape's mild winter and depressed economic conditions

Engineering activities contributed 99% of pre-tax profits and 81% of turnover. With the exception of the winch division, margins improved in all sections of this arm and the outlook seems buoyant

The group has made some change to its accounting policies Depreciation is now charged on both the old and new gas mains, all of which are maintained on a continuous basis, and the costs charged against income. Goodwill is now being amortised retrospectively This means that the R247 000 which was transferred from distributable to non-distributable reserves in 1977 to offset goodwill arising in consolidation was transferred back to distributable reserves.

Although pre-tax profits for the year were virtually static, profits in the second half slipped marginally against the comparable period, dragged down both by Clabric and the winch division The balance sheet did not fare as well, showing signs of a difficult year

Gearing was higher with total borrowings of R7,5m (R6,7m), representing 94,3% (82,8%) of equity funds The current ratio slipped from 1,5 to 1,4 Creditors are up 116% to R3,5m, suggestive of easier credit lines rather than a year-end sales surge However, debtors are also up 48% Stocks at R5m (R3,7m) represent 67% (49%) of net assets, which partly explains the higher gearing

Though return on capital was expected to improve last year as the group had taken the bulk of the expense of closing its brick plants in 1977 it in fact slipped to 13,6% (14,3%) Until the drain on profits from the capital intensive brick operations is stemmed return on capital is unlikely to show more than a slight improvement

At 98c, yielding 10,2%, the share has advanced on the last three months The share has its attractions to investors looking for a medium-term recovery situation

Gail Pemberton

results and dividends

		Pre-tax profits Rm		Percentage change	Earned cents per share		Paid cents per share			Dividend		
		1977	1978		1977	1978	1977	1978	Sector	Amount cents	Register by	Payable about
A&F	I	0,1	0 1	—24	0 6	0 3	—	—	Motors	* Passed		
BTR	D	—	—	—	—	—	—	—	Industrial Hold	†12,00	16 3 79	3 4 79
Cap Auto	D	—	—	—	—	—	—	—	Motors	●*3 30	9 3 79	30 3 79
Defy	P	0 8	0 7	—9	7	4	4	—	Engineering	† Passed		
Diroyal	P	1 1	1 7	+58	6	10	3	4	Industrial Hold	‡4,00	16 3 79	12 4 79
Eriksen	P	0 5	♦2 1	—	33	♦*78	5	♦15	Motors	†7,50	6 4 79	20 4 79
Falcon	D	—	—	—	—	—	—	—	Rand & Others	●*42,13	16 3 79	20 4 79
Gallo	I	0,6	1 1	+87	1	9	2	—	Furniture	* Passed		
Globe	I	1,2	1,4	+16	18	22	—	—	Engineering	—	—	—
Group 5	P	7 0	5 4	—24	49	53	18	20	Building	†12,00	30 3 79	12 4 79
HGX	P	—0 5	0 7	—	—	21	—	10	Printing	†6,50	30 3 79	30 4 79
Hebotex	I	1,0	0,6	—35	18	12	—	4	Clothing	*4,00	23 3 79	30 4 79
Hesperus	I	0,4	0,4	+5	8	8	—	—	Investment Trust	—	—	—
Ind Invest	D	—	—	—	—	—	—	—	Industrial Hold	*30,00	23 3 79	20 4 79
Liberty Hold	P	§14,3	§15,7	+10	20	24	12 8	15	Insurance	†10,00	30 3 79	30 4 79
Liberty Life	P	§10 4	§12 6	+21	95	115	74	86	Insurance	†56,00	30 3 79	30 4 79
Osborn	D	—	—	—	—	—	—	—	Engineering	†23 50	23 3 79	30 3 79
Metje & Ziegler	I	0 5	0 6	+10	9	10	—	—	Industrial Hold		—	—
Prima Ind	I	0,3	0,1	—60	46	22	15	15	Engineering	*15,00	16 3 79	6 4 79
Rand London	I	1 1	1,5	+38	13	16	—	3	Mining Hold	—	—	—
Remb Beh	D	—	—	—	—	—	—	—	Tobacco	†9,50	30 3 79	20 4 79
Remb Group	D	—	—	—	—	—	—	—	Tobacco	†13 00	30 3 79	20 4 79
SWA Fish	P	3,0	2,6	—15	96	82	●53	●53	Fishing	●†35,39	Recommended	
Safmarine	I	12,0	7,0	—42	23	18	—	—	Transportation	—	—	—
Samancor	P	0 1	0 0	—33	131	107	65	55	Manganese	†40,00	16 3 79	4 4 79
Searles	I	0,4	0 9	—	40	78	—	—	Clothing	—	—	—
Shipwrights	I	0,4	0,2	—40	22	17	—	—	Engineering	—	—	—
Suncrush	I	§0,6	§0 9	+54	21	33	7	8	Beverages	*8,00	16 3 79	6 4 79
Svenmill	I	0 1	0,1	+14	—	2	—	—	Clothing	—	—	—
Tegkor	D	—	—	—	—	—	—	—	Tobacco	†8,10	30 3 79	20 4 79
TIB	D	—	—	—	—	—	—	—	Tobacco	†8,10	30 3 79	20 4 79
Toncoro	I	0,6	■3,7	—	5	8	3 5	—	Building	—	—	—
Trek	P	7,0	7,7	+10	20	24	9	10,5	Chemicals	†7,00	23 3 79	27 4 79
Truworths	I	5 5	5,6	+2	306	321	80	—	Stores	—	—	—
Unidev	P	■*3,5	4,9	—	♦*11	13	■*8	9	Property	†4,75	23 3 79	7 5 79
Union Steel	P	1 1	6 1	—	4	12	2 5	5 5	Steel & Allied	†5,50	16 3 79	19 4 79
Union Wine	I	0,7	0,7	+4	9	9	—	—	Beverages	—	—	—
Wilbarz	P	§1 6	§1 1	—32	16	11	15	11	Fishing	†6,00	20 4 79	30 5 79

I = *Interim* D = *Dividend* * *Interim dividend* † *Final dividend* ° *Amended figures* P = *Preliminary* ‡ = *Annual dividend* ♦ = *17-month period* ♦* = *Adjusted to 12 months* ● = *Net after non-resident shareholders tax* § = *Net after tax* ■ = *Figure includes results of Coronation Industrials Ltd* ■* = *10-month period*

issues

	NIL PAID LETTERS						FULLY PAID LETTERS OF ALLOTMENT						PRICES OF LETTERS		
COMPANY AND TERMS	Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Take up price cents	Price Feb 27	Price Mar 6
PREMIER PAPER MILLS — Rights Issue 25 new for every 100 held	16 2 79	19 2 79	23 2 79	14 3 79	15 3 79	16 3 79					15 3 79	30 3 79	226c	—	41
PREMIER PAPER MILLS — Rights Issue 120 11 3% con cum pref shares for every 100 ordinary shares held at R1 per share	16 2 79	19 2 79	23 2 79	14 3 79	15 3 79	16 3 79					15 3 79	30 3 79	100c	—	4

ALUMINIUM

Beyond the benchmark

Steadily rising world aluminium prices should soon spread more optimism through Alusaf's R110m plus Richards Bay plant Since it was commissioned in 1971, the IDC-controlled project has struggled against low export prices while maintaining the 24 hour output essential for gaining maximum economies of scale

Alusaf MD Danie van Vuuren says foreign sales are now running at 59c/lb - 6c up on last year - and comfortably above the 55c/lb used as an international benchmark for the viability of new smelters

Production of 85 000 t/year (up 600 t on last year) is split roughly 35% exports and 65% for domestic use

Local converters pay the equivalent of $0,65/lb High as this seems, compared with $0,43/lb in mid 1976, it is still among the lowest in the West, with current producer prices ranging from the UK's 64,5c to Japan's 74,4c Indeed, Japan recently cut back output by 40% as higher electricity tariffs pushed production costs

Power bills plague Alusaf too Escom charges now run at around R35/minute, day and night Costs are passed on to converters (mainly Huletts Aluminium averaging well over half of Alusaf's domestic sales) which now pay R1 211/t

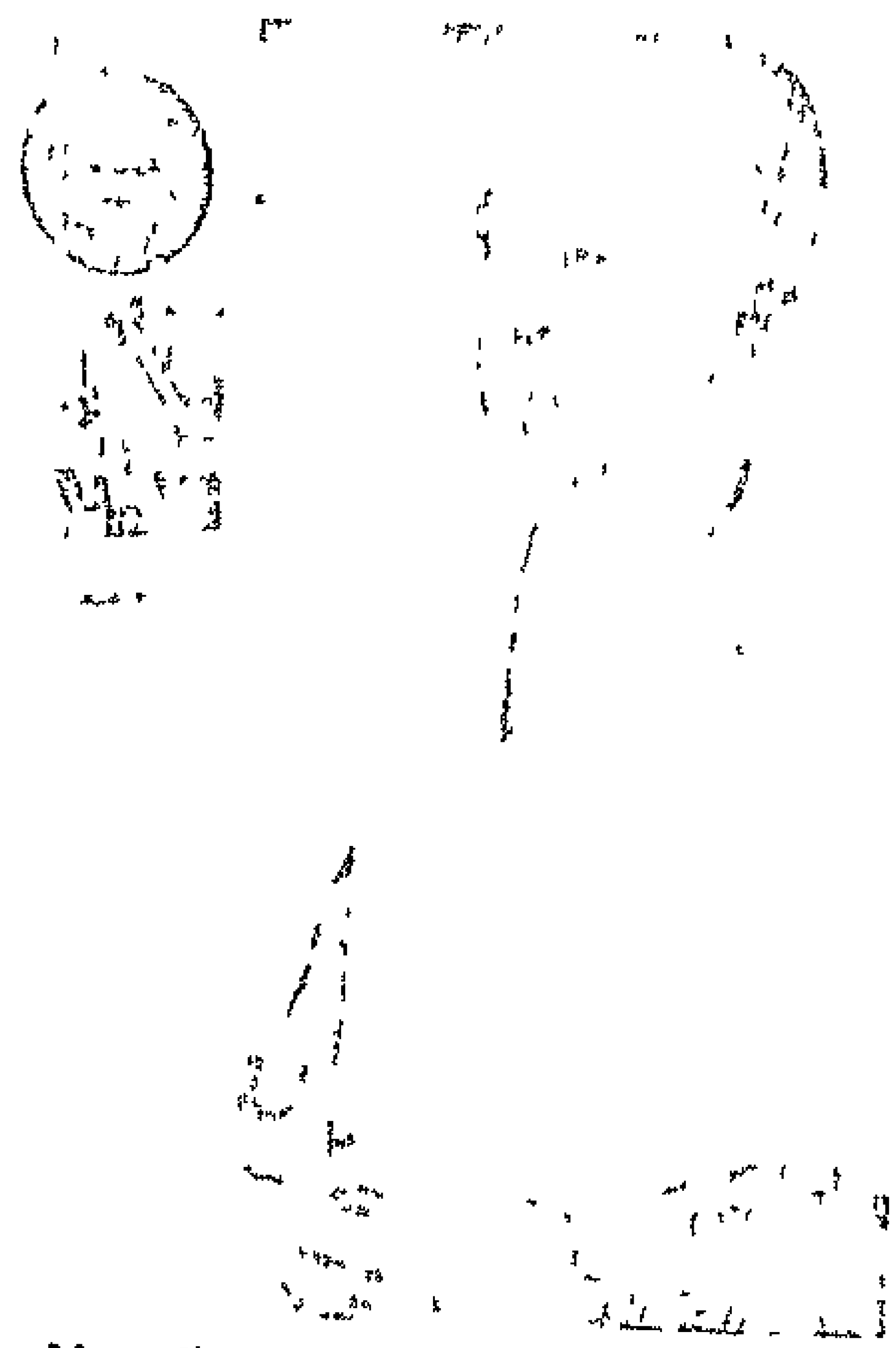
Yet barely 30 months ago aluminium was around R850/t with speculation (*FM* July 9 1976) that it could possibly touch R1 000/t

"World prices will continue to rise though in the short term there could be a dip to [illegible] recent [illegible] says Van Vuuren

According to the London based [illegible] [illegible] that, the [illegible] world [illegible] over [illegible] [illegible] up to 198[illegible] [illegible] which demand is likely to grow [illegible] at [illegible]3% annually [illegible] [illegible] only moderately [illegible] present levels

The unit also reports that good supplies of alumina (Alusaf imports its 160 000 t annually from Australia) will keep the raw material price depressed for the foreseeable future

Alumina, electricity, and carbon anodes make up in virtually equal portion the bulk of aluminium's cost component Low alumina prices along with locally made anodes, which Van Vuuren estimates will save R1,[illegible]m a year in foreign currency are big points in



Alusaf's van Vuuren ... rising optimism

Alusaf's future favour There is little, however, it can do about electricity

A bigger swing to domestic sales would help But, says Van Vuuren, demand by local converters has been static for some four years To make matters worse, Escom's substantial orders for powerline conductors have tailed off

The fuel crisis should eventually work in aluminium's favour Railways is studying its use on rolling stock, and the motor industry worldwide is now balancing the metal's relatively high cost against its lightweight contribution to petrol saving

These potential boosts are still a long way off Alusaf can, however, look forward to a healthier income than it has had in the past. Converters should also be able to look forward to a comfortable market now that at least some of the price shocks of the Seventies are over

Ferro-alloy production rises by 70 percent

STAR 19/3/79

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Ferro-alloy production in South Africa rose 70,1 percent in January this year to 120 800 tons compared with January 1978 but the improvement has to be assessed against considerably reduced output levels in the year ago January period.

According to the Steel and Engineering Industries Federation's January production report additional furnace capacity and the re-opening of a number of ferro alloy furnaces resulted in increased production in the third and fourth quarters of last year which carried through to January this year

Ingots and continuously cast billets rose 12,8 percent to 678 000 tons, while January pig iron production was 19,6 percent higher at 553 000 tons.

Seifsa director Dr E P Drummond said as long as ferro alloy production can be maintained future months should show similar higher trends, especially as there has been a general pick-up in the ferro-alloy industry.

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FM 23/3/79

DOMESTIC APPLIANCES

A whiter shade of pale

The R150m a year white goods industry (refrigerators, cookers, washing machines and other big ticket appliances) is battling to keep its head above water

Local manufacture fell 25% between 1976 and 1978 to 304 000 units (see chart), while imports rose 22% to 84 000 units, accounting for an estimated R35m of the industry's R160m total retail value This period saw liquidations of companies like Alrode, Icelandic and Coldflo, the closures of GEC and Lewis Appliances, the purchase of Fuchs by Barlows and the merger of SA General Electric and Defy to form Defy Industries Though this rationalisation potentially improved prospects, return on the industry's R110m investment nevertheless remained at an estimated 4%

Sales of electric stoves dropped 32% between 1976 and 1978 to 79 000 units fridges 28% to 101 000, freezers 41% to 55 000, and washing machines 18,5% to 79 000 units This is directly attributable to the recession while the white market (over 60% of domestic appliance sales) for items like fridges (97% of households have one) and electric stoves (93%) has long been saturated Normal replacement demand has waned as lifespans have been stretched, adding to the problems of the industry

The only real potential for expansion is the black market, but this depends on the large scale electrification of urban townships This won't happen overnight and, anyway, the industry reckons that when it does main demand will be for small items like kettles and irons, with only secondary importance being attached to major purchases like fridges and stoves

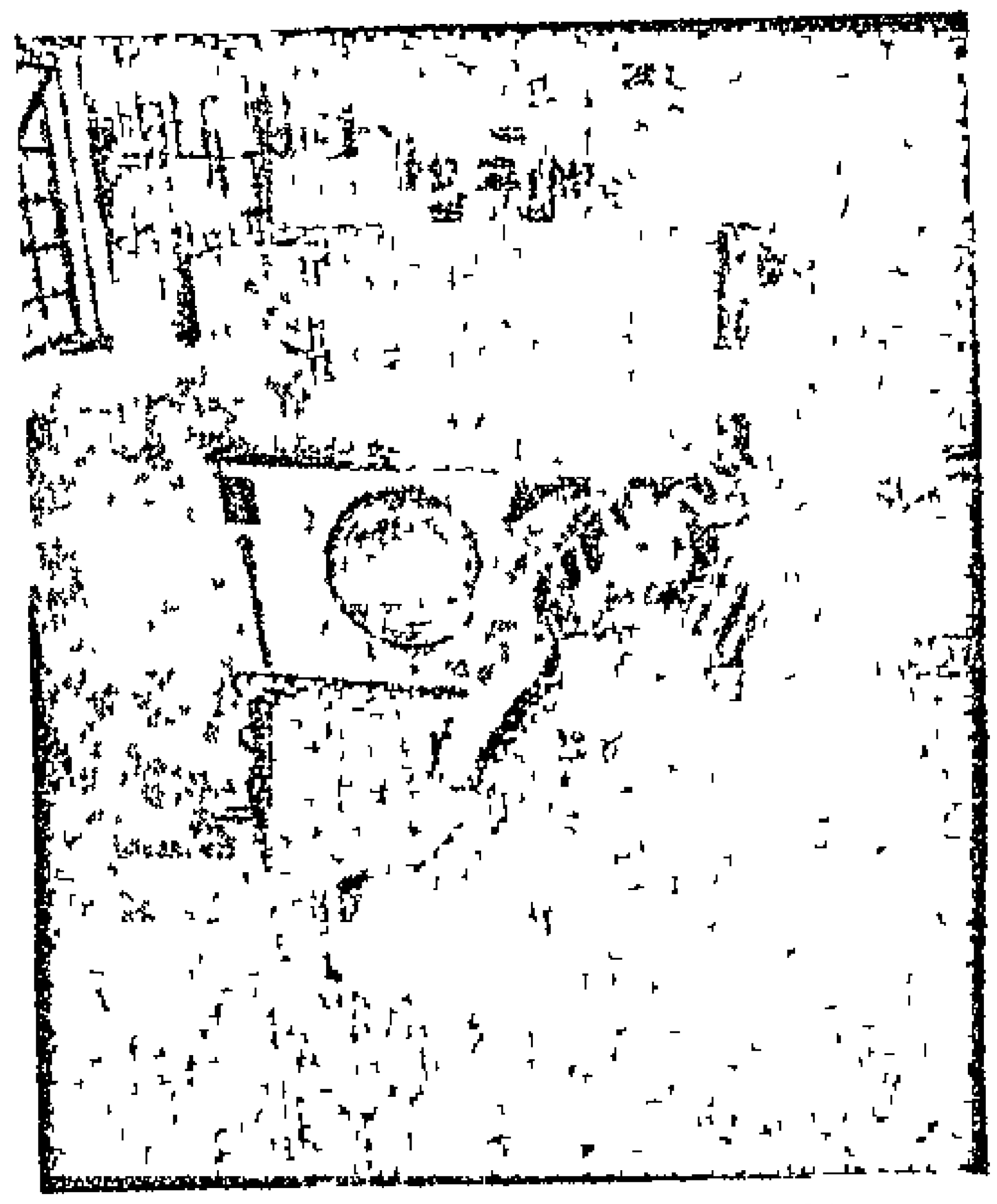
Immediate prospects for growth are therefore lacking, although the long-term trend towards a servantless society holds out promise for increased sales of washing machines, tumble driers and dish washers (Tumble drier sales have doubled to 14 000 since 1976)

Beset by these woes, the Domestic Appliance Manufacturers Association (Damsa) has applied to the Board of Trade and Industries (BTI) for increased import duties to "ensure the industry's long term survival", in the words of chairman John Turner (MD of Barlows Appliances) Turner insists the application is in the national interest, though consumers are likely to be sceptical The duty increase means the price of an imported bestseller 3001 fridge will rise from R380 to R435

Damsa maintains imports cost SA 2 600 jobs (out of 9 600 in direct employment and component manufacture), while increased imports in 1978 alone cost 650 jobs Closures in 1978 resulted in the retrenchment of another 1 300 workers — 18% of the industry's workforce

Greater tariff protection will protect employment within the industry and stimulate growth, says Turner, who avers that dumping from mass producers like Italy and Japan is occurring Duty increases applied for entail formulae that make it more expensive to bring in cheaper goods (in this case fridges, freezers and domestic air conditioners), the stock BTI answer to dumping While Turner alleges "apparent" dumping, he is hard pressed to substantiate the claim. Anyway, he reckons, the increases will take inflation into account since these duties were last raised in 1972, and will discourage future dumping

The other application is to raise the duty on tumble driers from 3% to a straight 25%. No dumping alleged here, it would seem, just protection of local manufacture, with Barlows and Hoover



Assembling fridges . . . 28% sales decline

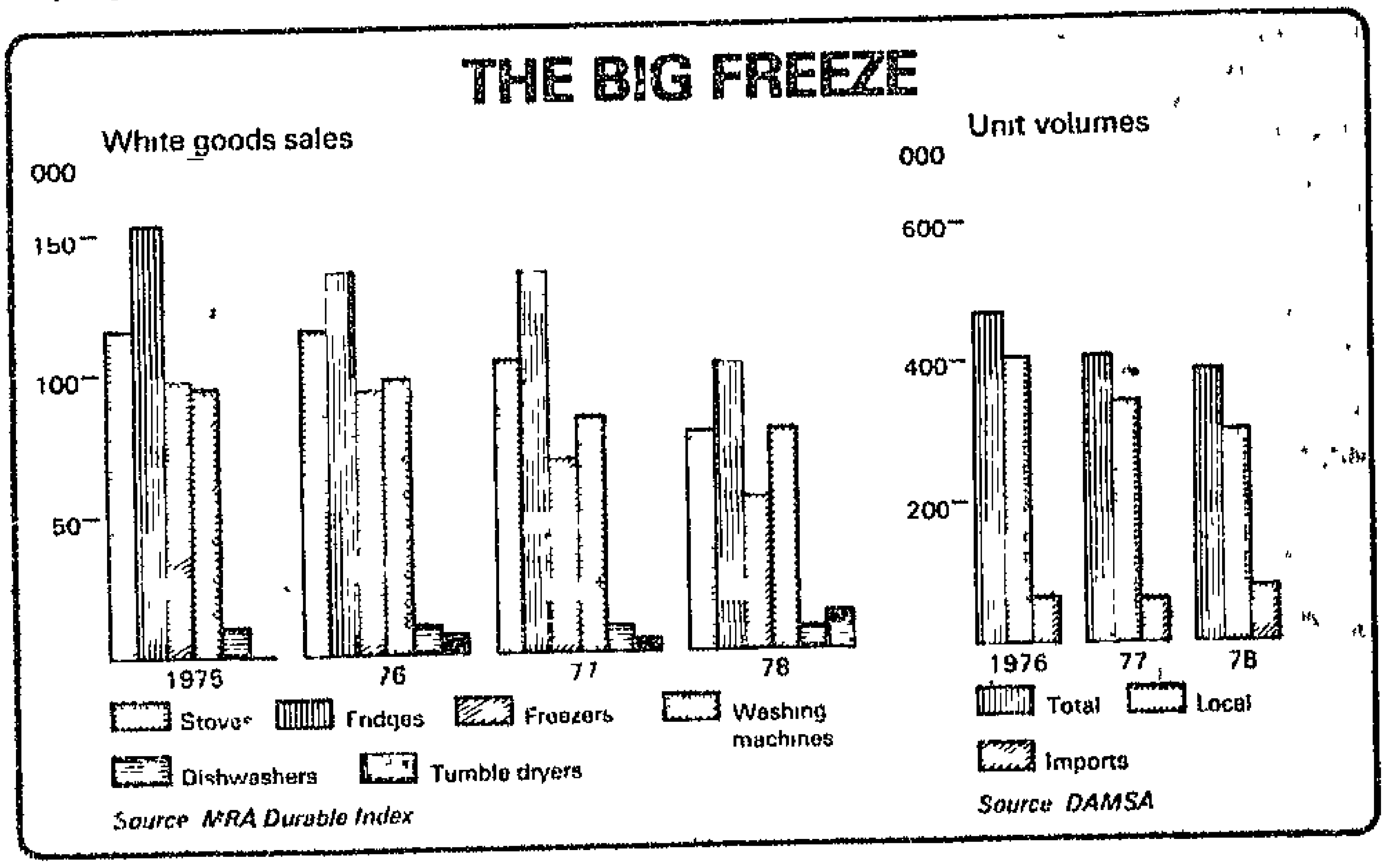
the only producers on the R2,8m annual market

Reaction from importers and chain stores is predictably harsh. Pick n Pay's Ig Ferreira sees it as a blatant attempt to protect an inefficient industry and a stifling of free enterprise. OK's appliance merchandise executive, Arthur Solomon, agrees "Keeping imports out means keeping the latest technology out and leads to complacency among manufacturers." Other importers go along with this and add that the effect is inflationary. "When duties on washing machines were increased, manufacturers raised prices. Hardly a coincidence," says Katz International (importers of Hitachi and Indesit appliances).

Turner admits the industry is generally unsophisticated and ill-informed. "Why else would it be where it is?" he asks, adding that latest measures are a positive step to put matters right. Further investment of R9m for local production of components like compressors and evaporators would create 850 jobs and make the industry self-reliant (about R12m is spent annually on imported componentry), he calculates. Without guaranteed protection there is however little likelihood of this investment for a relatively small market

If there is dumping, BTI will have to act quickly or not at all The big question, though, is whether the consumer is being asked, once again, to subsidise local manufacturers' inefficiency

THE BIG FREEZE



23/3/79 (187)

DARLING & HODGSON (189)
Spreading the risk

FM 23/3/79

Activities: *Industrial holding company with subsidiaries operating throughout SA, Europe and North America, primarily in the field of construction and construction services*

Chairman: *John Hodgson*

Capital structure *17,4m ordinaries of 25c each Market capitalisation R56,6*

Financial: *Year to December 31 1978. Borrowings long and medium term, R16,7m, net short term R9,7m. Debt equity ratio 70,9% Current ratio, 1,2 group cash flow R20,4m Capital commitments R6,7m*

Share market: *Price 325c (1978-79: high 330c, low, 180c trading volume last quarter, 191 000 shares) Yields: 15,1% on earnings, 5,8% on dividend Cover 2,6 PE ratio 6,6*

	'75	'76	'77	'78
Return on cap %	19 1	21 6	23 5	21 8
Turnover (Rm)	126 6	153 7	142	156
Gross profit (Rm)	11 6	14 6	15 4	16 3
Gross margin %	9 3	9 5	10 8	10 9
Earnings (c)	34 7	37 9	42 1	45 1
Dividends (c)	14	15	17	19
Net asset value (c)	144	172	191	206

Attempting to become less dependent on SA's cyclical construction industry, Darling & Hodgson continued to broaden its local base during 1978 as well as to expand overseas

The shareholding in Savage & Lovemore was increased to 96% On the international scene market investigations for group concrete products in Canada proved encouraging, prompting D & H to acquire a major producing company in Toronto and a similar, but smaller, facility further west Formal Canadian government approval for the commencement of operations was received earlier this month

Spreading its European interests, D & H acquired one of the leading waste disposal companies in the UK, thus providing a strong bridgehead to develop its total concept of waste management in that country and, eventually, in Europe

More recently, the entire shareholding in Reef Waste Paper and its associated companies was acquired This signals the beginning of an extensive recycling programme over the long-term and should benefit materially from D & H's European expertise and technology.

A new dimension to the engineering division was added by the acquisition of the entire share capital of Rand Founders, in Johannesburg.

Despite available business being at a low ebb, and in the face of keen competition, Savage & Lovemore increased profits by 66% At the same time considerable effort was put into developing and consolidating its coal division. In addition, coal properties were explored and developed and new properties acquired.

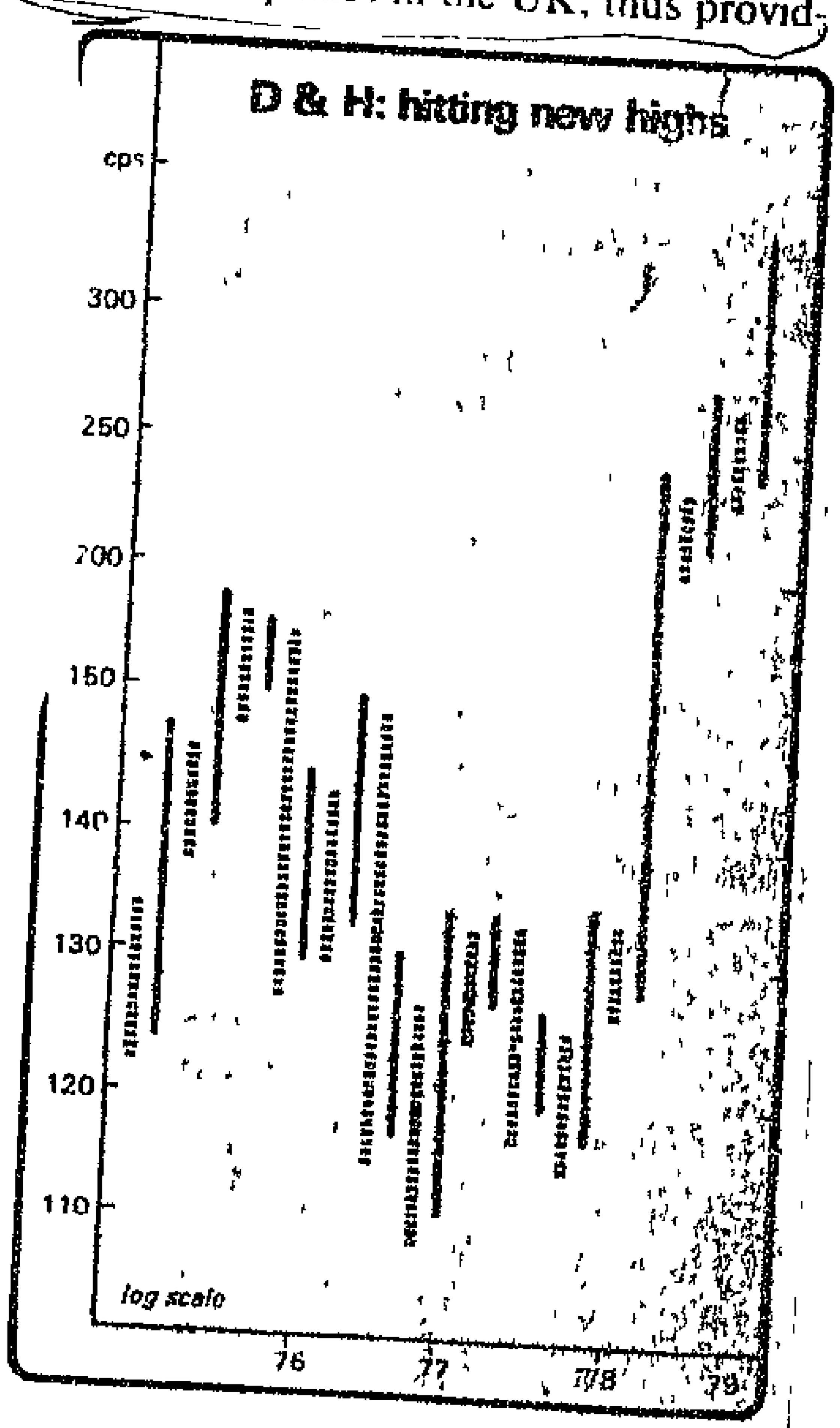
Chairman John Hodgson reports a dramatic improvement in the engineering division since the beginning of the year D & H was awarded a major contract for the coal handling and washing installation at Iscor's new Grootegeluk mine, and major contracts, particularly in the Transvaal and Eastern Cape, have been obtained by the civil engineering subsidiary

These contracts include railway work at Bapsfontein and highway construction and extension work at Jan Smuts airport. While the structural engineering division has a full order book, the position of the manufacturing division is not strong and there is as yet no upturn in the building industry.

Despite expectations of a difficult year ahead, the volume of shares traded last week was the highest recorded since November 1978 and the share price reached a new high of 330c. The recent rise in the price has brought the dividend yield down to a relatively unattractive 6% compared to a 6,6% average for the sector.

However, the dividend is amply covered and there should be another increase this year. Technically, the best buying opportunity has been missed by about 10 weeks, but advantage should be taken of any decline in the share price with a view to long-term investment.

Jean Moon



23/3/79 (137)

METAL CLOSURES

Opening growth

(189)

FM 23

Activities: *Manufactures metal closures and tubes, plastic crates and domestic plasticware, and sells closure sealing machinery. Metal Closures (UK) owns 76,9% of the equity*

Chairman: *Dr M D Marais, managing director R A Upton*

Capital structure: *2,6m ordinaries of 50c 99 450 7% cum red prefs of R1. Market capitalisation R6,1m*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R120 000. Net cash: R2,5m. Debt equity ratio. 3,4%. Current ratio 2,3. Net cash flow. R1,7m. Capital commitments R891 000*

Share market: *Price 235c (1978-79 high, 245c, low, 170c, trading volume last quarter, 16 000 shares). Yields 22,9% on earnings, 8,1% on dividend. Cover 2,8. PE ratio 4,4*

	'75	'76	'77	'78
Return on cap %	34 2	33,6	23,1	24 5
Turnover (Rm)	14,1	16,8	15,0	15 9
Pre-tax profit (Rm)	2,4	2 8	2,1	2 3
Gross margin %	17,5	16 7	14 4	14 9
Earnings (c)	62,0	63,0	48,5	53,7
Dividends (c)	14	17	17	19
Net asset value (c)	233	279	310	344

A turnaround in the domestic and custom-made plasticware division accounted for the profit improvement in Metal Closures for the year to December 31. And Chairman Dawie Marais seems to expect a further improvement this year. He anticipates increased demand and there should be improved plant utilisation.

A pleasing aspect is that profits appear to have bottomed. And, while neither turnover nor earnings have reached previous peaks, dividends are higher at 19c. Marais says the board recommended a higher 12c (10c) final dividend because of "the satisfactory trading results and the liquidity of the company." The current ratio improved to 2,3 (2,2) while cash on hand was little different at R2,7m (R2,8m). The dividend was covered 2,8 (2,9) times by taxed earnings.

The pre-tax profits of the dividends were

	R'000	
	1978	1977
Packaging	2 229	2 191
General	74	(82)

The packaging division includes metal closures, plastic crates, metal tubes and closure machinery. In real terms, sales were marginally higher after falling in 1977, helped by the good acceptance of the Stelcap range of closures. Productivity improvements and tight controls offset cost increases.

The general division, manufacturing domestic plasticware and retroreflectors, lost R82 000 before tax in 1977 after a R202 000 profit in 1976. This stemmed from slimmer margins because of higher costs and excess injection moulding capacity in the industry. Costs are still rising and there is still excess capacity. But the agreement with Hart for the sole distribution of Metalclo plasticware, and improvements in the custom moulding division and sales of crates boosted profits and 1977's operating loss was reversed.

During the year a further 11 300 of the 7,5% prefs were redeemed, leaving 99 450 still in issue. These will be redeemed up to December 1985. R20 000 of the 6,75% debentures was also redeemed, leaving R120 000 outstanding.

1978 was a turnaround year and higher profits can be expected this year if productivity improvements and tight controls continue. Marais complains that consumers are maintaining low stocks and placing urgent orders in peak periods, which affects plant loading and production costs.

Yielding 8,1% on the 235c current price Metalclo is in line with its sector. A higher dividend may be paid this year, as cover is still generous. This adds attraction to the share. But it may be worth waiting until the interim to ensure the turnaround is secure.

Des Kilalea

(194) FM 23/3/79

NORTHERN ENGINEERING

Rationalisation potential

Activities: *Engineering holding company with four main trading subsidiaries International Combustion (power and process industries), John Thompson Africa (boiler and effluent plant), Cummins Diesel (automotive and industrial), and Thomas & Taylor (Fiat-Allis construction and earthmoving machinery) Formed last year through the merger of Ical and Clarke Chapman Ultimate holding company is NEI (UK)*

Chairman: *L G Abrahamse, managing director, P H Stirzaker*

Capital structure: *5m ordinaries of 50c each; 269 000 8,75% convertible red cum prefs of R1 each Market capitalisation R17,3m*

Financial: *Year to December 31 1978 Borrowings, long and medium term, R3m. Net cash R3,9m Debt equity ratio: 68,9% Current ratio 1,7 Net cash flow. R3,2m Capital commitments R255 000.*

Share market: *Price 345c (1978-79 high, 375c; low, 285c; trading volume last quarter, 56 000 shares). Yields 20,3% on earnings; 8,1% on dividend Cover: 2,5. PE ratio: 4,9.*

	'77	'78
Return on cap %	15,8	17,0
Turnover (Rm)	59,2	65,3
Pre-tax profit (Rm)	4,5	5,6
Gross margin %	9,5	10,1
Earnings (c)	76,9	70,0
Dividends (c)	n/a	28,0
Net asset value (c)	387	435

Ical and Clarke Chapman have many activities in common, particularly in the field of industrial watertube boilers. So there is considerable scope for rationalisation. But, since their merger to form Northern Engineering (NEI) was consummated only last July, it is too soon to expect other than some modest benefits

In a year characterised by heavy capex in certain areas and by the sizeable investment in Apex International Valves, combined turnover of R65,3m was 10% higher and pre-tax profit rose 25,8% to R5,6m. That earnings retreated by 9% to 70c a share is explained by the rise in taxation from abnormally low 12,2% of pre-tax profit to 33,5%. Investment allowances were reduced and virtually no benefit was derived from tax losses

Nevertheless, with liquidity not expected to prove troublesome, an 18c final dividend brought the total up to a 2,5 times covered 28c to honour promises made at the time of the merger

Both Ical and John Thompson had good years, more than compensating for an operating loss of R223 000 from Thomas & Taylor The latter is, however, expected to break even this year following continuing pruning of overheads and tailoring of resources to market demand

Ical contributed 51% of group operating income on the back of a satisfactory order book, 30% of which is export oriented The outlook for the current year is even better, although work for the Alrode tube manipulation plant is, so far, insufficient after June

Thompson enjoyed record orders last year and chipped in 34% of group income Substantial orders were secured in the first few weeks of this year, with 31% earmarked for export, mainly watertube boilers for the sugar industry

Cummins Diesel surged ahead on the crest of a long-awaited recovery in its major markets — heavy truck engines and the mining industry — and contributed 18% to the group There is one small cloud on its horizon That is the effect the new diesel engine plant will have once it becomes fully operational in 1983 In the short-term, it should benefit from penetration of the open cast mining market through the recent introduction of a 1 600 hp engine

The new addition to the group, Apex Valve (50% interest), operated at a loss of R200 000 With the move to new premises in Vereeniging completed in December, and with a much healthier order book, the pipeline now appears unblocked and profits should start flowing this year

It is unfortunate that NEI's first set of accounts should be marred by less than adequate disclosure of all interest-bearing debt On the surface, borrowings rose from R3m to R4,3m. But interest paid was R1m, suggesting a 23% interest rate. The answer lies in creditors of R17,4m, which contain an undisclosed R11m of bills bearing interest between 8% and 10% Since there are no notes to this effect, the traditional calculations of debt equity and return on capital employed are meaningless Taking the bills into account, gearing is 68,9% and return on capital 17%

Given chairman Len Abrahamse's assessment of the rationalisation benefits yet to come and an encouraging level of orders in the main divisions, his forecast of a "modest improvent" appears overly cautious With a well-covered and secure 7,8% yield, the share merits attention as a yield-sweetener *John White*

DATES TO REMEMBER

Last day to register for dividends: Friday March 30: AECI 12c, Adcock 55c; Amgold 150c; Anamint 520c, Bateman 8c, Bracken 24c, D&H 14c, Fedmis 14,5c, Fed Mynbou 35c; Field Ind 6c; General Mining 39c, Group Five 12c; Harmony 53c; E Haddon 16c; Hortors 6,5c, Investors Club 8c, Kinross 32c; Leslie 14c; Liberty Hold 10c; Liberty Life 56c, Matheson & Ashley 7,5c, Natal Chemical 5c; Rembrandt Group 13c, Rembrandt Control 9,5c, Rhod Cables 8c, St Helena 125c, Tib 8,1c; Tegkor 8,1c, Wellworths 7c, Winkelhaak 80c

Meetings:

Wednesday March 28: BTR; Kohler

Thursday March 29: Fintec, Union & London

All meetings are in Johannesburg unless otherwise stated

189 192 ~~145~~ 147

Toyota steun Atlantis, maar bekommerd

TOYOTA ondersteun heelhartig die vestiging van 'n plaaslike dieselenjinbedryf in Suid-Afrika, maar daar is egter 'n mate van kommer oor die tydsberekening van die installering van die enjins, sê die direkteur van die maatskappy se swaarvoertuig- en busafdeling, mnr A J J. Wessels jr.

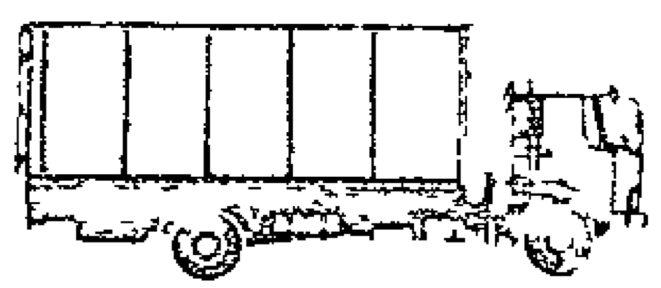
Die plaaslik vervaardigde enjins moet reeds voor die middel van 1981 in vragmotors in Suid-Afrika gebruik word.

Mnr Wessels sê 'n geweldige hoeveelheid ontwikkelings- en toetswerk moet uitgevoer word voordat die plaaslik vervaardigde enjin in al die vragmotors wat in Suid-Afrika voorkom, geïnstalleer kan word.

Hy sê voordat hierdie program aangepak kan word moet Atlantis 'n modus operandi opstel wat veral aan die volgende aandag skenk:

- Die prysstruktuur van die verskeie enjins wat aangebied sal word
- 'n Duidelike definisie van verantwoordelikhede met betrekking tot onderdele-ontwerp en vervaardiging, waar hierdie onderdele 'n integrale deel van die enjin uitmaak, soos byvoorbeeld uitlaatstelsels, spruitstukke, oliebakke, en dies meer
- Die kostebepaling van unieke enjinonderdele
- Waarborge en die verspreiding van onderdele

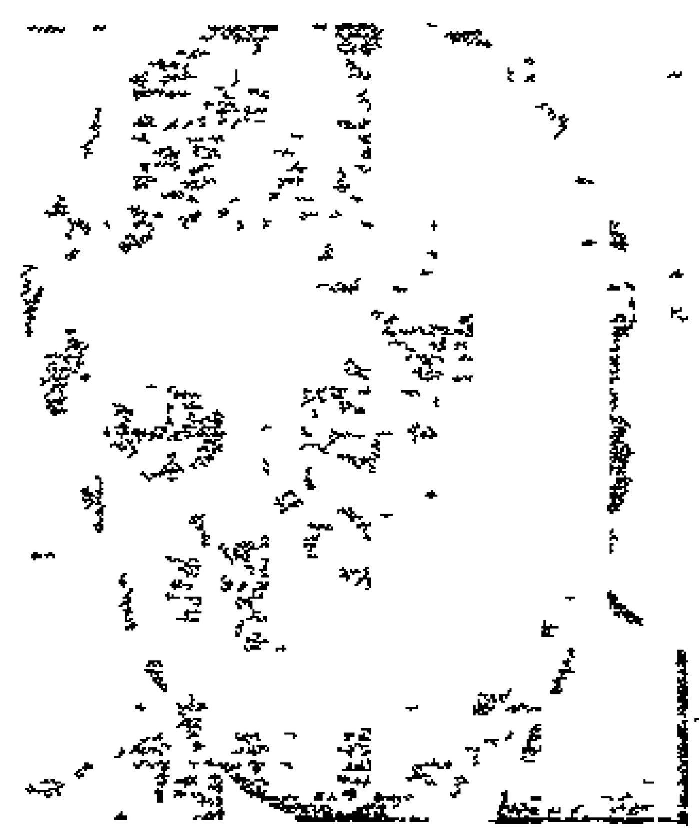
Mnr Wessels sê 'n program behoort saamgestel te word vir 'n trapsgewyse ingebruikname van enjins wat hier vervaardig word. Hy sê hy kan nie sien hoedat Atlantis aan die



behoeftes van Toyota en ander vervaardigers kan voldoen sover dit die ontwerp, goedkeuring en dies meer van onderdele betref, sonder so 'n program nie.

Al hierdie onderdele moet aan strawwe duursaamheidstoetse onderwerp word en soos die program tans is, is die tyd te min om daaraan te voldoen.

Mnr Wessels sê uit samesprekinge met Atlantis blyk dit egter dat hulle al hierdie aspekte deeglik oorweeg en dat die onderskeie enjins so ingeskakel sal word sodat dit aan almal se behoeftes sal voldoen.



MNR A J J WESSELS

Sterker mark verwag

As die aankoop van die swaar handelsvoertuie deur die staat vanjaar dieselfde as verlede jaar is, behoort daar vanjaar sowat 14 500 swaar voertuie van die hand gesit te word, sê die direkteur van Toyota se swaar vragmotor- en busafdeling, mnr. A. J. J. Wessels, jr.

Hy sê aanvanklik is daar verwag dat daar vanjaar slegs 13 700 voertuie verkoop sou word wat omtrent dieselfde as verlede jaar is.

Mnr. Wessels sê Toyota se markaandeel in hierdie mark het verlede jaar 10,4 persent beloop. Hoewel daar verwag word dat die mededinging vanjaar straf sal wees, beplan Toyota nogtans om sy markaandeel uit te brei met die nuwe Hino KB 501 wat binnekort op die mark geplaas gaan word.

Mnr. Wessels sê die swak landbouseisoen sal ongetwyfeld 'n nadelige uitwerking op die afset hê. Hierdie daling kan egter in 'n groot mate die hoof gebied word deur projekte soos die uitbreiding aan Sasol II.

Verder is daar ook 'n geringe verbetering in die boubedryf te bespeur wat tot 'n groter afset kan lei.

ATLANTIS

(189) RAPPORT 25/3/79 (45) x

NOK antwoord kritici

MET die nuwe dieselenjinprojek by Atlantis in Wes-Kaapland is daar geen sprake dat sekere vragmotor- of trekkervervaardigers bevoordeel gaan word nie, het die senior hoofbestuurder van die Nywerheids-Ontwikkelingskorporasie (NOK), mnr. Marius de Waal aan RAPPORT gesê.

Hy het kommentaar gelewer op die kritiek wat daar teen hierdie projek sedert die aankondiging daarvan uitgespreek is en bygevoeg dat hulle nog niemand gekry het wat teen die vestiging van so 'n projek gekant is nie

Daar is wel verskille oor die detail, wat volgens mnr De Waal tot groot hoogte uit 'n gebrek aan inligting spruit Daarom is die NOK op die oomblik besig om met almal te skakel om duidelikheid te verskaf

In die trekkermark word daar gesê dat Massey-Ferguson en Landini 'n onregverdige voordeel gaan hê omdat albei se trekkers deur die Perkins-enjin aangedryf word

Dit is nie korrek nie, sê mnr De Waal Tot dusver word alle trekkers geheel en al ingevoer Die plaaslike vervaardiging van die enjin sal almal nou verplig om plaaslik te monteer en 'n maatskappy soos Massey sal dieselfde probleem as al die ander hê.

Aan die vragmotorkant kan aangeneem word dat die nuwe 400-reeks enjins van Daimler-Benz die gewildste gaan wees Hierdie enjin het hom reeds in Europa as 'n baie spaarsame enjin bewys, maar tot nog toe word hy nie in Suid-Afrika deur Mercedes-Benz gebruik nie

Mercedes-Benz sal ook na hierdie enjin moet oorskakel en die nodige aanpassings doen

Mnr De Waal het dit beklemtoon dat hierdie nuwe 400-reeks van Daimler-Benz geen prototipe-enjin is nie en dat hy homself reeds met groot welslae in Europa bewys het

Wat die projek betref, is daar wel probleemgebiede, sê mnr. De Waal Maar hy glo dat dit mettertyd uitgewis sal kan word Daar is byvoorbeeld die kwessie van ratkaste en agterasse, waar daar dringend rasionalisasie sal moet plaasvind En dit sal 'n groot ingenieursaksie verg

Dan is mnr De Waal bekommerd oor die vermoe van die Suid-Afrikaanse onderdele-bedryf By Atlantis gaan die dieselenjinaanleg net die vyf hoofkomponente van die enjin vervaardig, wat rofweg gelyk is aan een-derde van die koste van die enjin Die ander twee-derdes sal deur die private sektor gelewer moet word.

Die projek sal egter saamval met die vyfde fase van die plaaslike inhoudsprogram vir passasiersmotors en die eerste fases van die plaaslike inhoudsprogram vir ligte handelsvoertuie

Dit sal geweldige druk op die plaaslike onderdelebedryf plaas en mnr. De Waal is bekommerd dat hier 'n knelpunt kan ontstaan.

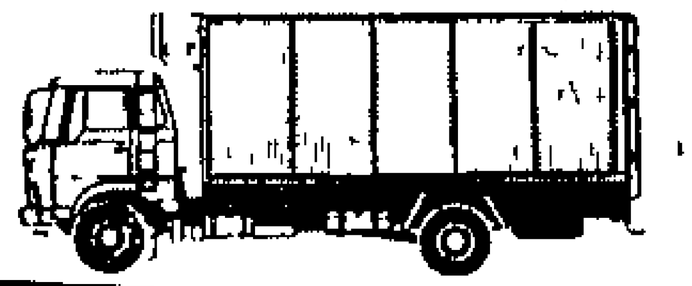
Daar bestaan egter by hom geen twyfel oor die langtermyn-voordele van die vestiging van 'n dieselenjinbou-bedryf in die land nie Daar sal 'n enorme besparing aan buitelandse valuta wees — sowat R130 miljoen per jaar in die begin

In die huidige politieke klimaat sal dit aan die land groter onafhanklikheid gee deur invoer met plaaslike vervaardiging te vervang Daar sal 'n inspuiting gegee word vir die verdere ontwikkeling van plaaslike bedrywe Minstens veertien ander bedrywe sal ten bedrae van R60 miljoen uitgebrei of van meet af gevestig moet word

En dan kan aangeneem word dat mnr De Waal net na die enjinbou verwys ontwrigting in die mark veroorsaak wanneer die trekker- en vragmotorvervaardigers wat op die oomblik ander soorte enjins gebruik, na Perkins en Mercedes moet omskakel

En in albei gevalle is daar die grootste kern van kundigheid met die aanpassing in verskillende produkte beskikbaar Veral Perkins is tans in talle lande besig om enjins te vervaardig vir die aanpassing in ander eenhede en is in die opsig die onbetwiste wêreldleier

Planne vir ratkaste loop mooi



PLANNE vir die vestiging van 'n gesofistikeerde ratkasbedryf in Suid-Afrika is ver gevorder, het RAPPORT verneem. Hierdie bedryf sal teen 'n koste van waarskynlik meer as R20 miljoen deur twee groot myngroepe ontwikkel word as alles reg verloop.

Die twee myngroepe is General Mining, wat na die ratkaste vir swaarvoertuie kyk, en Anglo American, wat deur sy filiaal, Sigma, na ligte handelsvoertuie en passasiersmotors kyk

Hierdie ontwikkeling is 'n regstreekse uitvloeisel van die vestiging van die dieselenjinbouprojek by Atlantis naby Kaapstad en sal die land nog onafhanklikker maak van die buiteland

Terselfdertyd is verneem dat planne vir die plaaslike vervaardiging van agterasse in Suid-Afrika ook ver gevorder is en dit kan wees dat General Mining ook hier sal deelneem

Atlantis gaan waarskynlik 'n gietery ook baie nodig hê en daar is sprake dat Dorbyl baie ernstig hierna kyk

In die swaarvoertuigbedryf is daar ernstige bedenkinge oor die aanpassing van Atlantis se enjins by al die verskillende modelle op die Suid-Afrikaanse mark sover dit ratkaste en agterasse betref

Een van die oplossings tot hierdie probleem is die plaaslike vervaardiging van ratkaste en agterasse in ooreenstemming met die verskillende soorte enjins wat by Atlantis vervaardig sal word

Op die gebied van swaar voertuie het General Mining deur sy filiaal, Gear Ratio, reeds uitgebreide ondervinding opgedoen met die plaaslike vervaardiging van ratkaste in beperkte hoeveelhede Die verwagting is dan ook dat hy op hierdie gebied die voortou sal neem

In die mark word gesê dat dit selfs moontlik is dat daar 'n tweede vervaardiger vir swaar ratkaste kan wees en dit lyk of International Harvester dalk hier iets in die mou voer'

Oor Sigma se planne is daar nog nie veel duidelikheid nie en dit wil voorkom of sy planne nie naastenby so ver as dié van General Mining gevorder het nie

Daar word gevoel dat die vestiging van 'n ratkasbedryf eers werklik sinvol kan word as dit ook tot die ligter voertuie uitgebrei word. By die vervaardiging van ratkaste is 'n baie hoë vlak van kundigheid nodig. Dit kan net ekonomies ontwikkel word as dit op 'n betekenisvolle skaal aangepak word.

En in dié stadium lyk dit of daar aanvanklik behalwe die swaar ratkaste by ratkaste vir ligte handelsvoertuie begin sal word

In hierdie mark is daar nie so 'n groot verskeidenheid ratkaste nodig as wat die geval by passasiersmotors is nie en kan daar 'n taamlike mate van standaardisasie sonder prysgawe van die vertoning van die voertuig bereik word. Dit sal dan ook goed kan inpas by die plaaslike inhoudprogram vir ligte handelsvoertuie

Planne vir die vestiging van 'n ratkasbedryf deur die private sektor is glo verder gevorder

Mnr De Waal sê ook dat ten einde 'n plaaslike inhoud van 100 persent vir die dieselenjin binne drie jaar ná vestiging in Atlantis te kry, die ingewikkelde dieselinspuitpomp ook plaaslik vervaardig sal moet word

Die voordele van standaardisasie sal klaarblyklik vir die land oneindig baie beteken omdat daar met die nuwe projek meer realistiese modelreekse sal wees

Daar sal byvoorbeeld net dertien modelle met altesame 21 verskillende enjins wees, teenoor die huidige 220 verskillende enjins in die mark (lees berig op bl 3.). Die voordele wat dit sal bring sover dit die onderdele-voorraad betref, is klaarblyklik

Met beter beheer oor die vervaardiging van plaaslike enjins, kan ook aangeneem word dat die moontlikhede van modelverandering net vir die onthalwe van verandering voortaan kleiner sal wees

Oor die keuse op die Perkins- en die Mercedes-enjin het mnr De Waal gesê dat diepgaande studies die uiteindelike besluit voorafgegaan het.

Die voorleggings is op vergelykbare gegewens gegrond, wat vooraf met die hulp van die bedryf geformuleer is Ná 'n deeglike evaluasie is op Perkins en Mercedes besluit omdat hulle die goedkoopste vir die betrokke marksektore gebou kan word

Albei enjintipes is ook bewese produkte wêreldwyd Dié twee firmas beklee immers die eerste en tweede plekke in die wêreldranglys van aankope.

Die keuse van dié enjins sal dus ook die minste

(1) 187

(2) ~~386~~

28 pc rise sought for 500 000 workers

STAR 27/3/79

Labour Reporter

All 500 000 workers in the metal and engineering industry will earn more than minimum living wages from July if the metal trade union's demand for a 28 percent pay rise is granted.

This would put labourers' monthly income on about R175 — compared with R168,16 for the latest minimum living level calculated by the Johannesburg Chamber of Commerce for a Soweto family of five, or R157,92 for the latest Household Subsistence Level for a Soweto family of six.

Increases demanded for higher paid workers are lower, tailing off with a 14 percent rise across the board for artisans above the base rate of their category

The Council of Mining Unions has submitted demands for a 12,5 percent rise in the mining industry.

It also wants fringe benefit improvement which, among other things, would increase employer and worker contributions to the pension fund to nine percent each.

The mines have given whites less than seven percent in annual increases for the past three years while blacks averaged 12 percent.

Pay talks in both the metal and mining industry are expected to get under way in the coming weeks.

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4. Central Prob ties

(a) Product rontiers (transformation curves)
seen as al device revealing the core
of the em. Negative slope and
concavi terdependence of economic life,
substit hoice; opportunity costs,
Law of ve or Marginal Cost; technical
and all y; Law of Diminishing Marginal
Returns erstanding of population problems
relevar

Samuels
Films -

(b) Economi

(i) cisions to be made by all
d how much? (Consumer, price,
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(Location theory), Conservation
ironmental Economics), Growth
ry), With whom? (International

(ii) on of all resources (full employment),
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ution of output.
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(iii) lternative economic systems.
; market (private enterprise);
conomies; planned collectivist

er 43.

5. Circularity ses

Circular flo tput. At this point, the
course branc economics (the determination
of relative ; study of markets, supply,
demand) and udy of aggregative economic
behaviour – employment theory, money &
banking)

ALUMINIUM

Casting ideas

The aluminium die casting industry, badly hit by the economic downturn, is making attempts to promote wider use of aluminium in the industries it serves (Biggest of these is the motor industry where, unfortunately, a local content programme based on mass works against use of lightweight parts)

Nevertheless, canvassing of the whole industry, from Alusaf down to small converters, has started for the creation of an Aluminium Development Association (to give it a provisional name).

"It is time to co-ordinate the industry and a central body is badly needed," says Aluminium Die Casting Association chairman Jan de Jonge.

Its aim would be to boost local usage (per capita consumption lags badly behind more highly industrialised countries) and undertake R&D in time for expected big switches to lighter vehicle components

De Jonge's six members (Dialoy, Lauf Luminite, NF Die-Castings, Karl Schmidt, Silverton Engineering, Zealous Pressure Castings), share almost 70% of the R25m annual die castings market. With 40 other convertors, they have had a lean time for the past three years with production still only about 60% of capacity. Meanwhile NF, a prominent Consolidated African Mines subsidiary, was recently taken over by Associated Engineering and Karl Schmidt.

De Jonge, however, sees better times ahead "Demand for aluminium in cars, buildings, engineering, domestic appliances and electricity distribution will increase," he says. "The average car has 25 kg of aluminium but using it for the five wheels will add another 37,5 kg. I can see 75 kg or more going into cars."

He points out that in the US the usage of aluminium in cars between 1965-75 rose 2% annually. Now it is running at 15%.

The pace of change to lighter components will largely be dictated by head offices of the international car makers. Higher local consumption will, however, be helped by a busier building industry, electrification of more townships and a bigger demand for home appliances as higher wages bring more families into the white goods net.

Annual per capita consumption of aluminium is only 3,1 kg compared with 21 kg in the US, 14 kg in West Germany and 11 kg in the UK. India's usage, typical of developing countries, is 0,4 kg.

Even though SA has a long way to catch up, the rapidly rising price of the metal (*FM* March 16) could put a damper on local growth. Alusaf production price is R1 211/t (up 40% on mid-1976) with secondary metal — or scrap — prices rising proportionately faster.

De Jonge says a shortfall in secondary metal, prime offcuts and recycled scrap making up the main feedstock of die casters, is causing the gap on virgin metal to narrow. "There used to be a 50c/kg

Financial Mail March 30 1979

difference. Now it is nearer 30c," he says

More aluminium is being used in mining and defence, putting pressure on small converters, who could well need a forum such as the proposed Aluminium Development Association if a boom comes.

GROUP 5

FM 30/3/79 189

Cutting it fine

Activities: *Holding company with subsidiaries principally engaged in civil engineering construction. Subsidiaries include Basil Read (construction), CMGM Group (concrete), McLaren & Eger (piling); and Group Five Projects (project management)*

Chairman: *J J A McLaren.*

Capital structure: *9,2m ordinaries of 50c. Market capitalisation· R21,6m.*

Financial: *Year to December 31 1978 Borrowings: long and medium term, R5,5m, net cash· R3,4m. Debt:equity ratio: 55,2%. Current ratio· 1,2 Net cash flow: R8,9m. Capital commitments: R6,5m*

Share market: *Price 235c (1978-79. high, 240c; low, 115c; trading volume last quarter, 149 000 shares). Yields: 20,2% on earnings; 8,5% on dividend. Cover. 2,4 PE ratio· 4,9*

	'75	'76	'77	'78
Return on cap %	28,7	26,0	20,7	11 1
Turnover index*	128,0	150,0	138,0	154 6
Gross profit (R 000)	6 930	7 443	6 695	5 103
Contracts in progress (Rm)	13 5	17 3	15,9	29,2
Earnings (c)	49,5	47 5	44 0	47 6
Dividends (c)	22 0	22 0	18 0	20 0
Net asset value (c)	145,0	170,0	199 0	227 0

**1973=100*

The group's decision to chase volume at the expense of margins has led it to contract far afield and involve itself in the unfamiliar area of project financing This, and the broadening of the operating base by several acquisitions has had a debilitating effect on the balance sheet and is testing management to the full

In boosting contracts in progress to R29,2m (R15,9m), Group 5 has had to tender outside SA and a fair proportion of work in hand is now in adjacent territories and Malawi Because of the distances involved and delays in communications, these contracts have necessitated self-sufficiency in the form of new plant and project management This, together with the cost of financing the higher turnover, the R2,4m spent on acquisitions — and in some instances the provision of finance in order to obtain work — has considerably depleted company coffers. Cash at year-end dropped to R9,9m (R17,7m) and now stands at R7m.

Despite a 12% increase in turnover, low margins had the effect of reducing gross profit by 24% to R5,1m However, thanks to a tax rate of 21,9% (34,9%) and higher contributions from minorities, earnings improved by 8% to 47,6c Out of this, management was confident enough to pay a higher dividend of 20c (18c) ful engineering company in Rhodesia It will concentrate on manufacture of pressure vessels in new premises bought in Boksburg

Group Five Projects was also formed with the idea of picking up the structural, mechanical and electrical elements which normally comprise between 75% and 80% of industrial projects. A major acquisition was the purchase of 50% of Reef Lefebvre Since the year-end, Basil Read has acquired the balance and will join Enterprise Jean Lefebvre of France in a new civil engineering company

In the year ahead, chairman John McLaren's broad overview is that Read and McLaren & Eger should at least maintain profitability now that orders are starting to pick up. But, given the spectre of rising interest payments, high capex at R6,5m, low margins on long-term contracts and a possible phasing out of investment allowances for new plant on July 1, it is not going to be an easy year

In the long-term, the spate of acquisitions should provide a firm base for continued growth. In the interim, the yield is attractive at 8,9%. The *caveat*, however, is that with low margin contracts in high risk areas, even the slightest setback could lead to losses.

John White

Financial Mail March 30 1979

DUNSWART

Rolling recovery

189

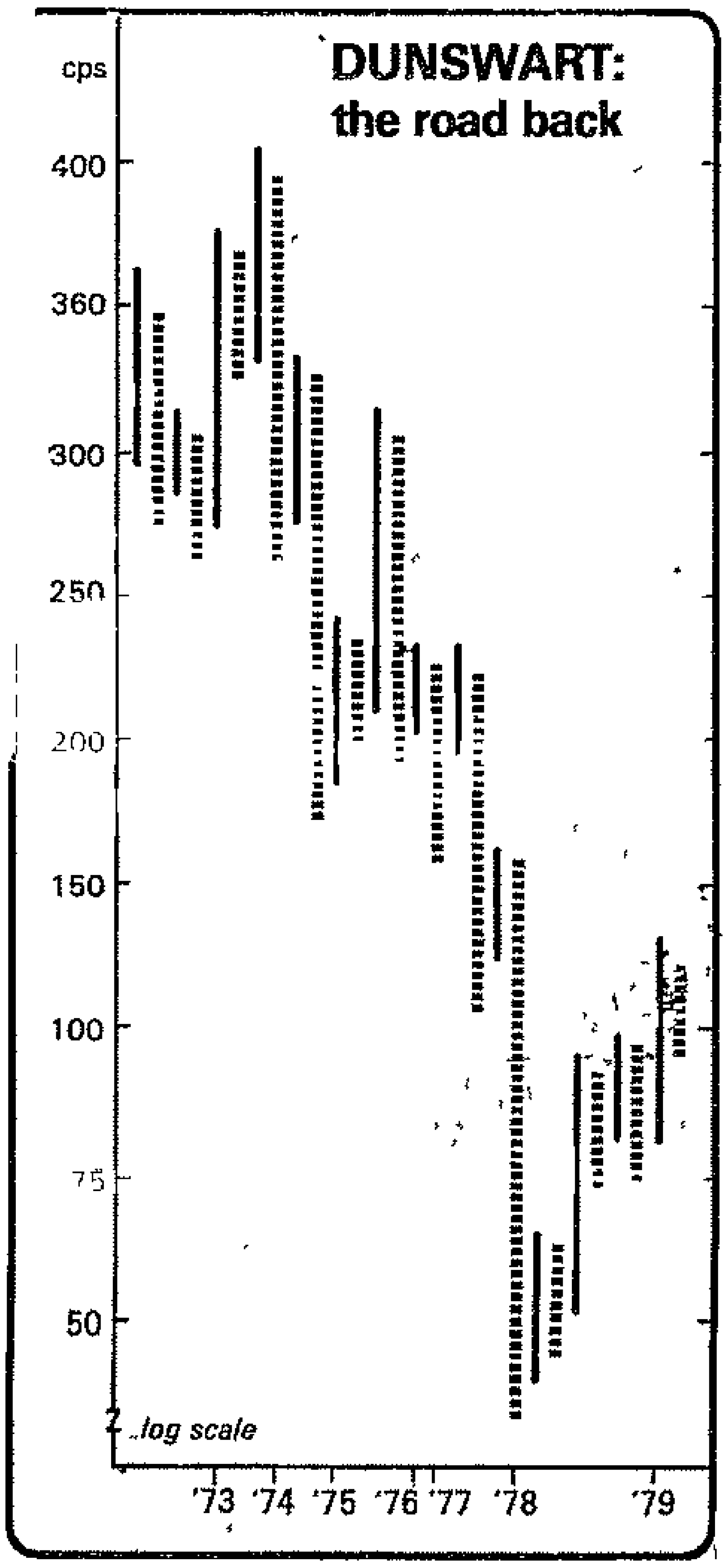
Activities: *Steel and sponge iron producer Genmin holds 46,6% of the equity, Volkskas Nominees 12% and Sanlam 10%.*

Chairman: *G Clark; managing director K T Brightman*

Capital structure: *4,8m ordinaries of 50c. 100 000 6% cum prefs of R2, 300 000 6% 2nd cum-prefs of R2 and 200 000 10,5% cum red prefs of R1 Market capitalisation. R5m*

Financial: *Year to December 31 1978 Borrowings: long and medium term, R15,8m, net short term, R2,3m Debt:equity ratio 102,6% Current ratio. 1,7 Net cash flow· R6,5m. Capital commitments: R2,8m.*

Share market: *Price 105c (1978-79 high, 137c, low, 38c, trading volume last quarter, 163 000 shares) Yield 7,9% on earnings, PE ratio 12,6.*



Now that the R16m modernisation and expansion programme is 75% complete, the plant is operating more efficiently and Dunswart again looks viable Ken Brightman and his team have sweated blood to boost physical production 33% to 820 000 t and to achieve a R3m gross profit turnaround This was attained despite the sale of the stake in Standard Brass, which previously yielded at attributable R1,4m, and the heavy interest bill on the R12,6m of 14% debentures.

	'75	'76	'77	'78
Return on cap %	15 2	16 9	—	8 0
Turnover (Index 1974=100)	123 2	139 6	130 4	183 7
Gross profit/ (loss) (R000)	5 064	5 546	(86)	2 953
Earnings (loss) (c)	55 5	47 5	(4 5)	8 3
Dividends (c)	20	20	—	—
Net asset value (c)	361	427	338	357

There are still production bugs which, for investors, means more profit potential in plant improvement Problems with the new section mill mean that capacity for rolled sections this year will be only 240 000 t, against the original forecast of 270 000 t Still, this is a 19% improvement on the 202 000 t achieved in 1978 and rolled sections are Dunswart's most profitable product.

Transformers, furnace electrics, and soak pits are all being improved as part of the R16m capex package In addition, future cash flow will be used to finance a R2,5m air pollution control programme and to eliminate despatch bottlenecks Only the anti-pollution expenditure will not boost the P&L.

Dunswart did not have a full year's benefit of the May and September steel price hikes, but I understand subsequent cost increases largely offset these This June's anticipated steel price increase and volume throughput will have a more important bearing on profits this year

Export volumes doubled and prices "improved significantly" last year, with the result that export revenues increased from R4m to R11m While similar export growth is not expected this year, local demand and, hopefully, prices, should improve, especially if the Price Controller decides to help Iscor cut its losses

One potential snag is the possibility that the Receiver may tax an amount of R2,1m received as compensation for an inadequate dedusting plant in 1976 Dunswart is contesting moves to tax the amount and has not made provision for the potential liability of R883 000, which is currently in contingent liabilities

While the balance sheet does look stronger, Dunswart is not liquid. Total net debt rose 7% to R18m (R16,9m) which is 2,8 (3,7) years' net cash flow of R6,5m (R4,5m) The debt equity ratio fell from 114% to 103% and if interest and lease cover by pre-lease gross profits is slim at 1,2, at least it is positive The debt equity ratio can only benefit if options are exercised and debentures surrendered While stocks and creditors declined 6% and 3% respectively, debtors rose 31%, reflecting a big year-end drive

Dunswart's George Clark . . . problems resolved soon

P.T.O

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF SPEECH AND DRAMA

PERFORMER'S DIPLOMA IN SPEECH AND DRAMA

and

SPECIALIST ACTOR'S DIPLOMA IN SPEECH AND DRAMA

IMPORTANT NOTE:
TEACHING COURSES

All teaching courses referred to in this documentation are temporarily suspended, pending revision and negotiation for official recognition. Prospective candidates for these courses should address enquiries direct to the Head, Department of Speech and Drama, Orange Street, Cape Town, 8001, to receive the latest information.

INSTRUCTIONS FOR APPLICANTS

1. You should receive the following items:

   (a) Application for Admission to Study
   (b) U.C.T. Arts Prospectus (or photocopies of relevant pages)
   (c) Department of Speech and Drama Information Sheet (S&D2)
   (d) Audition Procedure (S&D3)
   (e) Audition Report (S&D4)
   (f) Personality Sheet (S&D5)

2. The completed Applicati ... eturned to the Central Admissions Offi...

3. The completed Personal ... Audition Report (S&D4) should be hande...

4. The applicant will be ... s Office whether or not he/she has bee... Successful applicants should arr... by phoning 22 4161 during business hours ... xternal auditioners.

5. The applicant will re ... Office informing him/her of the result ... ly takes 2-3 weeks).

6. If the applicant is s ... procedure should be followed.

2/............

to sell off stock.

It would not be surprising if earnings doubled this year to 16c, in which case, if Genmin's dividend payout ratio is any guide, an 8c dividend will probably be paid. This puts the counter on a prospective yield of 7,6%. Dunswart options at 46c anticipate a share price of at least 146c by March 1982 at the latest — a gamble but by no means an outrageous one.

Genmin holds the vast majority of the debentures and looks set to do well by them. The 14% coupon now looks very sweet, though Dunswart's borrowing credibility is still not what it was and it is doubtful that Genmin could make a handsome capital gain yet by selling off the stock.

The options are not linked to the debentures and can be traded and taken up quite separately. If all 6,3m options are exercised, Dunswart's issued share capital rises from R4,8m to R11,1m. Options can be taken up on prescribed dates, either by surrendering a debenture or payment of R1 in cash. No one will surrender a 14% debenture until the dividend on the larger number of ordinary shares reliably exceeds 14c, although it is possible options will be exercised for cash before this provided the share price warrants it. A 14c dividend on 11,1m ordinaries would cost the company R1,6m, which would presumably require attributable profits of about R3m, against last year's R401 000. This level of profitability should be attained before long.

David Carte

. . . changing the mix

UNION STEEL Pm 20/4/79 (189)

Interesting spec

Activities: *Manufacturer of mild and special steels, aluminium conductor and cables. Veldmaster, a wholly owned subsidiary, makes parts for farm implements Iscor has effective control via the pref shares and Amic has a 13% stake*

Chairman: *Dr M D Marais, deputy chairman Professor H J Samuels, managing director. J C de Waal.*

Capital structure: *29m ordinaries of 50c 125 000 "A" and 125 000 "B" prefs of R2 Market capitalisation R13,3m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R17,3m, net short term, R19,3m Debt equity ratio 83,8% Current ratio 1,76 Net cash flow R9,5m* Capital commitments R1,5m*

**Includes deferred tax R3,2m*

Share market: *Price 46c (1978-79 high, 59c, low, 21, trading volume last quarter, 336 000 shares). Yields 28,6% on earnings, 11,9% on dividend Cover 2,4. PE ratio 3,5*

	'75	'76	'77	'78
Return on cap %	18 5	13,0	7,4	12 4
Turnover (Rm)	135 4	141,4	126,0	137 2
Gross profit (R 000)	13 142	11 242	5 925	10 327
Gross margin %	9 7	7,9	4 7	7 5
Earnings (c)	21,5	19 8	4,1	13 1
Dividends (c)	5 5	5 5	2,5	5 5
Net asset value (c)	124	138	140	149

Usco is wriggling free of the debilitating clutches of the Price Controller by switching as fast as it can from mild to specialised steels The former are price controlled, the latter not, and Usco is the only local supplier in this highly strategic industry

The switch, as well as improved plant utilisation, led to last year's big profit surge While steel tonnage sold rose only 14% to 206 000 t, gross profit rocketed 74% to R10,3m thanks largely to burgeoning demand for spring, tool, tempered and armoured steels from the motor and mining industries and the public sector

The profit surge was all the more remarkable considering that profits in aluminium, cables and castings deteriorated sharply Admittedly, the Price Controller granted two price hikes totalling 19,5%, but one, of 10% was effective only from mid-September, while the other was offset by higher raw material, energy and labour costs

The steel division represents 80% of capital employed, so its fortunes are crucial to the group While there is not much more to be gained from boosting plant utilisation, as all furnaces are working at capacity, a further controlled price increase is expected in June to alleviate Iscor's problems

In addition, demand for specialised steels shows no signs of letting up So, even though management forecasts only slightly improved steel profits this year, they will probably be appreciably better

Further good news is that the castings division, against all expectations, is performing better And now that the cable and aluminium divisions have been moved from Richards Bay to Vereeniging, overheads in these depressed areas should be lower, and profits better However, now Escom's national grid is complete the aluminium conductor division will recede in group importance.

The Richards Bay factory still has to be sold but capital write-offs are not expected Farm implement maker, Veldmaster, is also improving, so prospects look brighter than the annual report suggests

Debt equity has been reduced from 90% to 84% but R9,3m of long-term borrowings of R26,6m fall due this year. I understand that this presents no problem as Usco has R11m of unused facilities and net cash flow was R9,3m

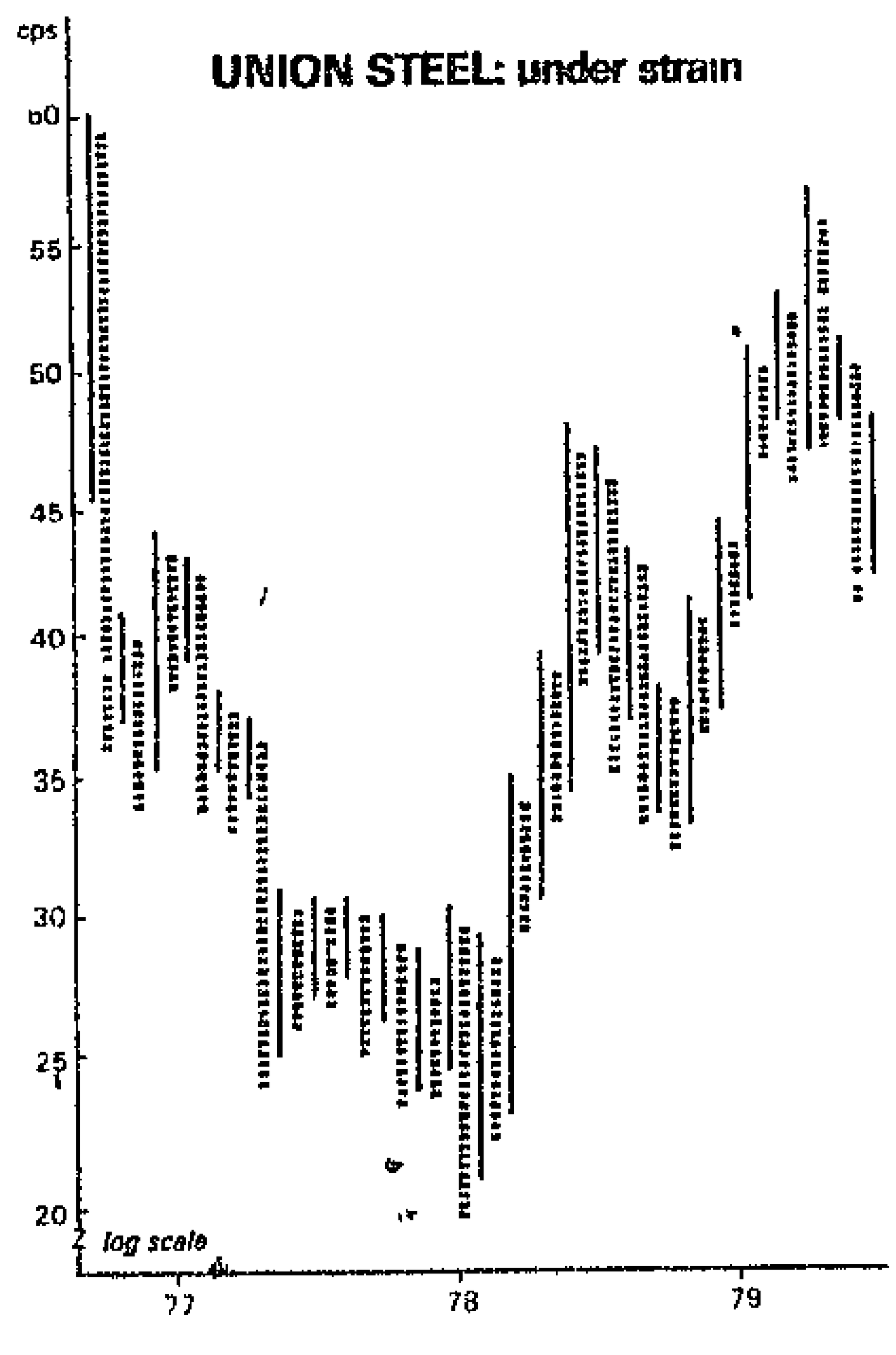
The return on capital of 12 4% (7,4%) and interest-lease cover of 2.5 (1,3) are both improved Repaying borrowings and "consolidation" remains group policy Apart from maintenance, the intention is to devote capex only to further diversification into special steels and cables

Usco is highly geared to the overall economy and short-term prospects have seldom been brighter The current yield makes it interesting.

David Carte

definitions

Gross profit Pre tax profit plus all interest paid
Debt equity ratio All interest bearing debt as a percentage of total shareholders funds
Total shareholders funds The total of ordinary minority and preference shareholders funds adjusted for the market and/or directors valuation of investments less intangibles (eg goodwill)
Return on capital Gross profit as a percentage of capital employed
Capital employed Total shareholders funds plus deferred tax and all interest bearing debt
Gearing Total interest bearing debt plus preference share capital as a percentage of net asset value
Net asset value Net assets attributable to ordinary shareholders after adjustment for market and/or directors valuation of investments less intangibles
Return on equity Pre-tax profits less preference dividends as a percentage of total shareholders funds less preference
Current ratio Current assets divided by current liabilities
Cash flow, group net profit plus depreciation net retained earnings plus depreciation
Capital commitments Contracted and authorised commitments
Gross margin Gross profit as a percentage of turnover
Stock turnover Turnover divided by the year end stock figure
Market capitalisation Number of ordinary shares multiplied by latest market price
Earnings per share Net profit after tax minority interests and preference dividends and after adjusting for non recurring items divided by the weighted number of ordinary shares in issue
PE ratio The number of years purchase of latest earnings per share represented by the current share price
Cover Earnings divided by ordinary dividends paid



DATES TO REMEMBER

Last day to register for dividends:
Friday April 27: Cons Gold 6,13c, Durowin 3c, ER Cons 1,82c, General Optical 4c, MTD Mangula 11,89c, Panafric 3c, Rhodesian Cement 1,29c

Meetings:
Monday April 23: Standard Brass, Toyota, Triomf, UCI
Tuesday April 24: Anglo Alpha Cement, Samancor
Wednesday April 25: Dunswart, Field Ind (Sandton), Gefco, Gough Cooper (Randburg), HGX, Metair, Msauli, New Kleinfontein, Palamin, Union Corp.
Thursday April 26: Afrikander Lease, Apex, East Dagga, Elands, Rooiberg, SA Land, Southvaal, Union Tin, Vaal Reefs, Vogels.
Friday April 27: Ass Manganese, Diroyal (Cape Town), Eriksen, Foschini (Parow East), E Haddon, Lefic (Parow East), Nictus (Windhoek), SA Board Mills

All meetings are in Johannesburg unless otherwise stated

DEFY

fm 20/4/79

Bottoming out

189

Activities: *Manufacturers of domestic appliances, heating elements for industrial and domestic use, and vitreous enamel baths*

Chairman: *H C Kuiper; managing director, T W Tucker*

Capital structure: *12,5m ordinaries of 50c each Market capitalisation R10,6m*

Financial: *Year to December 30 1978 Borrowings long and medium term R2,7m, net short term, R7,5m Debt equity ratio 50,4% Current ratio 1,5 Net cash flow R1,3m Capital commitments R86 000*

Share market: *Price 85c (1978-79 high, 100c, low, 53c, trading volume last quarter, 31 000 shares) Yields 5,5% on earnings PE ratio 18,0*

	'75	'76	'77	'78
Return on cap %	13	20,2	12 5	11,8
Turnover (Rm)	35	41	41	63
Trading profit (Rm)	2,7	4,3	2 8	3,6
Gross margin %	7,7	10 6	6 8	5 6
Earnings (c)	9 3	19 5	6 5	4,7
Dividends (c)	9 4	9 4	4	nil
Net asset value (c)	145	156	159	161

Economies resulting from the acquisition of the domestic appliance division from South African General Electric, together with improved margins, turned Defy's loss in the first half into a profit for the 12 months to December 30 1978

The acquisition added refrigerators, freezers and housewares to Defy's range of products, and increased turnover by about 45% Part of the rationalisation programme has been completed through consolidation of two branch offices and warehouses But rationalisation of manufacturing has not yet been fully implemented The full effects of this are expected to be reflected in this year's results, and directors are cautiously optimistic that there may be some modest growth in the future

The bottoming of the consumer durables market was felt in early 1978, following a three-year decline Throughout the decline, Defy held its share of the market, and continued to dominate in electric stoves The home laundry and air-conditioner sector of Defy's business also commanded a strong position

Products introduced during the last quarter include a new fan oven, twin-tub washers and microwave ovens All have been well received on the market Exports of baths, mainly to the Middle East, while producing low margins, were maintained at a steady level Defy also sells appliances to African countries, but exports account for less than 10% of turnover

The high level of imports of refrigerators and washing machines, mainly from Japan and Italy, is still causing concern to Defy However, representation to government authorities has been made and the company is hopeful that this will receive attention and action

Although earnings for the year fell from 6,5c to 4,4c a share, 1,6c of the reduction is accounted for by the issue of an additional 3m shares, out of which 2,9m were issued to SA General Electric

Although setting a bull trend at the beginning of the year, the share's price performance has been disappointing However, since it has just moved above 82c, a short-term buy signal is indicated Despite the bull trend, long-term investment should be delayed until the extent of the company's progress can be ascertained at the interim stage *Jean Moon*

STANDARD BRASS (189) FM 20/4/79

Export success

Activities: *Foundry operator and engineer Main products are railway freight wagon and locomotive components Distributes Esco earthmoving, mining, dredging, lagging and mineral processing equipment Holding company is General Mining*
Chairman: *G B Hobbs.*

Capital structure: *2,8m ordinaries of 50c each 75 000 5% cum prefs of R2 each Market capitalisation· R14,3m*

Financial: *Year to December 31 1978 Net cash R892 000 Current ratio 2,8 Group cash flow R4,0m Capital commitments. R2,2m*

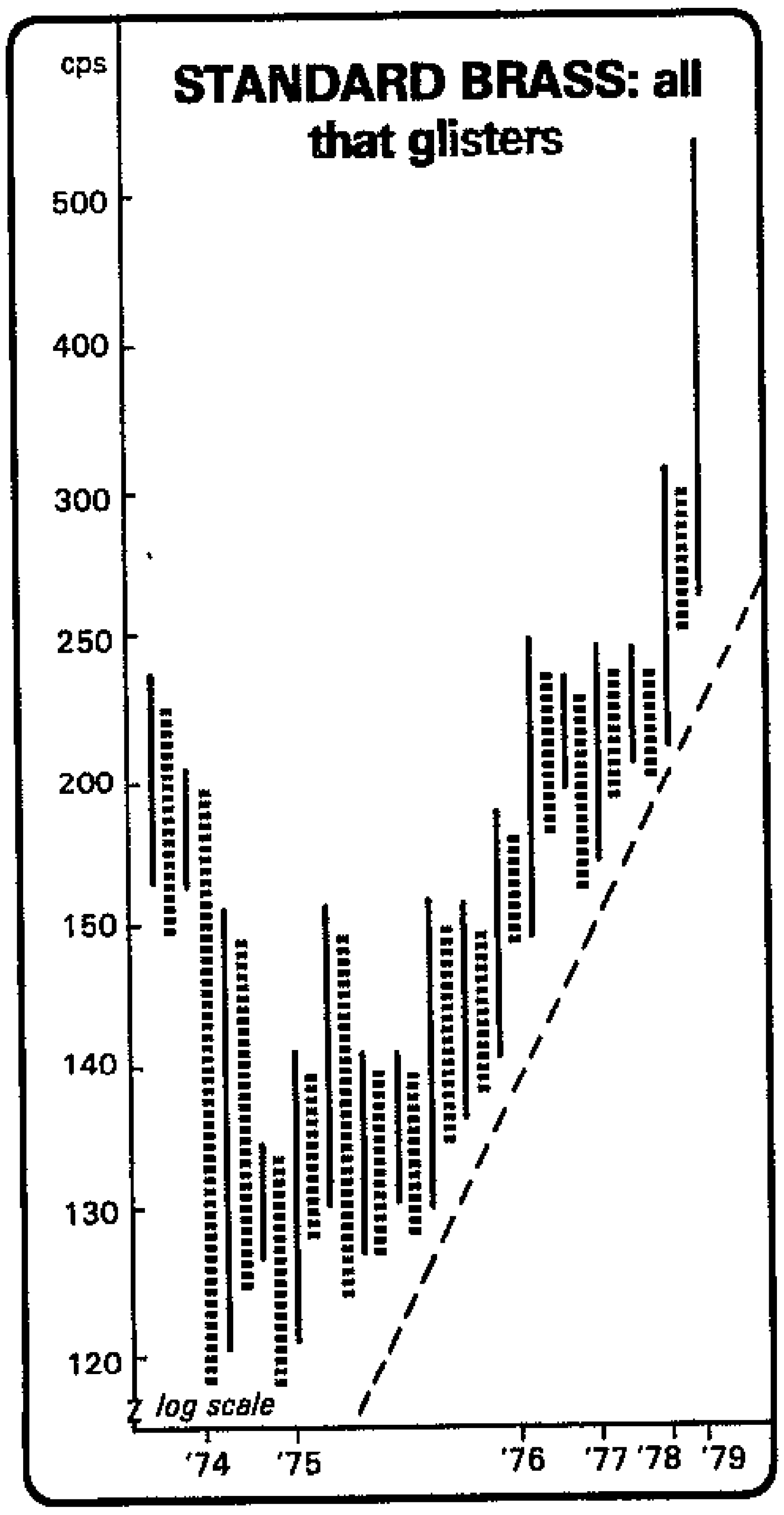
Share market: *Price 510c (1978-79 high, 510c; low, 260c, trading volume last quarter, 31 000 shares) Yields· 20,1% on earnings, 7,8% on dividend Cover 2,6 PE ratio 5,0*

	'75	'76	'77	78
Return on cap %	34 0	35 1	39 4	34 9
Turnover index*	150 5	195 8	206	208 9
Pre-tax profit (Rm)	2 8	3 5	4 4	4 5
Earnings (c)	53 3	82 3	95 6	102 5
Dividends (c)	22	28	30	40
Net asset value (c)	232	263	328	457

*1973 = 100

A major breakthrough in exports has been achieved by Standard Brass with the landing of a major contract to supply railway products to an unknown overseas destination

The company is remaining "mum" as to the exact value of the contract, but describes it as "large" and anticipates that it will have a beneficial effect on profits in the current year. Sales resulting from the contract are to commence any time now.




Standard Brass' Hobbs . . . keeping ahead

While exporting on a small scale to African countries for a number of years, Standard Brass achieved its first significant export success in 1978 These orders filled spare capacity which resulted from a fall in sales to SAR, a trend which is expected to continue. The reduction in long-term contracts is illustrated by the 25% decrease in the value of orders on hand compared with the previous year.

Thanks to several small overseas contracts, the engineering division's performance continued to improve and a further improvement is expected in 1979.

Capital expenditure rose from R902 000 at the end of 1977 to R2,2m at the end of 1978, and is expected to reach R2,7m during the year. However, the company is debt-free and is very liquid. It will have no problem in financing additional expenditure from internal resources And the happy position of being flush with cash allows Standard Brass to "keep ahead of everyone else" by modernising its plant

Turnover for 1978 was fractionally higher, but in real terms the volume of business was down Tonnage sold by the foundry was lower, but a more expensive product mix pushed the value higher Improved sales of cast Amasteel abrasives in the first full year of manufacture helped prop up overall turnover

On valuation, it was found that the proposed incorporation of the Standard Brass Pension Fund into the General Mining (Associated Companies) Pension Fund will not require additional funding. Therefore it has not only been unnecessary to set aside a further R170 000 for improved benefits, but the R170 000 provided in 1978 has been reversed

Last week's upward swing in the share price overcame the recent hesitation in a strong bull trend Despite the price rise, the yield remains attractive at 7,8% and the dividend is more than twice covered by earnings. Further penetration into the export field, plus a better economic trend at home virtually ensures further growth This share is attractive for long-term investment

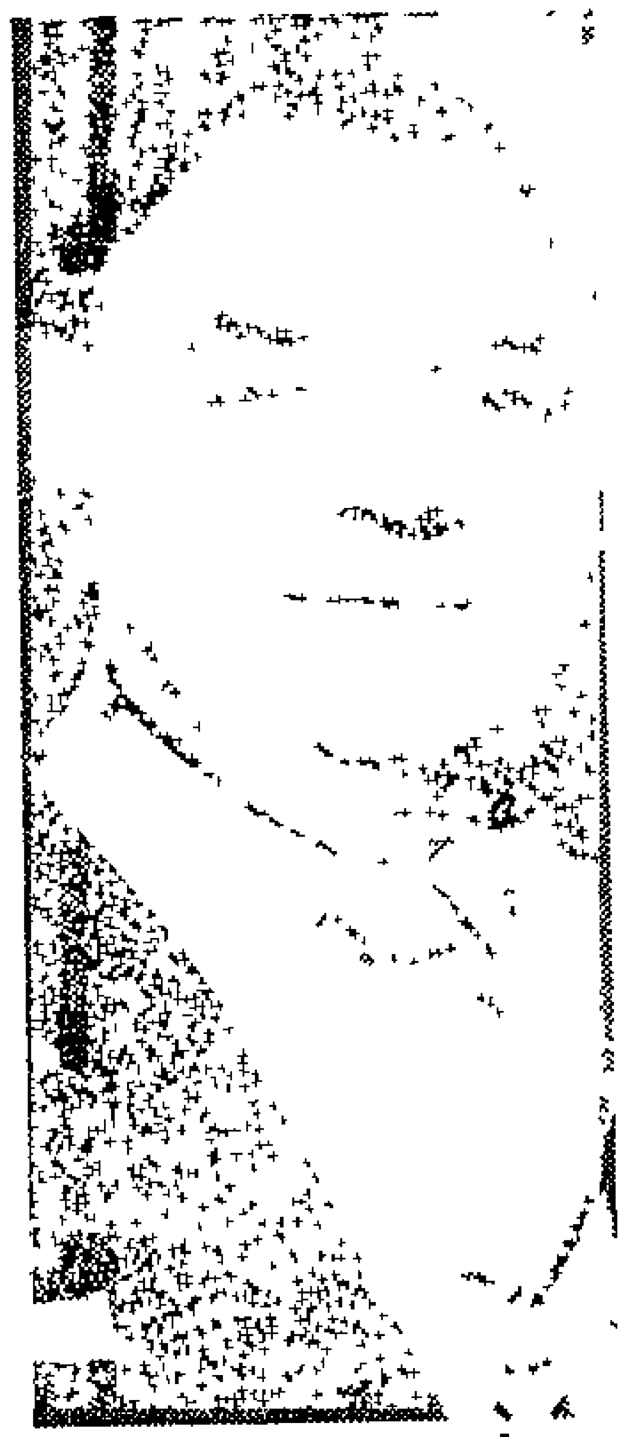
Jean Moon

Sun. Times Bus.

22/4/79

189

Computer men gear up to go it alone



John Starkey .. exhaustive briefing

By STEPHEN ORPEN

AFTER TOP LEVEL talks with Government, the private sector is preparing high priority contingency plans to establish South Africa's own computer industry.

Pretoria's decision to recognise the strategic importance of computers, and the necessity for self-sufficiency in the manufacture of electronic data processing equipment, follows months of intensive lobbying and discussion, involving a number of government departments

It is also the result of a re-appraisal by government of its relations with the West, and especially the US It seems that the risk of a break in supplies from America is now officially recognised as justification for "making proper alternative arrangements", as a senior official in Pretoria described it this week

Among companies which can be expected to benefit, ICL South Africa is easily the most important, with a 40 per cent share of the R600-million industry, growing some 35 per cent a year

Although managing director, John Starkey, will not comment, Pretoria sources confirm that he was recently summoned to an exhaustive briefing, believed to be at ministerial level As a result, ICL is preparing a blueprint for the local manufacture of a range of computing equipment

This is likely to cost 15 to 20 per cent more than imported equivalents, and will require protection against imports But it is said that the advantage of independence in the face of a possible escalation in US moves to block exports to South Africa is considered cheap at the price

The chief executive of IBM in South Africa, Jack Clarke, tells me he has not spoken to the Government on the matter, but "we have naturally prepared feasibility studies of our own into the logistics and cost of local manufacture"

The technical director of Data Corporation, Ed Swanepoel who has helped his company pioneer local manufacture on a small scale, says his board has also been in close touch with Pretoria

"There is no part of any computer equipment, or of peripheral equipment, which cannot be made in this country," he says "We already have all the necessary technology and the wherewithal for facilities It is simply a question of costs and returns

"Obviously it is expensive to make certain peripherals for which there is a very limited market In fact, the relatively small size of the overall market for EDP equipment is the main difficulty — given that the market has come to expect a highly generous range of hardware

"The shortage of suitably trained people to work in large-scale manufacturing shops is also a problem And obviously we are a long way from being able to build large mainframe computers, on a production line, basis, except at relatively prohibitive cost But if it is strategically necessary, that is another matter"

Computer consultant, Dick Clark says manufacture of the "pure electronics" is comparatively easy, but the mass production of integrated circuits and sophisticated electro-mechanical components is much more challenging

"I know integrated circuits are already being manufactured on a small scale and there is some manufacture of

●To Back Page

Computer men gear up for going it alone

●From Page 1

selected, basic electro-mechanicals But to produce disk drives, magnetic tapes, high-speed line printers — and so on — in quantity, cannot make sense unless there are water-tight sanctions"

The miracle on which today's computer technology is based, the silicon chip, is not a great problem and companies like Siemens, Altech and Philips are able to make these in South Africa In fact Siemens, for one, has already produced a limited range of chips, according to Data Corp

Mr Clark points out that if there should be a change in US policy towards South Africa, government may well decide to freeze or stretch out its requirements for local manufacture

But a spokesman for a British-sourced company says Pretoria has indicated unequivocally that it is now highly suspicious of US intentions, and not prepared to chance a lasting improvement

The Department of Commerce and Industries confirms that it has held discussions with a number of computer people and that it regards the local manufacture of computer equipment as important, and to be encouraged

A spokesman for the department says it is sympathetic to calls for financial assistance, and refers those who ask for this to the Industrial Development Corporation

"Of course computers is only one of many areas we regard as strategic or semi-strategic, and we have been talking to the private sector companies in this sector for some time."

(a)

	x	y	x^2	xy
	8	22	64	176
	9	23	81	207
	10	26	100	260
	9	23	64	184
	11	29	121	319
	13	35	169	455
	$\sum x$ 59	$\sum y$ 158	$\sum x^2$ 599	$\sum xy$ 1 601

$$\sum y = na + b\sum x$$

$$\text{and} \sum xy = a\sum x + b\sum x^2$$

therefore

$$158 = 6a + 59b$$

$$1\,601 = 59a + 599b$$

Solving simultane ously : $a = 1.61$

$b = 2.5$

Therefore fixed costs will be R 1.6 million
Variable costs will be 15 x 2.5 37.5 million
R39.1 million

(b) (i) The answer calculated above simply takes previous statistics and projects them into the future. The past may not be a good guide to the future and the calculated figure should be amended if management has any knowledge of future events which may affect the estimated figure.

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STEEL 7/3/79 (189)

Decline of the West

The crisis which has beset the world steel industry since 1974 has accelerated a redistribution of production

The International Iron and Steel Institute's figures for 1978 show that while total output was almost the same as 1974 (712 Mt against 709 Mt), the share contributed by the West has declined from 69,8% to 65,6% The West's decline of nearly 28 Mt in the period is more than the total annual output of France (23 Mt), Italy (24Mt), or Britain (20 Mt)

Both Western Europe and North America have lost ground, while the Soviet Union and Eastern Europe have shown hefty increases in total production and market share The Eastern bloc now contributes 29,6% of the total Africa has also increased, mainly thanks to SA, as has Latin America, though neither is very large in world terms Asia has increased slightly, while Oceania and the Middle East are virtually unchanged

Production by zones (Mt)

	1974	1978
W Europe	187	164
Asia	158	156
USSR	136	151
N America	146	139
E Europe	51	60
Lat America	18	24
Africa	7	9
Oceania	8	8
Middle East	1,2	1,5

4/5/79 DD

Big SAR contract to Uitenhage

EAST LONDON — National-Standard Company of Uitenhage, manufacturers of solid filler wires for gas-shielded metal-arc welding, have been awarded a R550 000 contract to supply welding wire to the South African Railways.

It is believed to be the largest single order for electric welding consumables ever awarded in Africa The contract will run for two years and it is anticipated some 560 000kg will be supplied in that period.

The Railways is the largest single consumer of MIG welding wire in South Africa

Mr Colin Bagnall, sales manager, said close co-operation between Iscor and the SABS helped National-Standard to win the contract The wire is 100 per cent locally manufactured using Iscor rod and will carry the SABS mark of approval.

Mr E.A. Pearce, NSC's managing director, took steps four years ago to enter the MIG welding wire field and was the first manufacturer to obtain the SABS mark for South African MIG welding wires

The company supplies East Cape tyre manufacturers with bead wire and the Post Office with telephone line wire By adding MIG wire to its product range it is backing the Government's "Buy South African — Build South Africa" campaign, Mr Pearce said

Mr Bagnall said the main advantages of MIG welding over other processes were the simplicity of the welding operation, the low cost of producing a weld, and the ability to train a welder for repetitive production work in only a few hours compared with days or weeks with alternative welding systems.

He added the quality of the weld produced was higher and did not need subsequent clean up as with other operations For those reasons it was the fastest growing welding technique in South Africa

He said that by producing a top quality product, the equal of imported materials, local users could be encouraged to "Buy South African", which would assist the country's balance of payments considerably — DDR

~~(1) 289~~

(2) 189

A PAPER ON A SPECIFIC MOTIVATION RESEARCH SURVEY.

"AUTOMOBILES - WHAT THEY MEAN TO AMERICANS."

4/5/79 Sunday Times

American giant expands in SA

189

By STEPHEN ORPEN

THE world's largest trackless coal-mining machinery group, the billion-dollar Joy Manufacturing organisation, has agreed to a sizeable injection of new equity into its South African subsidiary, which leads the market in this country.

Together with new long-term loan capital from the parent, the equity funds will pay for expansion which Joy in South Africa expects will help lift its sales to more than R30-million by next year.

Under a multi-million rand local manufacturing programme launched last year, the money will also help Joy SA increase the South African content in many of its products to virtually 100 per cent

The new funds, which have already received Reserve Bank approval and have been channelled through the financial rand market, are being hailed as a possible straw in the wind of US investor sentiment

Some R85-million in new foreign fixed investment through the FR market is reported to have been approved by Pretoria since acceptance of the De Kock Commission's two-tier rand recommendations.

But the money for Joy SA is thought to be the first significant renewal of US corporate interest.

The new funding from the US will increase Joy's investment in South Africa by some 12 per cent to near R20-million

It was agreed by the board of Joy US after a visit to this country by the chairman early in March.

Joy SA makes coal-cutters, shuttle cars, loaders and continuous miners—the latter worth some R400 000 apiece Managing director Herby Hadfield estimates annual demand for the miners alone at some R12-million a year, and is sanguine about future sales prospects

"Production of coal in this country is expected to rise from some 60-million tons annually to around 250-million tons within about 20 years

"Obviously that is going to mean a lot more coal-mining equipment We anticipate a doubling in demand by 1989 and another doubling or better, by the turn of the century."

The South African subsidiary recorded a phenomenal 65 per cent annual growth in sales in the three years to 1977 and at least as good in value terms is expected in the next few years.

The Joy group claims to have 85 per cent of the world market for trackless coal mining equipment and some 70 per cent of the South African market

Machine tool replacement and improvement costs are running above R2-million a year in this country and about R700 000 is spent annually on research and development

In May last year a Joy continuous miner supplied to the South Witbank Colliery on test produced a world record of 84 000 tons of coal.

Hadfield says the new equity tranche took some weeks to be approved by the Reserve Bank, "but I understand that approvals are now being cleared in about seven days flat.

The documentation requires that one intends to spend the money on fixed investment for expansion of productive resources that will benefit South Africa."

[illegible] statement [illegible] such [illegible] the council said the [illegible] agreed to the [illegible] asso[illegible] [illegible] council [illegible] accept the governments [illegible] only [illegible] [illegible] position.

The statement said the Prime Minister Mr P. [illegible] had agreed to such [illegible] and added that the council would [illegible] the report [illegible] action [illegible]

YSKOR IN VIR R14 MILJ.

(R9) RAPP. 27/5/79

EEN van die land se grootste staalhandelaars is vandeesweek op eie versoek onder voorlopige likwidasie geplaas en 'n bedrag van byna R22 miljoen is daarby betrokke.

Die maatskappy is Otto-Landsberg Holdings, wat die bevel tot voorlopige likwidasie Dinsdag verkry het

Volgens 'n verdere petisie wat deur Standard Bank Factors ingedien is, wat ook 'n voorlopige likwidasiebevel wou verkry het, skuld Otto Landsberg altesame R12,6 miljoen

Hy skuld R14 miljoen aan Yskor, R4,8 miljoen aan Standard Bank Factors, R400 000 aan Boland-Bank, R400 000 aan Syfrets, R300 000 aan Mitchell Cotts en R1,8 miljoen aan ander skuldeisers

Volgens die hofstukke bestaan Otto Landsberg se bates uit R3,1 miljoen sê vaste bates en R9,6 miljoen se ander bates

Een van die direkteure van Otto Landsberg, mnr. R.P A Siaens, het in stukke aan die hof gemeld dat die totale bates ongeveer R20,5 miljoen is, maar dit sluit in langtermyn-debiteure wat verskuldig is deur 'n filiaal ten bedrae van R7 miljoen.

Verder blyk dit dat die voorraad staal en ander produkte 'n bedrag van R3,5 miljoen beloop, wat deur middel van 'n notariële verband aan Yskor verpand is en dat R4,5 miljoen se debiteure aan Standard Bank Factors gesedeer is Standard plaas 'n realiseerbare waarde van R2 miljoen op hierdie debiteure.

Standard sê verder dat die laste van Otto Landsberg die bates met 'n bedrag van R9 miljoen oorskry Dit kom voor of Otto Landsberg reeds geruime tyd lank groot likwiditeitsprobleme ondervind het en

Die Meester van die Hooggeregshof het Vrydagmiddag vir mnr Willie Hancke, besturende direkteur van Sanek-Eksekuteurskamer, en mnr. Clive Landsdown, besturende direkteur van Syfrets Trust (Tvl), as voorlopige likwidateurs aangestel

METAL (SI) FM 3/1/75

Scrapping over scrap

Economic Affairs Minister Chris Heunis will need all his powers of diplomacy to settle the dispute between Pretoria scrap metal dealer Johan Visser & Partners, who wants to export 200 000 t of scrap and Ferrous Scrap Distributors. Visser received a permit for the scrap export through an administrative error and FSD [illegible]

[illegible]

MD [illegible] points out the [illegible] contracts to [illegible] all [illegible] available regardless of [illegible] market. [illegible] raw material [illegible] the country [illegible] cents [illegible] of the [illegible] scrap [illegible]

He denies the monopolistic [illegible] "Every metal merchant is free to do [illegible] negotiating [illegible] wants and no one is f[illegible] to sign a contract with FSD." [illegible] agree that FSD [illegible] the [illegible] the whip hand in the market [illegible] purchasing agent for all the [illegible] ries.

Merchants clearly dare not [illegible] ing FSD even if they are [illegible] with the prices they are paid. The [illegible] cance of the Visser export deal is [illegible] challenges the power of FSD.

Financial Mail June

R1,5m plant for steel industry 'Africa first'

(189)

13/6/79 Nm

Mercury Bureau

PIETERMARITZBURG — A R1 500 000 manufacturing plant for the steel industry, believed to be the first of its type in Africa, was opened here yesterday.

The plant, operated by Pfizer (Pty.) Ltd., was opened by Mr D R Thacker, president of Quigley Co. Inc of the United States

Mr. Thacker said he had every confidence in South African industry and also in the facilities available to industry in the Capital

The plant was the first of its type in Africa and would manufacture materials for the local steel industry, Mr Thacker said.

Specialty steel . . off the mild stuff

within the special steel product range For instance, instead of simply supplying, say, spring steel, the company now has the capacity to make special products, with even higher mark-ups This broadens the group's market through import substitution and greater competitiveness overseas

Until the fuel restrictions, which have resulted in a new look at electrification, the prospects for the aluminium and copper divisions appeared decidedly poor Currently the annual aluminium production is bumping along at 6 000 t, which compares with an installed annual capacity of 50 000 t The need for rationalisation within the aluminium division resulted in the entire Richards Bay factory being moved to Vereeniging With the decision to increase the country's reliance on electricity it stands to reason that the demand for cable will increase which will result in higher profit

The copper division which used to be the country's only wire producer found itself in the invidious position of not having clients some years back when the cable companies decided to integrate backwards and produce wire themselves This led to Usco's establishment of a cable factory, which will now come into its own with the railways decision to electrify new areas

Despite the drought conditions gripping the country Veldmaster which produces agricultural discs and earth engaging equipment has done well on the local market this year This together with improved exports to undisclosed countries, will probably turn this subsidiary around

The group is now moving with extreme caution, having entered an upward cycle MD Jan de Waal tells the *FM* that its business cycles normally last from four to five years, but this time round it could be different The defensive moves being contemplated are reduction of borrowings, which amounted to some R36,6m at the year end, and stocks and creditors

With the castings division doing well, and taking all the plus factors into account, including possible tax offsets, it appears likely that the group could still achieve a 20% earnings improvement to 14,5c With capex being restricted to removing production bottlenecks as they arise, it is likely that last year's 2,4 times cover will be maintained So, a 6c dividend could be paid, putting the share, at 51c, on an attractive 11.8% yield

Peter Pittendrigh

MANPOWER

Not building bridges

Of about 2 000 vacancies for professional engineers advertised annually, only 1 000 are being taken up, according to a survey for the Federation of Societies of Professional Engineers.

1072

Main reasons given for the shortfall are falling immigration, rising emigration and a high student drop out rate.

Before the immigration rate started to drop in 1976, between 25% and 50% of engineers entering the labour market were immigrants, but by 1977 the ratio had fallen to 30% and indications by the end of the first half of 1978 show it is down to around 16%.

The study points out that if immigration is not restored to pre-1976 levels, the average local graduate in agricultural engineering will have at least one job open to him in 1982, in chemical, mechanical, metallurgical, and mining engineering about two, and in civil engineering two or three jobs.

Historically, one of every five electrical engineers registered was an immigrant, one of every four civil and chemical engineers, one of every three mechanical engineers, and one of every two mining and metallurgical engineers.

Local universities are not filling the gap. Too few students are registering for engineering courses, and of those who do only about half graduate.

Only 9% of university students take up engineering (compared with 15% in most Western nations). Very few come from the Afrikaans community, women, and blacks. The report also notes the lack of bursaries available for engineering studies.

Between 1979 and 1981, the local output of engineers is expected to grow by only 40%, from 650 a year to 900.

15% oil jump won't hit SA

GENEVA — The world's leading oil exporters yesterday raised their price levels in a two-tier system estimated to put up the average price of a barrel of crude oil by more than 15%

Sapa-Reuter reports that in a compromise agreement, a price ceiling was set at R19,97 a barrel

But the oil price increases will have no immediate affect on South Africa.

That asssurance was given yesterday by the Minister of Industrial, Trade and Consumer Affairs, Dr Schalk van der Merwe, who said the present prices charged in South Africa would be maintained in the immediate future

The present SA oil price is based on an asssumed average price of $35 a barrel

Saudi Oil Minister Sheikh Ahmed Zaki Yamani and other Opec Ministers regarded the agreement on the ceiling as the most important result of the three-day Geneva conference

Sheikh Yamani said his country — and Qatar and the UAE — would set their prices in relation to a base of $18 (R15,30) a barrel.

Steel to go up by 12½%

189
29/6/
R

By GERALD REILLY
Pretoria Bureau

THE steel price has been increased by an average of 12½% from today, the chairman of the SA Rolled Steel producers co-ordinating council, Mr K R Rumelin, announced in Pretoria yesterday

This will give the country's price spiral another powerful twist as it ripples through the economy inflating costs in the already struggling car industry, the building industry, mining and the household appliances industry.

Mr Rumelin said the higher price was necessary because of constant rising input costs in the primary steel industry

The prices of certain key raw materials and other basic were rising at a faster tempo than the general inflation rate

... the increase was calculated it was ... that the steel industry would sell its entire production on the local market, he said.

There was, however, a slackness in local demand, and South African steel producers were exporting more than a third of total production

The return on exported steel was considerably lower than on local sales, because of the country's distance from overseas markets.

The approximate effect of the steel price rise on small cars would be R13, on medium cars R18, and on large cars R29

Household appliances would also be affected, and the additional costs of steel in the manufacture of a fridge, for instance, would be about R2,50

The cost of a medium-sized house would rise by about R60.

The price of South African steel was 2% lower than in Australia, 3% than in the UK, 7% lower than in the US, and 5% lower than in West Germany.

Steel is an important foreign exchange earner In the past year the figure was R400-million. Iron ore export earnings were R170-million.

is confused as he thinks he is being paid for slackness and thus is willing to comply with this strange system. Management becomes fed-up with the workers' attitude and a stale-mate develops. Therefore it is essential that the African understands the scheme and in addition it is necessary to pay the bonus separately from the basic pay so that he can see and understand that his extra effort brings to him a direct measurable reward. There are a further two conditions for incentives. Namely that benefits are acceptable to the worker in proportion to good relations that exist between supervisors and workers; if these are not good the benefits are regarded with suspicion. In addition these

12 pc rise in steel price from today

29/6/81

PRETORIA — A steel price increase of 12,2 percent on average with effect from today, was announced here yesterday by the chairman of the South African Rolled Steel Producers Co-ordinating council, Mr K R Rumelin who is also general manager of Iscor

Speaking at the press conference at which the increase was announced, Dr Tom Muller, chairman of Iscor s board, said the increase would have a minimal effect on the consumer price index He gave the following examples

- The steel content of a small car would increase by R13, that of a medium-sized car by R18 and a large car by R29
- The price of a stove would rise by about by R2, a refrigerator by R2,50 and a medium-sized house with corrugated iron roof steel window and door frames by R60

Dr Muller said that from Iscor s point of view the increase was necessitated by the continuously-rising input costs as a result of the inflation rate of more than 12 percent

In comparison with prices in other countries, Iscor s steel was still cheaper than in most other countries It was essential that Iscor kept exporting steel products If it had not maintained optimum production and kept up exports, the local price of steel would have had to be increase by more

He said the price of steel was adjusted only once a year in South Africa compared with quarterly or three-monthly adjustments in other countries The last increase in South Africa was 10 percent in September last year

The price of pig iron will be increased by the same percentage as steel

Dr H J J Reynders, executive director of the South African Federated Chamber of Industries, said the price rise came as a further blow to the recovery prospects of the economy, following the shock of the oil and other price rises

The steel price rise would add to inflationary trends and consumer demand as well as export prospects would be adversely affected

Mr S G Keatley, managing director of a steel distributing company said he did not foresee any great change to the economy

"This rise was expected and it is about the normal time of year for a rise I cannot predict what effect it is going to have on the man in the street, but I don t think it will be great "

Mr Raymond Parsons, executive director of the Associated Chamber of Commerce, said yesterday that Assocom would review the rise immediately He decline to speculate on the estimate the effect it would have on the consumer

— Sapa

Steel price goes up 12 percent

29/6/78 RDM (244) (189)

PRETORIA — A steel price increase of 12.2 percent from today was announced here yesterday by the chairman of the South African Rolled Steel Producers' Co-ordinating Council, Mr K R Rumelin, who is also general manager of Iscor

The price of pig iron would be increased by the same percentage, the statement said The increase would apply to the products of all South African steel producers

Meanwhile, Dr Tom Muller, chairman of Iscor said yesterday the increase in the steel price would only have a minimal effect on the consumer price index He gave the following examples.

The steel content of a small car would cost R13 more and that of a large car R29 more It was estimated that the price of a stove would increase by R2, and the price of a fridge by R2,50

From Iscor's point of view the increase had been necessitated by the continuously rising input costs as the result of the inflation rate of more than 12 percent

This situation was aggravated by the fact that, in the case of Iscor, coking coal, iron ore and other materials were being mined under increasingly difficult conditions and high-grade coal was very scarce and expensive

In spite of an increase in productivity of 5 percent achieved by Iscor the corporation could not cope

Compared with prices in other countries, Iscor's steel was still cheaper Dr Muller said

He pointed out that the price of steel was adjusted only once a year in South Africa, compared to quarterly adjustments in other countries

The last increase in South Africa was one of 10 percent in September last year — (Sapa)

Produktiwiteit keer hoër staalprys

Deur DAAN DE KOCK

WAS dit nie vir die reuse-besparing wat verhoogde produktiwiteit (daar was 'n reële styging van 5 persent die afgelope drie jaar) Yskor besorg het nie, sou Suid-Afrika in gewees het vir 'n nóg groter skok in die prysstyging van staal

Die prys is van Vrydag 12,2 persent hoër en die nuus is met bra gemengde gevoelens deur die georganiseerde handel en nywerheid ontvang

Soos elke saak het Yskor natuurlik 'n handvol motiverings vir sy ongewilde stap Sake-Rapport het lank met die manne gesels en die prentjie wat aanleiding gegee het tot die prysverhogings lyk min of meer as volg

- 'n Sterk styging in die inset-items wat in die staalproses gebruik word Hierdie stygings was in die eerste plek te wyte aan die hoër inflasiekoers, maar in die geval van Yskor was dit vererger deur die feit dat grondstowwe, hoofsaaklik kookssteenkool, ystererts en dolomiet, as gevolg van geologiese faktore onder steeds moeiliker omstandighede ontgin word
- Bykomende koste wat aangegaan moes word om te verseker dat beskikbare bronne van hoëgraadse steenkool ten beste benut word
- 'n Sterk styging in die prys van 'n groot deel van die aangekoopte goedere wat deur Yskor in die produksieproses gebruik word — soos vuurvaste materiaal en ferrolegerings Laasgenoemde se pryse het sterk toegeneem veral vanweë die hoër energiekoste

Die voorsitter van Yskor, dr Tommie Muller, sê die verhoging in die staalprys sal nie noodwendig tot gevolg hê dat Yskor se „winsposisie" drasties (die onderneming het laas in 1973 'n wins getoon) sal verbeter nie, aangesien die verhoging slegs op plaaslike ...

tydperk 1952 tot 1970 onveranderd gebly het

- Dat die staat van 1 Julie 1973 (die begin van die eerste „rooi boekjaar") tot 31 Mei 1979 'n bedrag van R635 miljoen in Yskor gestoot het Van hierdie bedrag was R565 miljoen in die vorm van aandelekapitaal en R70 miljoen in die vorm van 'n rentesubsidie
- Dat die totaal van huidige buitelandse en plaaslike lenings R1 900 miljoen beloop en dat rente op 'n jaargrondslag op R170 miljoen te staan kom
- Dat Yskor in die huidige omstandighede in die hande van private inisiatief nie winsgewend sal wees nie
- Dat die Sishen-Saldanhabaai-projek op die oomblik sowat R170 miljoen per jaar se buitelandse valuta verdien

1/6/79

1979

PACKAGING

Bottling it up

FM 6/7/79 1891

Canners and bottlers, pivotal to the R1 000m beer and soft drinks industries, are going ahead with price increases Tug o' war competitors slugging it out for the R140m container market are Anglovaal subsidiary Consolidated Glass (Consol) which holds a 100% share of the bottling market and Metal Box with a 90% share of the beverage can market

Consol hoisted its beverage container prices an average 9%-10% in June Metal Box shortly announces a roughly 10% beverage can price increase Both increases, state the two manufacturers, are unavoidable Both industries are reeling under the impact of massive distribution cost increases, production, labour and raw material price increases

MB chief Derek Jacobs says the increase is based on the 6% Iscor-announced weighted average percentage increase on tinplate material Roughly 5% is due to steep cost escalations on labour, fuel, printing inks et al These cost escalations, says Jacobs, have been absorbed for the past 14 months

Price increases can only exacerbate the can versus bottle battle, described by Consol's GM Piet Neethling as "a fierce tug o' war " Bottles are out front with cost factors heavily geared in their favour Cans' convenience claims are undisputed but with costs averaging 33% more than on non-returnable bottles, they could well take a caning in a consumer cash conscious future

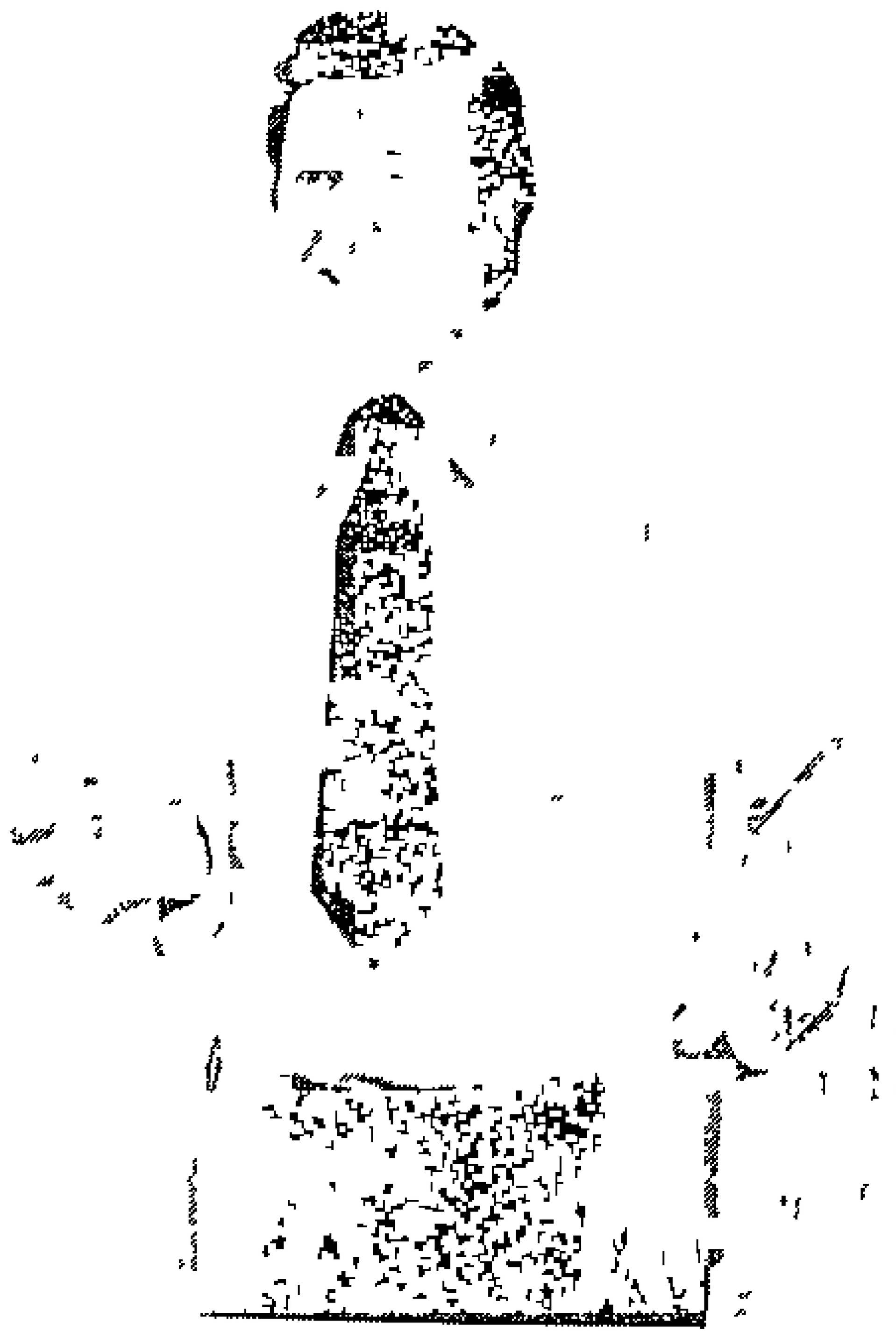
Coca Cola senior vice president and division manager for Southern Africa, Fred Meyer says Coke cans make up 12%-13% of turnover and the ratios are unlikely to change In Europe and the US convenience packs have a far higher share of the market

Sales higher

On beer cans, Metal Box's Jacobs claims sales are running far higher Cans make up 25% of total sales No comment from Breweries Jacobs expects beer can growth to outpace economic growth at least three times "We expect 8%-10% demand growth this year " He says firmly that beverage cans now command a "33%-40% share of the total R125m-R150m beverage container market."

But bottles manufacturer Consol is sceptical. Soft drink/beer containers make up roughly 35% of total Consol turnover of R70m Opines Neethling, "The present growth pattern — 10% on returnables and at least double that on non-returnables — is likely to continue unless the economy gets the wind from the front "

He has reason for confidence Soft drinks sold in bottles make up 91% of total soft drinks sold, cans have a meagre 9% share Cans, costing an estimated 9c presently as against 6c for a non-returnable beer dumpy, are unlikely to reverse the position



Metal Box's Jacobs . . fierce tug 'o war

It all boils down to economics triumphing in a depressed economy With beer, a conservative 75% is sold in bottles says one SAB staffer, 25% in cans "In terms of the bottle market, 90% is returnable This relates to your black beer drinker, the strength of the market Growth in the black market (an estimated 60% of the total market) is expected to top 10% a year, nearly double that of the white

Till he moves to can packs, demand for cans is unlikely to accelerate It's as simple as that "

A question begging an answer is, will both beer and soft drink prices hoist as a direct result of container and other cost increases?

Coca Cola's Meyer (Coke commands a 62% share of the soft drink market) says soothingly, "We haven't made an application for a price increase But we can't absorb indefinitely the increases in steel, sugar, packaging and distribution " Says SA Breweries, dominating the beer market with its estimated 90% share, "We're not contemplating an increase at this time " The comment hardly surprises Right now SAB and arch foe Intercontinental's price war on beer rages on Packaging cost escalations will have to be absorbed for the time being

Steel sector in a State vice

15/7/79 Sunday Times 18/7

BY STEPHEN ORPEN

BY REFUSING to accept a programme for the de-control of steel prices, the Government is misusing more than R3 000-million worth of public assets.

It is distorting one of the most crucial — indeed strategic — markets in the country.

And it is shackling scarce management and technical brains in a straitjacket which will always prevent them achieving reasonable profits, and thus the private enterprise spirit which the recent Theron Committee urged for Iscor, the country's biggest steelmaker.

As revealed to Business Times this week by Iscor managers, this is the nub of the corporation's own thinking on the matter.

It is also the majority view of private and public sector economists questioned. However, they are reluctant to go on record with outspoken criticism for fear of angry reaction from the still powerful lobby, including some of their employers, that continues to favour controlled steel prices.

As a release of prices at this stage would certainly stoke inflation virtually throughout the industrial sector, with strong ripples also into the rest of economy, the resistance to de-control is understandable.

Certainly, say the economists, too-sudden action would be unjustified so soon after the recently announced hike in the controlled prices, and at a time when energy and other special factors have already saddled the country with a heavy inflationary burden.

But they remain emphatic that whatever good is emerging from the laudable efforts to improve Iscor's performance through increased productivity (as reported at length elsewhere on Page 3 this week), the key problem remains price control.

As long as the Cabinet refuses to recognise that this is inherently incompatible with its new "market forces" and "business methods" policy for the management of public sector organisations, the multi-billion state steelmaker will never achieve a credible free-enterprise performance concept.

It is suggested that Pretoria should evolve a "release" programme for steel prices along the lines of what was done for Escom.

Although it might be necessary to prevent prices climbing as fast as did Escom's electricity tariffs in the mid-seventies, some pain would nevertheless have to be accepted in the economy in the interests of an eventual stabilisation.

Meanwhile, it seems that the latest, controlled steel price hike, announced as averaging 12,2%, in fact covers some increases as high as 20%.

Steel users will have to pay at least R500-million extra annually for their purchases as a result of the increase.

Steel hike hits many hard

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22/7/79

Sund Times

BY STEPHEN ORPEN

STEEL USERS point out that although the latest controlled steel price hike may average 12,2%, as announced, it is in fact costing some 30% of users around 15% more, and some 5% of users as much as 20% in excess of the old prices.

Thus of the minimum of R500-million extra which the steel-consuming sector is going to have to pay annually as a result of the latest price hikes, as much as R220-million will have to come from the pockets of only some 20% of steel purchasers.

Profiles

The price of flat products, comprising some 66% of Iscor's output (2-million tons a year) will rise by an average of just under 11%, but the lift in the price of profiles (33% and 1-million tons) will average some 15,5%.

Of Iscor's total annual output, the local market is currently absorbing between 2,6 and 2,8-million tons and exports some 1,5-million tons. The average price for flats from Iscor is now R368 a ton and that for profiles R307 a ton.

This compares with prices from Highveld Steel of around R166 a ton for semis, R244 for universals, R237 for sections and R232 for angles. Highveld is selling some 750 000 tons a year.

FERROALLOYS

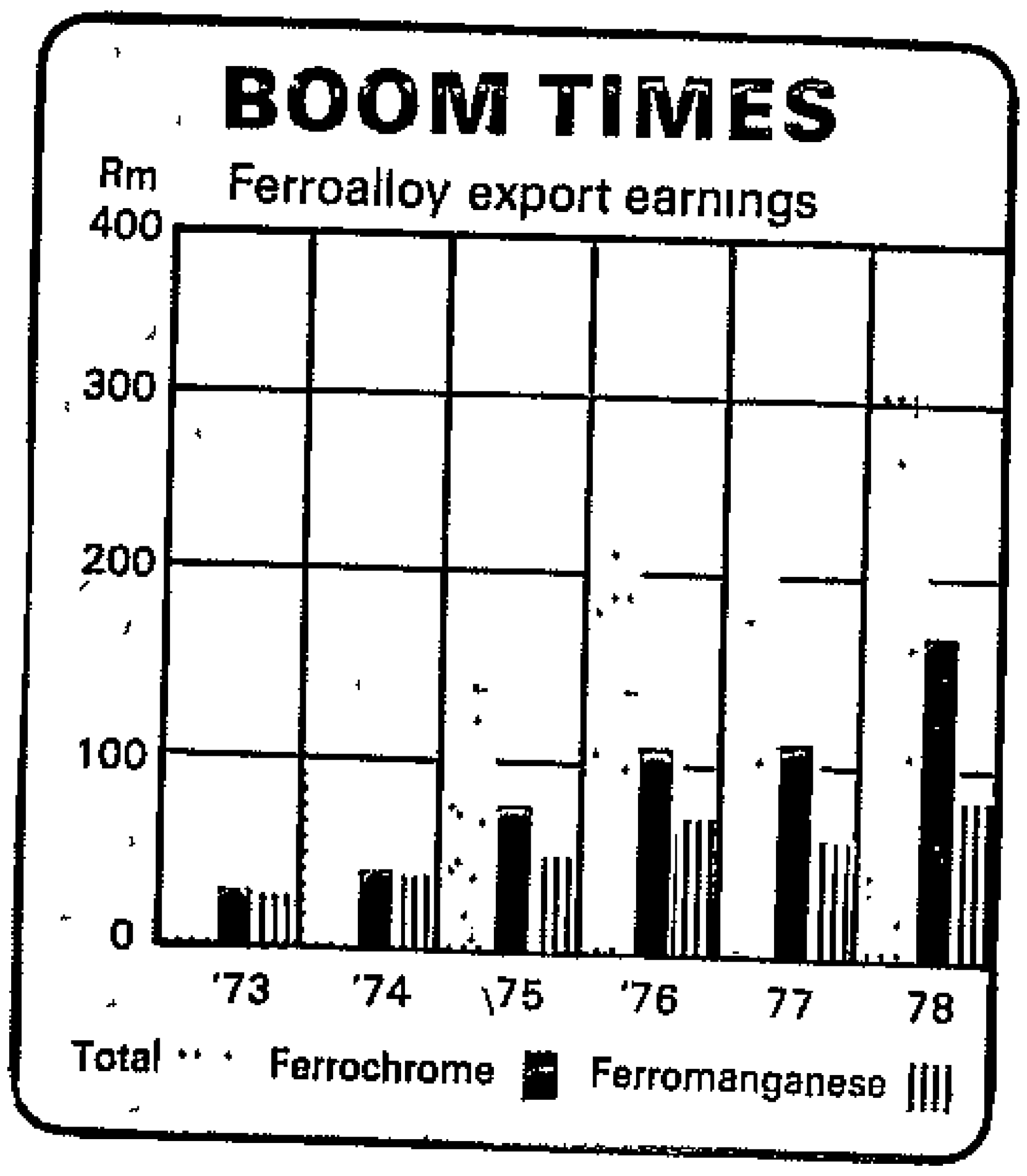
It's all go

(189)

FM 3/8/79

SA's **ferroalloy** industry is heading for a bumper year Supply pressures have driven up the delivered prices of ferrochrome and ferromanganese by 40%-50%, while output in the first quarter jumped a whopping 55% over the same period of 1978

John Hall, Middelburg Steel MD, says that buoyant world demand for speciality



steels is holding up strongly The industries which use chromium steel, like coal-fired and nuclear power stations, capital goods and aircraft industries, are still enjoying strong demand

A Samancor spokesman said the improvement in demand for SA ferroalloys has been dramatic compared to the depressed levels at the beginning of 1978 From early 1979, most alloy producers have been operating at full capacity, and demand is expected to remain strong until the end of the current year, at least

Nor is Samancor especially perturbed over the recent 5% drop in US levels of carbon (ie non alloy) steel output Steel output lags six months behind general economic trends, while alloys lag a further three to six months behind ordinary carbon steel

Samancor was not willing to venture predictions beyond the end of 1979, when there might be a slight softening in the US caused by the shadow of the forthcoming presidential election But the EEC and Japan should remain healthy markets for SA ferroalloys into 1980

SA has been putting to excellent use its formidable advantages in ferroalloy manufacture These include ownership of the world's largest chrome and manganese reserves and low electricity and labour costs So, it is hardly surprising that SA's industry has been expanding at the expense of older industries in the major industrial nations Of the major Western steel producing nations, only Japan and West Germany produced more ferroalloys in 1976 than in 1970 Over this period SA's output increased by no less than 92%

Last year's ferroalloy output volume rose by 18% from 934 000 t in 1977 to 1,1 Mt, while export earnings were up by 48% to R306,2m from 1977's R207,4m The current year has seen further improvement, with local ferroalloy output for first-quarter 1979 55% above that for the comparable period of 1978 and 11% above the levels of fourth quarter 1978

The trend towards ore processing in SA can also be perceived in the relative change in the earnings from ore and alloy exports In 1970 ferrochrome and ferromanganese exports earned only R13,2m and R19,3m, respectively By 1978, however, ferrochrome export earnings had reached R185,6m and ferromanganese R88,5m

Over the same period, chrome ore exports rose from R9m to R63m, and manganese ores from R21,6m to R88m Today ferrochrome accounts for some 60% of total ferroalloy exports

This progress has not been achieved without strenuous resistance from the older overseas producers SA's exports have consequently had to run the gauntlet of a wide range of restrictions These include, in the case of ferrochrome "trigger prices" introduced both by the US and the EEC, which attract additional duty if the price of imports falls below the designated levels The EEC has introduced a "reference price" system for ferromanganese and SA has agreed on an informal quota system for ferromanganese exports to this market In any event, local alloy prices stand above the trigger levels, which have thus done little to control imports

The SA industry now boasts two newcomers — Tubatse, controlled by Union Carbide in partnership with General Mining, and JCI's Consolidated Metallurgical Industries These concerns join the older SA producers, Iscor-controlled SA Manganese and Barlow Rand' Middelburg Steel

An interesting factor which could distort world markets for ferroalloys in the future is growing sensitivity towards dependence on SA, viewed in a political context, which has already directed German attention towards stockpiling

Steel industry shines up its image

(189) Star 3/8/79

By Frank Jeans

With the renewed stability settling into the construction industry, the men who build with steel are shining up their image to attract a major share of a growing market

A launching pad for a new drive into building will be the first symposium held by the South African Institute of Steel Construction in Johannesburg on Monday

Says Dr Hennie de Clercq, the institute's director "We have a vital role ahead, but if we are to secure a strong position in the building industry and break into new markets, we must improve on existing methods of construction

"In that context, we have some interesting new ideas in the pipeline"

While the steel men are unchallenged in the heavy industry area such as the Sasol ventures and new mine construction, as well as lighter industrial building, they see new avenues opening up in the commercial property sector with a lot of work coming their way

One main direction in which the institute will be looking is technical manpower There is a looming shortage of engineers and technicians and this workforce imbalance has to be corrected.

Steel structures in commercial and domestic property in South Africa are, it appears, the exception rather than the rule.

In America, Canada and other countries, on the other hand, steel is used predominantly in office building, flat blocks and hotels

South African steel erectors believe steel structures can often be used with greater effect in these areas

Their prime focus, however, will be on mercantile, office and domestic buildings of the non-highrise variety

A question mark which the developer will be quick to note is the cost factor in steel construction.

But if steelbuilding does cost more, there is the advantage of quick delivery

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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 ... bygewoon

Jaarlikse konfer... en Raadsvergad... tuut vir Rasse...

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c) Ander lede:

Mnr K Bosman	Mnr H W Middelmann
Professor A. Cupido	Eerw. M.T.L. Moletsane
Mnr N. Daniels	Professor A D. Muller
Mnr Achmat Davids	Sheik A. Najaar
Professor R.J. Davies	Mnr Victor Norton
Professor J J Degenaar	Professor N.J J. Olivier
Mnr René de Villiers	Mnr L Phillips
Dr I.D. du Plessis	Professor H.P. Pollak
Professor J.J.F. Durand	Mnr W J September
Professor J B. du Toit	Mnr Franklin Sonn
Mnr A. Fledermann	Mnr P M. Sonn
Professor R F Fuggle	Regter J.H. Steyn
Mnr G.J. Gerwel	Mnr R. Tobias
Eerw D Guma	Professor R.E. van der Ross
Professor A Paul Hare	Professor J H van Rooyen
Dr Gertrud Heydorn	Mev. S. Walters
Mnr F A Jacobs	Professor F A H. Wilson
Mnr H M. Jimba	

d) Twee Ere-Fellows

Professor J L Boshoff
Dr Sheila T van der Horst

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger op die Beheerraad. 'n Verkiesing is in 1978 gehou en die huidige ampsdraer is Biskop A.W. Habelgaarn Terwyl geen verpligtinge aan lede opgelê word nie, word hulle geraadpleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

JOB WATCH WITH DUNCAN LOLWANE

Gillette says it is moving away from apartheid

MR J I MILNE, personnel manager of Gillette SA — an American company manufacturing razor blades — says his company is pressing for social and economic change in South Africa.

Mr Milne was replying to questions put to him by POST on what his company had done so far to upgrade its black staff.

He said he was aware that blacks in South Africa did not enjoy the same privileges as whites as far as training was concerned and that Gillette was doing everything possible to get blacks trained for more senior positions.

The company is currently training 15 blacks as managers and accountants. There is another team of 20 blacks being trained as clerks and supervisors.

In the last three years the following positions at the company have been occupied by blacks: wage clerk, invoice clerk, personnel clerk, marketing trainee, depot storeman, territory representative, laboratory technician, trainee salesman, buying clerk, cook, sharpening operator — blades and security officer.

This year nine blacks at the company went through on-the-job training — over a period of six months.

The company employs 143 Africans, 110 whites, 37 coloureds and seven Indians.

There are two grading systems at the company — Scale A and Scale M. Scale A runs from Grade 6 to Grade 18 (highly skilled people) and Scale M runs from Grade 1 to Grade 9 (unskilled, semi-skilled and skilled).

The table below shows the two scales and the number of people in each grade by race:

SCALE A

Grade	Africans	Whites	Coloureds and Indians
6	[illegible]	2	—
7	4	2	—
8	[illegible]	3	—
9	[illegible]	29	[illegible]
10	[illegible]	3	—
11	—	5	1
12	—	10	—
13	—	3	—

The remaining five grades belong to all the company executives.

SCALE M

Grade	Africans	Whites	Coloureds and Indians
1	43	—	10
2	40	1	13
3	35	2	13
4	16	12	1
5	4	6	2
6	—	4	—
7	—	1	—

The remaining two grades — Grade 8 and Grade 9 — have 15 whites and no blacks.

Mr Milne admits that there is still a great number of blacks on the lower grades.

The company has no blacks in positions where they supervise whites.

The company is signatory to the Sullivan Princi-

"This is cash," Mr Milne said.

The minimum pay does not include bonus, subsidised meals, pension and other allowances.

There are nine blacks and no whites on this minimum. The least paid white earns R277 a month.

The company is signatory to the Sullivan Principles and bases its minimum pay on the Minimum Living Level calculated by the Johannesburg Chamber of Commerce.

In November last year the MLL for a family of five in Soweto was calculated at R182,31 a month.

Mr Milne says they negotiate with their workers through a multiracial consultative committee, which consists of six blacks and four whites — all worker representatives — and one management representative.

Workers at Gillette.

The committee meets once a month to discuss all problems affecting workers.

POST: What is your attitude to trade unions?

Mr Milne. We believe that workers have the right to form unions. But our enlightened employment practises render negotiations with unions unnecessary. For example, our conditions exceed the negotiated minimum in such areas as salaries, annual leave, sick pay, annual bonus, life assurance, provision of health services and pension.

Mr Milne says they were approached by a black trade union for recognition.

"We explained to them that we were neither for nor against them. But we believe they serve a great purpose in the world."

Mr Milne says they made it clear to their workers what their attitude is to trade unions.

Toilets, canteens and other facilities in the company are completely integrated.

POST's Job Watch team was taken around the factory. We came across the Sullivan Principles well displayed on notice boards.

"We cannot afford to be having all types of fancy arrangements separating blacks from whites," Mr Milne says.

A[illegible] if they have not had any hostile reaction from their white workers to integration, Mr Milne says they have had complaints but that these were unimportant.

"We told everyone from the beginning that we were moving away from apartheid," he says.

The company has not encountered any legal restraints to integration.

What is the company doing towards the improvement of the quality of life in the townships?

Mr Milne says they will have [illegible] a multiracial social club by the end of this year. They [illegible] with the Urban Foundation and [illegible]

[illegible] ing group in order to determine the needs of blacks in these areas.

The company also participates in the development

Mr J I Milne, personnel manager at Gillette . . . is aware that blacks do not enjoy the same privileges as whites.

of programmes that address the educational needs of employees, their dependants and the local community.

Mr Milne says financial assistance is available to any employee who wishes to further his studies in a recognised course of a job related nature. He says educational assistance is also available to the dependants of their employees [illegible] and in addition the company offers a number of [illegible] to blacks.

[illegible] dies and have offered [illegible] to the local [illegible]

[illegible] in KwaThema near Springs and it is our intention to upgrade the facilities at these schools steadily," he added.

Gillette's canteen, toilets and other facilities are also integrated.

Union Steel comes up with impressive results

By [illegible] [illegible]

Union [illegible] [illegible] [illegible] the [illegible] impressive [illegible] for the six months to June [illegible] equal [illegible] of the whole of last year.

Profit before tax was up from R7,3m to R3,1m on a fairly hefty increase in turnover to R91,5m (R65,2m).

The tax charge was marginally higher and profits after tax [illegible] by R353 000 to R3,6m following the disposal of shares in a wholly owned subsidiary.

Despite losses in some of the [illegible] operating subsidiaries [illegible] second half [illegible] [illegible] [illegible] [illegible] [illegible] the [illegible] steel [illegible] in the [illegible] — [illegible] high [illegible] expected [illegible] profits in the full year.

According to the interim statement the steel division operated at a satisfactory level during the period, while improved results can also be attributed to the copper division.

The loss in Feldmaster [illegible] but owing to [illegible] competition and low prices from the [illegible] [illegible] [illegible] M D [illegible] [illegible] [illegible] full [illegible] [illegible] year end.

[illegible] are only maintained during the next [illegible] months, the improvement will be double the R?,5m in 1978 in terms of taxed profit.

The share price is gradually moving higher after recent [illegible]. Interim results are more than encouraging and investors may be tempted to move in to collect what may turn out to be a much higher [illegible] than last [illegible] [illegible].

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FM 7/9/79

UNION STEEL

Special profits

Riding on an upward steel cycle, Usco's first-half turnover improved 41% to R92m (R65m) while earnings pushed ahead to 10,9c (7,8c) promising a sound improvement on 1978's 12,0c total

MD Jan de Waal tells me that the normal four- to five-year business cycle may be extended for Usco this time round with increasing demand for non-price-controlled special steels If previous cycles are repeated, 1980-81 should see a downturn in steel consumption, though any levelling off in consumption may be tempered by strong demand prospects by the engineering industry, Sasol and the mining sector

While steel contributed only 62% of last year's turnover, it contributed 94% of pre-tax profit The July controlled price increase should ensure maintenance of this pattern this year The product mix, reflected in parallel increases of 41% in both turnover and earnings, is not expected to change Despite the profitable specialised steel division — comprising 60% of total steel production — De Waal says that it is Usco's policy to retain its share of the less profitable mild steel sector At the same time, Usco has improved its scrap raw material supply position

After a 33% taxed profit improvement to R1,8m in the first four months of this year, Usco followed through with an impressive R1,5m taxed profit for the two months to end-June The total first-half taxed profit is R3,3m (R2,3m), within striking distance of last year's total of R3,6m

Subsidiaries have contributed little to profits for two years, though currently loss-making operations are expected to break even by end-December At the same time, aluminium conductor manufacturer Alcor should gain from SAR's electrification projects

The special steels capex programme, which has been going on since 1973, is almost complete And with current capex mainly for asset replacement, the objective of reducing borrowings is well within reach

The board expects second-half earnings to match the first-half, pointing to total earnings of about 22c Thus if dividends

Special steels for special profits

are covered an unchanged 2,4 times, a 9c (5,5c) dividend seems possible At 70c the share yields a prospective 12,9% Trading in the shares is increasingly active and though the price has advanced from 50c at end-July, There could be more room for improvement

Edward Hung

- 2 -

Chill in a large bowl. Before
cream and sprinkle with chopped

Cat

soupmeat
on bones
chopped
8 cloves

salt & pepper to taste

honey and 1½ tablespoons butter and pour over hot cake before serving. Serve with whipped

h beans, cover with water, bring to boil.
for 2 minutes. Remove from heat and soak 1 hour. Bring to boil again, add rest of ingredients. Simmer till beans are tender. Cool.
ve meat and 1 cup beans. Purée remaining in blender. Heat slowly. Put a few reserved
s in each serving bowl. Sprinkle with Worcester
e. Cover with soup. Garnish with cream and
pled bacon or croûtons.

Sue J

ERVED BRINJALS

jals
a vinegar
p oil
ic
h marjoram

brinjals and cut into Julienne strips.
Put into enamelled pot and cover with white vinegar
and bring to the boil. Cook for as short a time as

'Blacks to do white work for less pay'

By RIAAN DE VILLIERS
Labour Correspondent

THE GIANT state corporation, Iscor, is planning to advance black workers into jobs previously held by whites — the "advantage" being, according to a top official, that they could be paid less than whites

This has emerged from an internal Iscor memorandum published in full in the latest issue of the Mineworkers' Union newspaper, The Mineworker

The memorandum is said to be a report by Mr J H Scheepers, personnel manager at the Iscor works in Pretoria, to the Iscor works manager on talks held with metal unions in June this year

The talks dealt with the advancement of blacks into jobs previously held by whites, in terms of the new agreement in the steel and engineering industry concluded last year which allows black advancement into all job grades excluding artisan level

Concluding the report, Mr Scheepers said negotiations on advancement would be difficult as in the past But he added "The advantage will be that the corporation will probably not be compelled to pay the minimum white pay scale to black incumbents "

Commenting on the document, Mr Arrie Paulus, MWU general secretary, asked "What has happened to the cry of equal pay for equal work?"

Mr Scheepers would not comment last night and other officials could not be contacted

Mr Ben Nicholson, director of the Confederation of Metal and Building Unions, a group of unions which have been involved in the negotiations, said last night talks with Iscor were still continuing

But he said "All the unions involved have already taken a joint decision that any advancement could only take place on the basis of equal pay for equal work "

In the memorandum, Mr Scheepers said the unions had reported unrest among their members about the reports of the Wiehahn and Riekert commissions

They had requested that the negotiations should receive minimum publicity

The document then sets out procedures agreed on for the advancement of blacks and placement of whites elsewhere

Commenting further, Mr Paulus accused Iscor and the unions of "plotting in secret" about the replacement of whites by blacks and appealed to members of the unions involved to join the MWU

Iron, steel industries see further upturn

14/9/79 Star 189

July saw some further strengthening of the upturn in the export-orientated basic iron and steel industries, including ferro alloy manufacturers, according to the latest newsletter from the Steel and Engineering Industries Federation.

"Business conditions during July also indicate some extension of recovery trends to include the large general engineering sector and some of the heavy engineering sectors, which are benefiting from Sasol 2 and Sasol 3 contracts, increased government spending on capital works and continuing expansion in the mining industry," the newsletter says.

A further stimulating element noted in other sectors during July is the growing emphasis now being placed on import substitution measures in areas such as machinery production, the electrical machinery sector and, in particular, the telecommunications and electronics industry. This industry reports strengthening order books from the step-up in the local content of manufactured components.

"The building industries supplies sector, light metal engineering and sheet metal manufacture are also benefiting from the upturn now under way in building and construction activity

"Reports from steel producers indicate the upturn in domestic demand for all types of steel products noted during the second quarter will continue throughout the third quarter with some possible easing towards the end of the year," the newsletter says

Export performance of steel products also continues satisfactorily and the recent concluding of a major contract for the supply of steel rails to the Taiwan railway administration is regarded as a notable breakthrough for South Africa's steel producers in the Far East markets which at present are dominated by Japan — Sapa

R5m investment plan for Afrox

Sun. Tab Finance Reporter 18/9/77

DESPITE gloomy reports from the engineering industry, a R5-million capital investment programme has been launched by Afrox Limited.

Managing Director Peter Joubert says that the company must continue investing for the future, despite the gloomy outlook.

Extensive analysis of market needs, particularly projects such as Sasol II prompted Afrox to increase their capability to supply the gases which are important raw materials in industry development. The really big gas contracts often require the construction of special liquefaction and storage facilities on site. Back-up supplies are, therefore, also needed. To meet these requirements Afrox will spend R2-million on storage facilities, expansion of the bulk tanker fleet and increasing the number of country-wide supply depots to 41.

A further R3-million has been committed for capital plant which will double the output of oxygen and nitrogen at Afrox's Germiston works to 200 tons of liquid a day. The new plant will be commissioned in the last quarter of 1978.

The R5-million plus investment programme over the next 18 months represents a 75 percent increase in capital investment plans.

Afrox has signed about R25-million in gas contracts over the past six months. These contracts range from two to 15 years and include a R5-million contract for Sasol II, R8-million for Unilever at their Van der Bergh and Jurgens plant in Durban and the R6-million float glass plant for Pilkingtons in Springs.

The SA gas industry is among the toughest in the world, with low prices and four international firms competing for the market — AOL, Union Liquid Air, Fedgas and Air Products. Afrox has a 66 percent market share.

HIGHVELD

(181) FM 21/9/79

Export successes

Activities *Producer of iron steel vanadium slag and pentoxide located near Witbank Transvaal Owns 65% of Transalloys which produces manganese ferroalloys Member of the Anglo American group*

Chairman *W G Boustred, managing director L Boyd*

Capital structure *67,8m ordinaries of R1*

Market capitalisation *R188 5m*

Financial *Year to June 30 1979 Borrowings long and medium term R326 000 net short term R60m Debt equity ratio 53 5% Current ratio 0,7 Net cash flow R52 9m* Capital commitments R25,6m*

* Adjusted for provisions for renewal and replacement of fixed assets

Share market *Price 278c (1978-79 high, 285c, low, 125c trading volume last quarter 633 000 shares) Yields 14,5% on earnings, 7,2% on dividend Cover 2,0 PE ratio 6,9*

	'76	'77	'78	'79
Return on cap %	22 2	17 3	14 4	19 7
Turnover (Rm)	111 4	144 5	173	268
Gross profit (Rm)	31 4	35 9	33 9	49 5
Gross margin %	28 2	24 8	19 6	18 5
Earnings (c)	27 2	30 6	31 1	40 2
Dividends (c)	12 5	15	16	20
Net asset value (c)	120	142	157	180

Highveld's three basic components — steel, vanadium and ferro-alloys — enjoyed buoyant demand worldwide for much of its financial year How long this will persist is put in doubt by the uncertain outlook for western economies Also, while the recent price increase for steel of an average 12,2% might have been designed with Iscor's recovery in mind, the side effects for Highveld have been beneficial and have gone a long way to offsetting cost increases Another positive aspect is that government has agreed to make regular annual price reviews

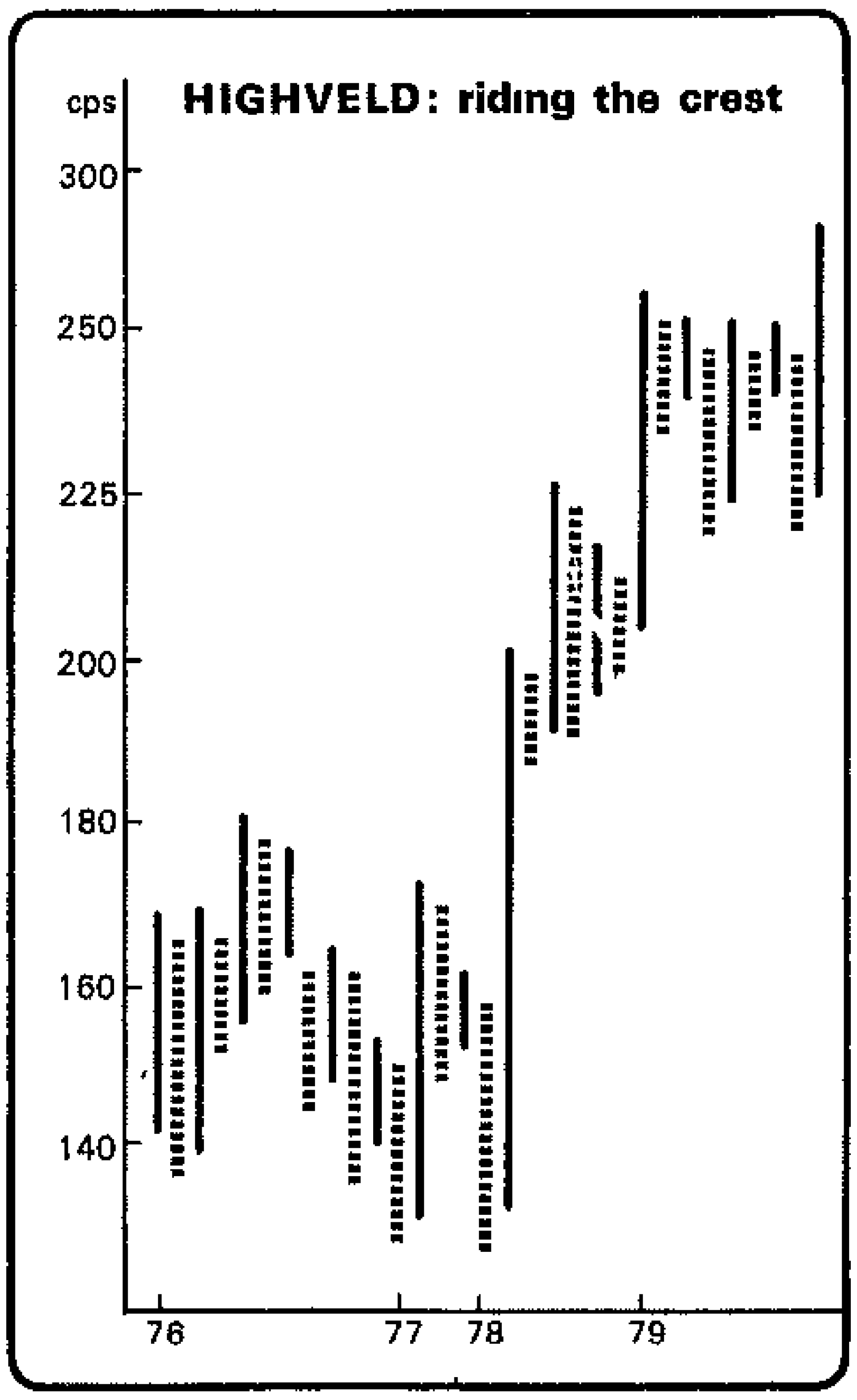
On a 55% increase in turnover for the year to end-June, gross profit rose by 45 9% as gross margins slipped slightly from 19 6% to 18,5% However, the higher volume lifted the return on capital from 14,4% to 19,7% and enabled the group to considerably strengthen its balance sheet

Total borrowings were reduced from R82,9m to R69m, although much of this must have occurred towards the end of the year as interest paid was marginally higher at R6,1m (R5,9m) This is reflected in the debt equity ratio which improved from 77,6% to 53,5%

Given the higher net cash flow, which rose from R34,1m to R52,9m after adjusting for additional provisions for the renewal and replacement of fixed assets, opportunity was taken to repay the $20m bond loan the third and last of the major foreign borrowings At the same time, the group managed comfortably to fork out R18m for Rand Carbide and spend R17 6m on capex

At the attributable level, profit was 30% higher even after deducting R1,7m for deferred tax, and the dividend was raised by 25% to a twice-covered 20c

Owing to the higher profit and lower



investment allowances resulting from reduced capex, this transfer to deferred tax provision was significantly higher than the R6m previously provided The accumulated provision now stands at R53,6m and should ensure that tax in later years does not absorb a disproportionate amount of income As it is, both Highveld and Transalloys become liable for normal tax this year

A major reason for Highveld's good performance has been successful export promotion Upwards of 20 000 t/month is believed to have been exported principally in the form of structural sections, semis and plate Exports of steel, vanadium and ferro-alloys at markedly higher prices last year pushed sales to a record R150,4m, with steel semis sections and plate exports representing 43% of total sales

More recently uncertain economic prospects in North America have led to conservative buying patterns Together with higher freight costs this has resulted in a weakening of net fob prices for steel exports

Although SA's apparent steel consumption increased by 14% last year, Highveld's domestic sales were only 5% better But with Sasol 3 there are indications that overall steel consumption could rise by 6% this year and the markets for Highveld's structural sections and plate are expected to continue to improve

Rand Carbide, consolidated for the first time contributed 11% to group earnings compared with a forecast of 10% Producing ferrosilicon calcium carbide, electrode paste and metallurgical char, this division benefited from strong worldwide demand for ferro-alloys and by the second half of the year, the plant was operating at capacity for all products In particular, the export price of ferrosilicon was strong

Demand for vanadium improved steadily last year as a result of increased production of line-pipe and construction steels in the US and of line-pipe steel in the USSR In Europe and Japan, vanadium-bearing tool steel production was up and the substitution of vanadium for scarce molybdenum stimulated consumption at higher prices

In the year ahead demand is expected to remain satisfactory due to consumption for steel production and the possibility that the US and Germany could begin stockpiling strategic metals and minerals

By the year end, all Highveld's plants were running at capacity, except for Vantra But even here, higher demand for vanadium pentoxide resulted in the four Hereshoff roasters being restarted towards the close However the three kilns shut down in 1976 remained in mothballs

As for production and distribution costs, the rise of 11% last year compares favourably with 17% in 1978 and 28% in 1977 One of the contributing factors was the SAR's decision to maintain railage rates throughout the year, and the 5,9% increase in power costs was considerably less than in the previous two years

With favourable demand and cost projections, Highveld has decided to go ahead with the R18 8m installation of a ninth pre-reduction kiln and additional oxygen plant In addition there are plans for a tenth kiln, which could lead to an annual production of 900 000 t by 1982

Chairman Graham Boustred cautions that prospects this year depend very much

on the extent of recession in the US and other countries Most markets could be adversely affected he says but provided world economies hold up prospects look good Even with this caveat the yield is attractive and the group financially sound enough to warrant a hold

324 0,20 0,53 0,31 0,26 0,12 0,20 0,19 2,83

CLAUDE NEON

Lighting up

FM 28/9/79

Activities. *Engineering company which manufactures, sells and leases neon and fluorescent plastic signs, vacuum-formed products and outdoor advertising signs Anglo-Transvaal Industries holds 50,9% of the equity*

Chairman. *D Royston, managing director G C Grosch*

Capital structure: *5,7m ordinaries of 40c, 200 000 5,5% cum prefs of R2*

Market capitalisation *R4m*

Financial· *Year June 30 1979 Borrowings long and medium term, R455 000, net short-term, R1,9m Debt equity ratio 37,7% Current ratio 1,4 Net cash flow R1,1m*

Share market· *Price 71c (1978/79 high, 85c, low, 28c, trading volume last quarter, 140 000 shares) Yields 28,3% on earnings, 10,6% on dividend Cover 2,7 PE ratio 3,5*

	'76	'77	'78	'79
Return on cap %	14 9	18 1	24 8	23 9
Pre tax profit (Rm)	1 0	1 0	1 6	2 1
Earnings (c)	9 6	10 5	17 2	20 9
Dividends (c)	5 0	5 0	6 0	7 5
Net asset value (c)	70	75	86	104

Shareholders of Claude Neon are now reaping the benefits of the company's stated policy of dominating the market

In fact, only months after having paid R2,2m for major competitor, Valiant Industrial, chairman Dave Royston indicates that a further acquisition could be in the offing Whether Claude is taking advantage of its market-dominating position in its pricing policy is difficult to tell as Royston says "there is no way of defining turnover meaningfully" and no figure is therefore given But although the gross margins on which the company operates are undisclosed, Royston does say that the record pre-tax profit of R2,1m (R1,6m) was achieved in "slightly improved but nevertheless difficult trading conditions "

Bumping its head against the environmental protection syndrome — in the form of difficult-to-obtain sign approvals — the company has developed business in undisclosed "other sources "

Existing contracts were renewed at higher levels and new sign contract replacement programmes were negotiated

Royston says that the containment of overhead expenses at below inflation levels together with lower interest charges contributed to the profit improvement The acquisition of Valiant helped push borrowings up to R2,4m (R1,8m), and sign rental contracts are R1,6m up at R7,8m Because Valiant's contracts were finally valued at R2,2m, as opposed to the R2,8m given at the time of the takeover announcement, Claude has revised down to 1,6c a share (2c) the expected contribution Valiant will make to taxed profit

Operating in what has been a stagnant market, Claude did well to reduce borrowings (debt equity was 100,8% in 1976) and return on capital has now nearly doubled from 14,9% in 1976 Dividend cover has increased steadily from 1,7 times in 1975 which, with a 24% return on capital, should please shareholders

Earnings have grown 118% over the past four years, and although Royston warns that profit will not increase "at the same high rate as over the past few years," the company's dominant position in an industry at the start of a new growth cycle suggests he may be a bit too cautious Shareholders should hold on to what they have as the share is growth-oriented rather than dividend-priced Any weakness should be used to pick up the shares The directors' holdings increased last year from 7 000 to 31 000

Ian Mutl

ABERCOM /181/ AM 13.10.79

Improving rating

Activities *Diversified engineering group listed in Johannesburg and London. Mainly involved in mining and industrial fans, designed engineering projects and motor and industrial springs. Sanlam owns 12,2% of the ordinaries*
Chairman *D C B Ord managing di-*

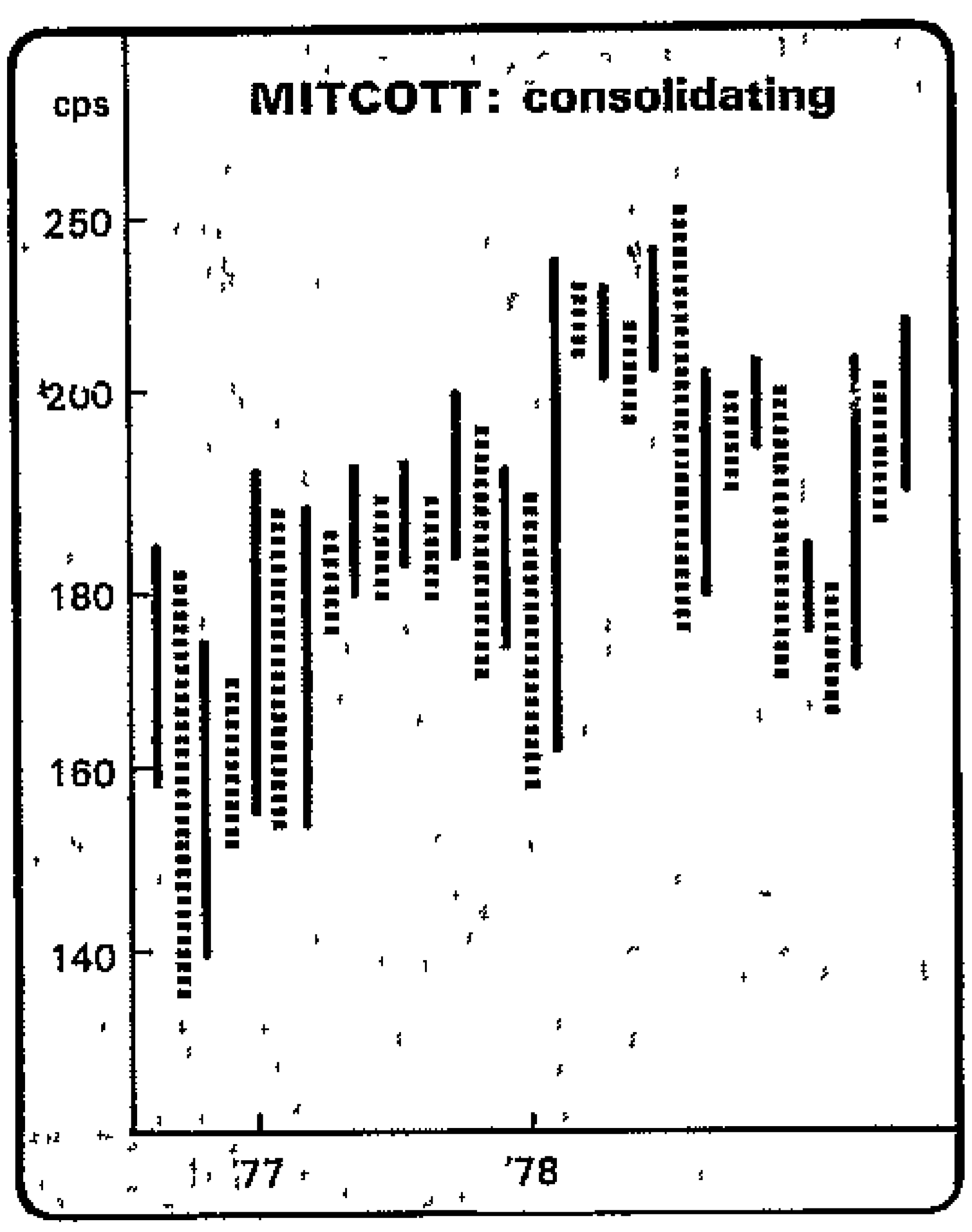
facturing, and project engineering. Mitchell Cotts (UK) owns a controlling stake
Chairman *P P Dunkley, managing director I K Soll*
Capital structure *14,4m ordinaries of 50c Market capitalisation R31,7m*
Financial *Year to June 30 1979 Borrowings long- and medium-term, R3,3m Net cash R8,5m Debt equity ratio 7,1% Current ratio 2,1 Net cash flow R3,1m Capital commitments R33 000*
Share market. *Price 220c (1978-79 high, 265c, low, 160c, trading volume last quarter, 217 000 shares) Yields 15,9% on earnings, 9,5% on dividend Cover 1,7 PE ratio 6,3*

	'76	'77	'78	'79
Return on cap %	33,4	32 1	23 9	19,1
Turnover (Rm)	204,3	223 1	211,4	215 5
Pre-tax profit (Rm)	14,0	14 8	10,6	8 9
Gross margin %	7 3	7 1	5 4	4 4
Earnings (c)	65 3	58 9	42 0	34 9
Dividends (c)	20	21	21	21
Net asset value (c)	255	290	310	321

Despite some investor nervousness following chairman Philip Dunkley's not entirely encouraging forecast the share price failed to penetrate below 210c

There could be a number of reasons for this resilience One is probably the group's limited downside profit potential As Dunkley points out, Mitcott is diversified in four main areas, which, by virtue of their differing natures, ensure that a decline in group profits will tend to be less than of any one division

For instance, last year, while the project engineering and distribution divisions



Philip Dunkley . . earnings pessimism

mining activity The profit decline would have been even worse, particularly in project engineering, had it not been for the group's successful Australian contracts, he adds

He believes earnings will again be depressed by the local mining industry's short-term reluctance to invest in new projects Nevertheless, transportation and non-mining operations could benefit from improving economic conditions But avers Dunkley, "progress of the business . . . will depend on improvement in the general economy and a resumption of investment "

In the short-term, Mitcott could improve earnings through acquisitions to enlarge the scale of each specialised sector of the business Last year the group made no major acquisitions, however, partly due to excess liquidity in the economy which resulted in a premium on prices

There is nothing to indicate that this state of affairs will not continue in the current year But the group hopes its reorganisation, which is designed to concentrate responsibility on the four main operational groupings, will help it locate acquisitions more readily With R8,5m in cash and borrowing powers due to be increased from R14,4m to R49,4m, financing of acquisitions should not be difficult Certainly, Mitcott appears to be undergeared

Nonetheless, Dunkley is pessimistic on maintaining earnings this year, but believes an unchanged dividend could be paid for a 9,5% prospective yield On this basis, the share is best suited to the longer-term investor prepared to wait for a recovery in capital spending and an advance in Mitcott's earnings

Peter Pittendrigh

80

rural areas or cause of deaths' ac
(Personal Communication). At lea
registered. These occur mainly i
about 10% of the deaths in the mai
Africans.

METHODS

The following indices were calcula
1. Crude Mortality Rates.
2. St... Mortality Rates.

81

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 wh
series of age specific death
all the age specific mortali
corresponding numbers in the
deaths so obtained and divid
this figure is independent o
the choice of the standard p
the deaths in the various age
population as a standard will
weight to deaths among the el
will reverse the position.
ranking of the mortality betw
answer. As the Duke of Well
and statistics'!

Infant mortality rates are

(191)

R250 000 wash machine spin-out!

(191)

S/Tribune
14/10/79

(164)

BARLOWS potentially dangerous twin-tub washing machines will cost the company over R250 000 by the time all 8 400 machines have been repaired free of charge.

People have been warned not to use their machines and all owners are being contacted by dealers and the firm, Barlows Television and Appliance Company.

But there was no question of people being electrocuted by the National and Fuchsware, a company director emphasised.

Mr John Turner said his company decided to withdraw all the models in an unprecedented move after a Natal owner was shocked by a machine last Monday.

It was not certain that the shock was linked to the machine fault. After the accident a serviceman

BARLOWS TO REPAIR 8 400 FAULTY TWIN-TUBS

was called in and the defect was discovered in the insulation panel. The machine had also not been properly earthed.

"I am sure that 99,9 percent of the other models are okay, but we have a responsibility to our market and after hard consideration we decided to check them all," said Mr Turner.

He would not elaborate on the fault in case some people tried to fix it themselves.

All washing machines undergo an electrical appliance test set by the South African Bureau of Standards.

"These machines were fully tested before leaving the factory but it is not a fault that could be picked up on the production line," Mr Turner said.

Corrosion, wear and tear, or rough treatment of the machine could lead to trouble later on.

So far 3 000 of the machines have been modified. Those involved are Fuchsware machines with serial numbers between TN 1 000 and TN 7 974, and National models with serial numbers running from TF 1 000 to TF 6 889.

The design is based on a Japanese model — has been on the market since 1973 and over 150 000 have been sold.

"The basic design is 100 percent sound. This particular model has just had a facelift," Mr Turner said.

Servicemen went into action as soon as the fault was discovered, but it is not known how long the modification operation will take because some owners have changed addresses.

respect

he

r 19.7,

a) deferral method

b) liability method

(assume there are no other items causing timing differences)

3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?

4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.

5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.

Draw up the income statement for the 19.8 financial year under a) liability method

b) deferral method

Assume the tax rate remains 42%

SWEDISH COMPANIES

F.M 17/10/79

Still growing

70 189

Despite sticking to the letter of Swedish law, which restricts investment for expansion by its companies in SA, Sandvik has pushed sales here last year from R30m to R37m and expects to hit R45m next year Production from its nine local plants accounts for 72% of this, and should reach 80% by 1982

Sandvik manufactures and imports bits and drill steel for rockdrilling equipment, cutting tools, specialised steel alloys, and industrial hardware and tools

"We are achieving these increases by improving efficiency," says MD Hans Bergman "In 1965 our return on investment was not satisfactory and we embarked on a programme to modernise plant, and to upgrade labour productivity by intensive training This programme is continuing, but already our SA factories have the lowest production costs in the group, worldwide, with the lowest scrap rate"

Bergman says that the more modern plant has increased both the scope and capacity of potential output, and that the staff training has helped to reduce labour turnover to less than 2% last year

He puts plant modernisation costs at "several millions" and claims it is all self financed He adds, "In the 31 years we have operated in SA, we have never once sent home dividends All our profits have been reinvested here

"We also pick up a lot of valuable experience here This is important to our group research and development function, which has a budget equal to 4% of our total world sales For example, we developed a new drill tip for Sishen, which has the hardest rock in the world"

Bergman criticises his government's anti-investment law for the paperwork it generates and adds, "We do not favour the legislation and we regret being used as political tools As a group we feel we have the same responsibility to our SA employees as the responsibility which is forced on our Swedish operations by the Swedish social security system The law is detrimental to what we would hope to achieve in SA, namely a better life and job security for all our employees

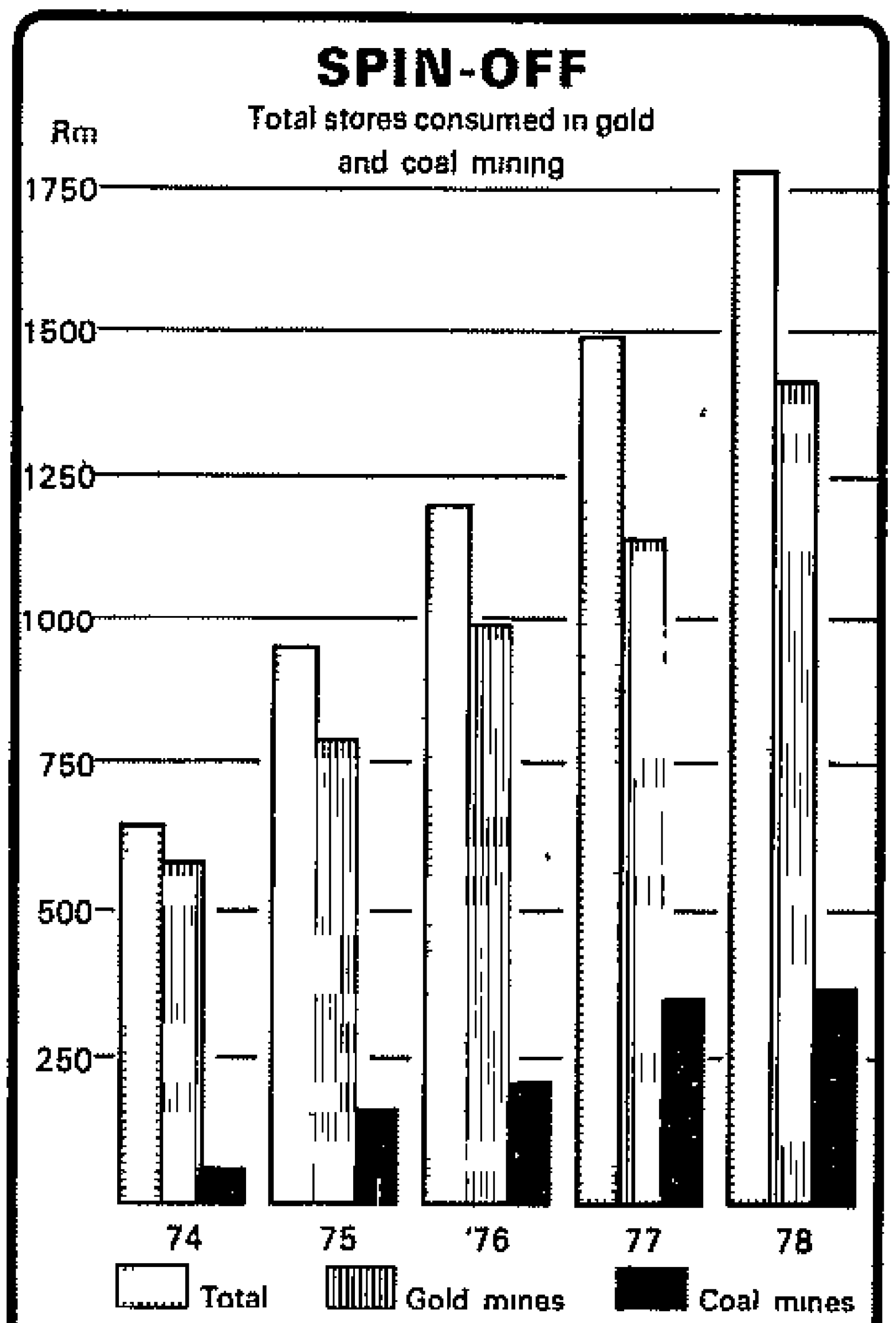
"The only race discrimination we practise is to give free meals to black workers, and to assist them in the new home ownership scheme The Swedish government should praise us as an example to others here rather than try to discourage our presence"

MINING SUPPLIES F.M. 19/10/79 ~~214~~ /189

SA industry strikes gold

SA industry is riding the wave of a vast expansion generated by the growth of mining activity

Last year, purchases of stores and equipment by gold and coal mines alone amounted to R1 778m — a nearly three-fold leap in five years and almost equal to the total defence budget of R1 857m for 1978/1979 The start up of vast new coal mines in the Eastern Transvaal and a resurgence of gold mining, have lead to



Source Chamber of Mines Statistical Tables

higher profits for most suppliers, with greater investments in plant, and an increase in manufacturing capability and technical knowhow

"We have spent over R2m on improving our production facilities as we expect our sales to go up by 30% next year," says Pieter de Wet, GM of Joy Manufacturing's Coal Division In September his company completed the first continuous miner to be made in this country Costing about R400 000 apiece, Joy has several on order and can make about four a year

Joy is typical of many high technology suppliers to the mines A wholly owned subsidiary of an American multi-national, it is run by South Africans and has a local content of over 90% in most of its products

Weserhuette is another foreign-owned company chasing the boom, but differs from Joy in having no factory here Says MD Noel de Wett, "Our function is to combine German knowhow with SA manufacturing and mining skills We base our existence on this knowhow, which flows through our team of engineers to our sub-contractors and clients We are enlarging this team by over 50% "

Weserhuette will be supplying Foskor with the largest mobile crusher unit ever manufactured in the world Costing R3,5m, it will process 7,5 Mt of phosphate bearing ore a year

Last year the mines spent over R25m on steel ropes, with local outfit Haggie supplying the lion's share "Four years ago, we spent R18m on improving our rope plant," says company secretary William Harrison, "which was just as well, as we could not otherwise have coped with present demand " Although other companies have tried to popularise new type ropes such as those containing carbon filament, the basic sisal or polypropolene core, covered by wire strands remains the standard product The 15 km rope made by Haggie for Vaal Reefs is the longest in the world

Cyril McKechnie is chairman of American-owned Envirotech, which manufactures belt conveyors, fluid-solid pumping and vibratoring process equipment, and designs and installs material handling and process systems "There has been a considerable increase in competition with many new suppliers in the market," he says "They have been attracted partly by the boom here and partly by the business slowdown in Europe and the US " His company invested R1m last year on plant improvement to keep pace with expanding output, which has doubled over the last five years

Envirotech's Isando plant is the largest manufacturing facility for rubber-lined centrifugal pumps in the Western world and the 8,5 km conveyor system they installed at Kleinkopje coal mine is believed to be the longest curved conveyor in the southern hemisphere "More than 90% of the equipment we sell is locally made," says McKechnie, "and over 85% of it is based on designs developed in SA for local conditions "

New coal handling concepts on some of the world's biggest coal mines in the Eastern Transaal, and the rising cost of diesel truck transport has started a boom in conveyor belting Says Aubrey MacDougall, marketing manager of Sarmcol, "Five years ago, demand for conveyor belts was about 55 000 m a year Now it is closer to 250 000 m and should be more than double in five years "

It is for this reason that Sarmcol has enlarged its facilities at Middelburg, Transvaal, and now supplies customers from stock, instead of making to order as they did until recently

Last year the market for underground support timber rose to R64m from R55m in 1977 HLH Mining Timber MD Gerry Castle expects that current demand of R1,65 mt per annum will remain constant for the forseeable future - mainly because the packmat, which contains a lot of timber, will be replaced to some extent by new supports constructed from machined timber pressed into steel tubing

Low technology

"Although we are in a low technology business," he says, "we now offer a handling systems service to get the timber from our yards to the working face at optimum cost to our customers "

Stewarts and Lloyds is a major supplier of the R64m sales of pipes, tubes and fittings bought by the gold and coal mines last year Says executive director Hylton Godwin "Last year we commissioned our new high frequency electric resistance weld mill, which together with its ancillary equipment cost R10,5m It's the most advanced machine of its kind in the world and it incorporates the best technology from Britain, Japan and the States

GEC's MD Murray Coutts Trotter says, "We have seen a considerable increase in demand for winding equipment, switchgear, electric motors and mobile sub stations

"This demand includes not only new equipment, but modification of existing equipment to increase capacity As we

MASSEY-FERGUSON/FVB

Deal at last?

F.M. 19/10/79

189

Once again, Massey-Ferguson Canada and FVB are negotiating the future of Massey-Ferguson's local interest This time something firm might materialise because it is probably not full control which is being sought FVB, which already holds 30,7% of Massferg, must be taking a long-term view of the fortunes of the tractor industry, where there is talk of rationalisation What will probably materialise, if FVB has its way, is that the Canadians will sell off a portion of their local 51,3% stake in order to be left with marginally less than 25% The obvious reason is that Massferg could then be reclassified as a local operation, thereby relaxing restraints on borrowings

Such a move would make sense, especially for FVB At the moment, borrowing restraints are being loosely applied because of the ready availability of funds in SA But in the long-term, these regulations might well be more rigidly enforced, thus inhibiting further expansion, especially if the foreign parent refuses to pump more funds into the local subsidiary And this could well be the case since the Canadian parent has had a checkered performance record over the past few years (*Fox* March 30)

At present, local content for tractors is extremely low relative to the motor industry, and it is not inconceivable that increased stipulations in this regard will be made Massferg should ensure that it is well placed to take on the challenge when it materialises, especially since the Perkins engine, which powers its products, will be manufactured at SA's new diesel plant at Atlantis

FVB is aware of the potential for rationalisation in the industry, and this makes Massferg an attractive proposition With the Canadians retaining a share in the company, FVB would still have access to expertise, which is an advantage which should not be discounted

Massferg has a healthy share of the local market, estimated to have been 23% in September, behind Ford, which had about 25% It has lost market dominance in recent years as the result of supply problems caused by strikes at its British factories, but this problem has been overcome, and puts the company back into a favourable position to capitalise on local engine production

Massey-Ferguson . . will the Canadians become trekkers?

As yet, nothing has been divulged as to the method of the takeover or the price range, although talk during the March negotiations put this between 400c and 500c Pre-suspension price was 260c, up from about 220c, presumably after rumours about negotiations leaked

Considering the recently announced poor first-half figures and the passing of the interim dividend (last year a 25c total was paid), around 350c would appear a fair price Assuming the Canadians hold on to 24%, this would mean an additional R2,5m-odd for the parent But, to make the bid attractive to minorities, and depending on how FVB sees the future of the tractor industry, this offer could well be topped

The minorities, mainly institutions, presently hold 18,7% They might not be keen to offload unless the price is attractive Much depends on whether FVB wants to retain the *status quo* with respect to minorities, or whether it is ultimately looking for a delisting *Jonathan Bader*

STUFFED CABBAGE SALAD May Bennett, Ridgeworth

184/43

1827

21/10/79

Sunday Post

Baton charge: injured workers paid R21 000

By ZWELAKHE SISULU

WORKERS who were injured by baton-charging police during a dispute at Heinemann Electric factory in 1976, were this week paid more than R21 000

The 19 workers and a former official of the Metal and Allied Workers' Union sued the then Minister of Police, Mr J T Kruger, for damages arising from the police action.

The matter, which was due to be heard in court on Monday, was settled out of court this week. In addition to the payout, the State will also pay the costs of the action which are believed to be more than R10 000

The official of the union, Mr Gavin Anderson, who was suing the Minister with the other workers, was served with a five-year banning order in 1976, a few months after the incident.

Police baton-charged a crowd of workers outside the Elandsfontein factory during a pay dispute. Many people, including a pregnant woman, were injured.

"The outcome of the case completely vindicates the workers and the union," a spokesman for the Metal and Allied Workers' Union, Mr Bernie Fanaroff, said.

The condition of the settlement is that, by paying out, the State is not admitting liability and that this is the full and final settlement.

The total amount paid out by the State is R21 539. The largest individual claim was made by Ms Christina Molekele who lost 90 percent of her sight.

Ms Molekele has been paid R6 000, and the other big claim in the group R2 000, was paid out to Ms Beauty Nkambule for a broken arm. The smallest paid out was R550

The baton charge on the workers created an international furore Two officials of the Metal and Allied Workers' Union, Mr Anderson and Mr Sipho Kubheka, were banned for five years a few months later.

The State's payout showed that the workers and the union acted responsibly in trying to get the managing director of Heinemann to settle the dispute, Mr Fanaroff said.

"The baton charge, which severely injured innocent workers, emphasised that the intervention of the police in industrial relations is damaging and counter-productive"

...icken, diced
4 T finely chopped walnuts
French dressing/mayonnaise
lettuce

1 cup cucumber, peeled ...
1 cup cooked green peas

Marinade chicken, cucumber, nuts and peas with French dressing. Serve on lettuce with mayonnaise. Cover with greaseproof paper and refrigerate until ready for use.

French dressing:
Blend together 6 T salad oil and 2 T lemon juice.

---oOo---

Move on computer revolution

189

22/10/79

GENEVA — The International White Collar Workers' Federation yesterday announced what it called the first international trade union programme designed to cope with the computer revolution.

The International Federation of Commercial, Clerical and Technical employees (Fiet) said: "The uncontrolled use of microcomputers in every aspect of office work could eliminate millions of jobs in the next decade."

Fiet, linking 6 500 000 workers in 80 countries, called for firm action now from trade unions, governments and employers and set out policy guidelines for union officials.

Redundancy

The programme is to be discussed at the next Fiet world congress, to be held in Venezuela next month.

"Trade unions should refuse absolutely to accept redundancy as a result of new technology," Fiet said.

It called for joint planning between unions and management, collective agreements linking productivity increases from new technology to jobs and a reduction in overall working life.

"The 35-hour week, five-week holiday and earlier voluntary retirement are all important targets," Fiet said.

Where redundancies are unavoidable, employers should accept responsibility for retraining workers and for helping them find alternative jobs, Fiet told its 179 member unions.

Revolution

Another report on the effects of modern technology on workers said microcomputers could bring changes to Western society "as basic as the neolithic revolution in which our ancient ancestors shifted their life-style from hunting and gathering, to becoming settled farmers".

Professor Tom Stonier, a British professor from Bradford in Yorkshire, predicted in the report: "In about 30 years it will require no more than 10 percent of the labour force to provide us with all our material needs.

"This does not mean that the other 90 percent are going to be unemployed," he said in the report.

"For example, factory workers are likely to see a reduction in the work week — possibly over a 30 year period, a halving of the work week to 18 or 20 hours," Professor Stonier said. — (Sapa-Reuter.)

DATE ....

.. requesting a new/

formation for our records

(1) Part-time post ....

(2) Full-time post ....

(3) Additional post ....

(4) Does this position demand e

Please state full details of ma... e. whether golf ball and

if any special key board or fea...

If new machine is a replacement ... ial Number, make and type

of existing machine ....

PURCHASING OFFICE

We have received your Purchase Requisition ....
second hand typewriter.

Could you please furnish us with the following infor

(1) Name of person requiring the machine ....

(2) Department ....

(3) Please state why new machine is required ....

....

....

Is this machine for a

(1) Part-time post ....
(2) Full-time post ....
(3) Additional post ....
(4) Does this position demand excess work load .....

Please state full details of machine required i.e.
if any special key board or features are required ..

....

....

....

....

If new machine is a replacement, please state Seria
of existing machine ....

....

....

Durban firm to axe half its workers

189

Nim

25/10/91

Deputy Financial Editor

THIRTEEN of the 31 workers employed by the Durban engineering firm of R. G Nuttall are to lose their jobs at the end of the year because the firm has had difficulties in finding work

The company, which is 60 percent owned by Hunt, Leuchars and Hepburn, the JSE-listed timber and engineering merchants, will probably be taken over completely by HLH who are considering "changing the company's basic fields of trading activity."

A spokesman for Nuttall's said yesterday that in the current, tight, contracting market, they had been unable to compete successfully for big projects.

There are a number of projects on the order book These include an "important contract" to install a mineral processing plant for Octha Diamond Company's diamond mine at Marquard in the Orange Free State

The spokesman said that Nuttall's, which has a specialist contracting field, will wind down its activities

BUSINESS MAIL

RDM 25/10/79

SA economy faces dilemma — Seifsa

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THE need for economic restimulation to alleviate unemployment and the simultaneous need to avoid overheating and ensure inflation was kept within reasonable limits is the dilemma facing the South African economy

This was said by Steel and Engineering Industries Federation of South Africa president Cedric Ellis said at Seifsa's annual meeting

He said the current budget as well as recent stimulatory measures had set the tone for an economic revival but had not been overstimulating because of the total inflationary factors still evident in the economy

Ellis said the Seifsa group of industries was showing signs of slowly pulling out of the recession which had been a worldwide phenomenon for over three years, but the improvement was erratic, with much underutilised capacity in some sectors

He said sectors which were still sluggish were those associated with construction and heavy engineering, as their performance was closely linked to both public and private capital investment

Underutilised capacity has meant that there has been no real thrust in investment in new plant and equipment, with adverse effects on those sectors normally benefiting from activities in these fields

Ellis said it was originally believed an improvement in the overall economy would be consumer-orientated, but high inflation rates symptomatic not only of the local economy but of the economies of South Africa's international trading partners had eroded meaningful consumer expenditure and disposable incomes

Sharp hikes in fuel prices had also affected certain sectors and created an unfavourable psychological climate, he said

The inflation spectre appears to be manifesting itself as a permanent feature of the country's economic life, eroding living standards, adversely affecting investment and putting pressure on the value of individual and corporate savings and finance, he said

Ellis said while the economic upturn was fragile, momentum now being generated would hopefully carry the economy through to the early 1980's

He said further impetus to the economy should result from Government plans to introduce low-cost housing, from patriotic buying campaigns, and from import substitution, in which earlier Seifsa studies had indicated a potential for import displacement running to some R875-million a year, both in the short and longer term

The reporting by South African companies of additional annual turnover of R238-million indicated an achievement in money value of about 22% of this original import substitution objective

Ellis said the main component of total new capital investment in Seifsa industries, primarily in machinery, plant and equipment, had decreased to R289-million in 1978 from R404-million the previous year

He said financing costs for new investment programmes remained high, with the incidence of corporate taxation, as well as operations financing in a high inflation era, being reflected in high gearing, tight cash-flow situations and a tendency towards off-balance-sheet financing

Notwithstanding reductions in prime overdraft rates, the realisation of expectations of a hardening of interest rates towards the latter part of the year would undoubtedly compound short-term and medium-term corporate financing problems, he said

Ellis said in high capital intensive industries like those of the Seifsa group, the returns after tax on capital investment generated through profits had to be sufficient not only to compensate but to secure reward for the high risk factors involved

Profit regeneration was vital and the authorities should now evaluate whether the current profit returns after tax created sufficient incentive to attract future local and foreign investment and thus real growth, he said — Reuter

to know the effectiveness of a given amount of money when spent on different objectives, so that choices can be formulated in terms of the alternatives we might afford - so many geriatric day care centres, so many child welfare clinics, etc.

...cial statistics are not traditionally arranged on this basis but in ...ories such as 'salaries', 'transport', 'medicines', etc. A separa- ... e.g. between expenditure on different disease groups or age groups ...t be made.

...rouping of expenditure into programmes is an art. Pole, an econo- ...in the U.K. Department of Health, writes:

...rogramme structure should, in my view, be mainly determined ...y the decisions to the taking of which one wishes it to con- ...ribute... One might suggest that where decisions are primarily (matter of political or moral judgement - of determining basic ...riorities - one would want the activities to be compared to ...eside in different programmes - the mentally handicapped against ...he alcoholics, but where it is a more technical question of ...ow particular objectives can best be achieved - drug therapy against behavioural therapy - one would want the activities to ...e compared to be within a particular programme. This distinction ties up with an economic jargon of slightly older vintage - that of cost-benefit and cost-effectiveness; and through that to the main stream of neoclassical welfare economics, which attempts to make a distinction between the choice of the composition of the basket of outputs and the choice of the set of resources from which each output is to be produced. The former is, in a broad sense, a question of tastes, values, or utilities; the latter is a question of techniques".

... adds:

"In practice, it is not an easy matter to make a hard and fast distinction between technical matters and matters of values or utilities in the health services. From one point of view, the question whether to treat schizophrenics in hospital or in the community is a technical one. Which is the cheaper way to fulfil whatever are the society's requirements for the treatment of this group? But community care originally became fashionable as a good thing in itself. The practitioners are very apt to muddle the medical and economic arguments when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate". 9

...rogramme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

...

This is necessary:

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis,

F.M. 26/10/79

(189)

TEDELEX

Switching on

Activities: *Manufacturer and distributor of TV sets, radio, hi-fi, consumer electronics, lighting equipment and sewing machines Owns 50,1% of Ellerine*

Chairman· *B Slome, joint managing director J Cohen*

Capital structure. *13m ordinaries of 25c Market capitalisation R22,7m*

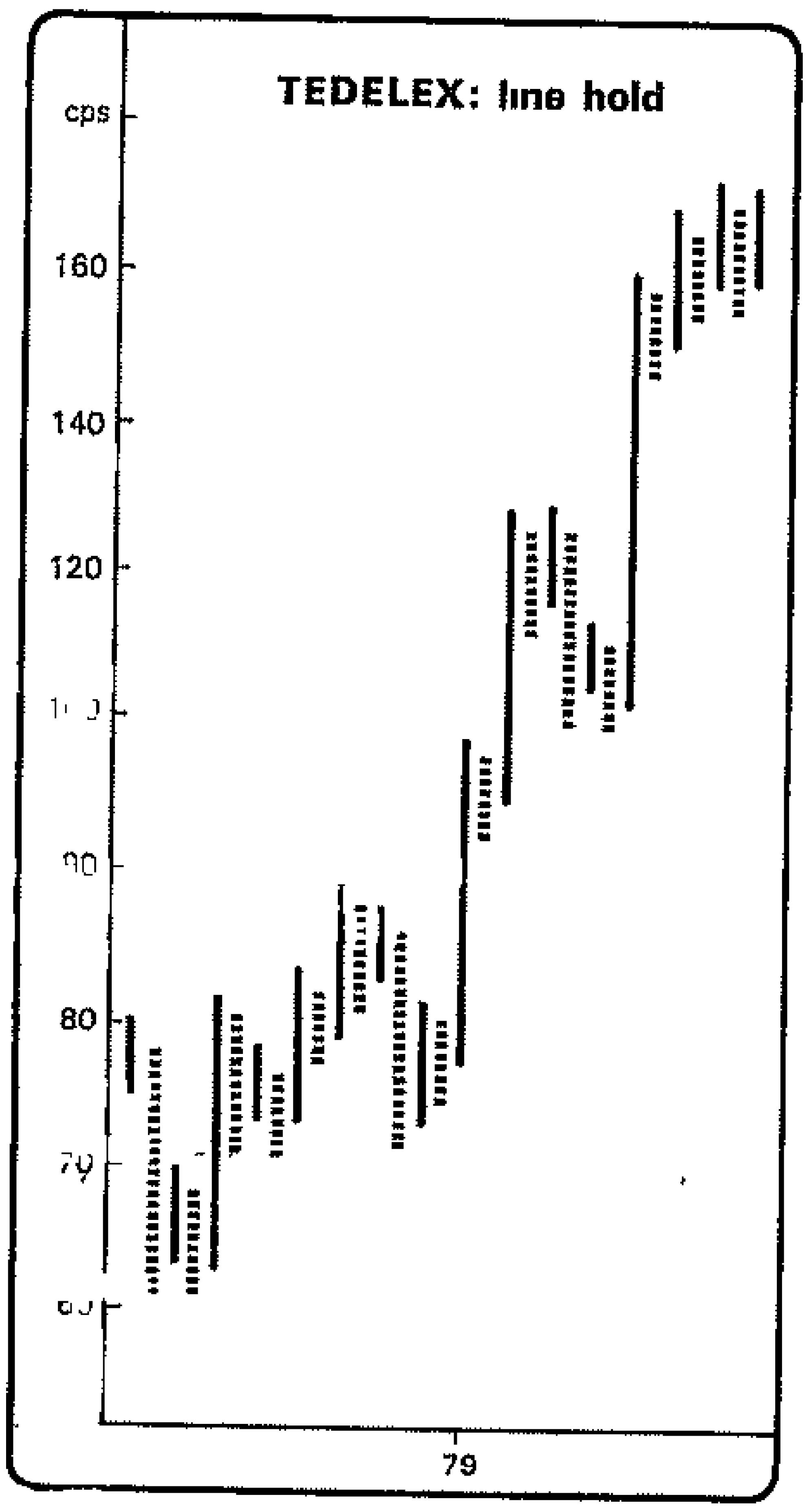
Financial. *Year to June 30 1979 Borrowings long- and medium-term, R10,1m, net short-term, R52,9m Debt equity ratio 135,6% Current ratio 1,8 Net cash flow R4,7m Capital commitments R1m*

Share market· *Price 175c (1978-79 high, 175c, low, 53c, trading volume last quarter, 722 000 shares) Yields 18,2% on earnings, 7 4% on dividend Cover 3 PE ratio 4,5*

	'76	'77	+'78	'79
Return on cap %	62 7	12 5	*14 0	14 8
Turnover index‡	300	329	611	662
Pre tax profit (Rm)	12 0	8 8	14 1	13 8
Earnings (c)	62 8	50 8	43 9	39 1
Dividends (c)	23 0	18	13	13
Net asset value (c)	94	169	206	244

\+ 18 months
‡ 1974=100 * annualised

With the consumer boom underway, Tedelex is looking forward to another profit increase this year Chairman Benny Slome expects all group divisions to weigh in with increased contributions, which augurs well for another dividend hike this year



Tedelex's major profit sources are its 50,1% holding in Ellerine and TV, radios and appliances Last year, the stake in Ellerine contributed about R3,3m to taxed profits — about 66% of the total And this year, certainly in the first-half, earnings look set to rise further Second-half improvements will depend largely on government's success at stimulating consumer spending, but the introduction of a black TV channel in 1981-82 should boost Ellerine's furniture sales

EARNING BREAKDOWN

	1978 %	1979 %
TV, radio and appliances	35,8	45,2
Retail furniture	62,4	65,3
Lighting	1,6	(10,5)
Finance	0,2	—
	100	100

The TV, radio and appliance division lifted earnings contribution to R3,3m (R1,4m annualised) and Slome anticipates 1980 will see another rise particularly in light of the black TV channel which will lead to higher appliance sales

The lighting division reduced its contribution last year A taxed loss of R533 000 was incurred compared with a R62 000 annualised profit in the previous 12 months However, problems have now been solved and profits are being earned

During the year Tedelex took over the operating assets of Empisal (the shell remains on the lists as Quincor) Slome says the company beat budgets and "will undoubtably add to the profitability of the group" in future

Last year Tedelex geared up to take advantage of the anticipated consumer boom Total borrowings at end-June were R65,2m (R54,8m) — 19,1% higher — while total capital employed rose to R125,2m (R105m) Although the level of borrowings seems high 136% (133%) of equity, Tedelex covers its annual interest and leasing payments a comfortable 3,6 times by gross profits Most of the additional funds were used to finance debtors of R93,7m (R76,6m) and stocks of R38,5m (R36,5m)

The low year-end stock balance — up 5,9% compared with a 28,4% turnover increase — was made up mostly of finished goods and merchandise Raw materials and work-in-progress were lower in comparison, indicating the group's stocks are being built up in expectation of higher consumer spending and reflecting the acquisition of Empisal

At 175c, the share has appreciated 133% in the past year to yield an historic 7,4% The yield is fairly low, but the furniture and appliance sector still has steam left This year, earnings seem set to advance with 45c probably a reasonable target However, this growth may not be fully reflected in dividends as the company could conserve cash to fund a move into markets outside SA

Benny Slome . . . margins should improve

Des Kilalea

XIV CONGENITAL ANOMALIES

ENGINEERING (KG) FM 26/10/79

Patchy performance

Although Seifsa industry members are slowly pulling out of a 40-month recession performance is patchy and there is still much under-utilised capacity, said Doug Ellis in his presidential address to the federation's AGM this week This is reflected in the industry s reduced capital expenditure for 1978 — R340m — down 29,8% from R487m in 1977

He is hopeful that momentum will be provided by the planned low cost housing projects for blacks, the electrification of black townships, and Seifsa s new "Buy SA" scheme, which has already brought an additional turnover of R238m to members who have managed to displace imported products from the market with their own

Ellis warns that high capital equipment costs are putting pressure on profits, and that weak cash flow is forcing members to turn increasingly to leaseback arrangements He says "The authorities should now evaluate whether current profit returns after tax create a sufficient incentive level to attract the future investment needed for real growth "

Annual Seifsa production, he says, is now more than R9 000m per annum and accounts for 28% of SA's total manufacturing output The industry employs 480 000 people some 33% of the total labour force in the SA manufacturing sector

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PERINATAL MORBIDITY AND MORTALITY

	W		A		C		B	
	M	F	M	F	M	F	M	F
			16,92	11,55	29,22	24,78	23,16	22,23
			0,02	0,02	0,02	0,04	0,04	0,00
			–	–	–	–	–	–
			–	–	–	–	–	–
			–	–	–	–	–	–
			–	–	–	–	–	–
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO	519	359	170	113	942	785	1143	1075

IX DISEASES OF THE DIGESTIVE SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1-4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5-24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25-44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45-64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

X DISEASES OF THE GENITO-URINARY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

(184)

There is partial integration at Metal Box SA

METAL BOX SA, a British company employing 8 700 people throughout the country, pays for its workers a minimum wage of 98c an hour.

And the 98c an hour minimum works out to R191,10 a month

The company's group personnel consultant, Mr N van der Walt, says their minimum does not include the company's contributions such as bonus, pension and subsidised meals.

The University of South Africa's Bureau of Market Research calculates the Supplemented Living Level (SLL) for a family of five in Johannesburg at R185,88 a month Metal Box uses this figure to guide them in determining the minimum pay

The EEC code of Conduct, to which the company subscribes, stresses that European companies with interests in South Af- ... minimum Living Level (MLL) This would work out to R273,82 a month

Mr van der Walt told POST that there are 710 people at the bottom of the company's pay scale. All these are black and in Grade 1.

The least paid white earns R220 a month She is a typist

The company employs 4 786 Africans, 2 174 whites, 1 176 coloureds and 629 Asians.

Mr van der Walt says they have two grading structures — one for hourly-paid staff There are 16 grades (Grade 1 to Grade 16) for the hourly paid workers and 13 grades (Grade 1 to Grade 18) for the salaried staff.

What is the company doing to upgrade its black staff? The company conducts an on-the-job training for its workers such as training in electricity and production mechanism

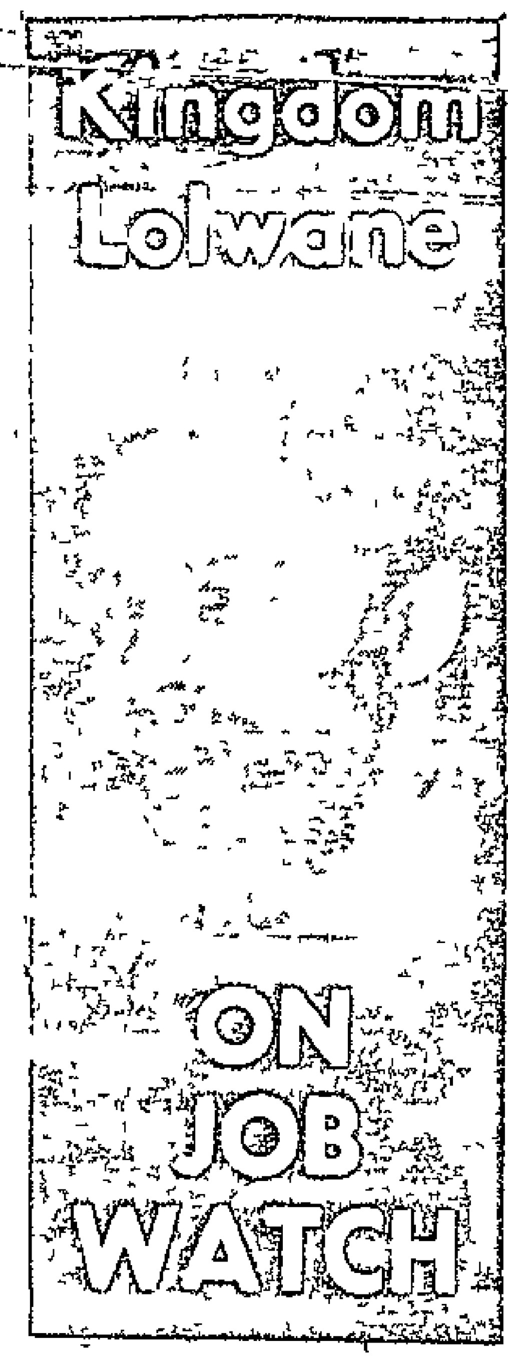
POST was told that no black apprentices have been employed in the company.

"Legislation prevents us from employing Africans as apprentices," says Mr van der Walt.

There are 109 white apprentices, 26 coloured and 1 Asian

How does the company negotiate with its workers? There are 19 liaison committees at Metal Boxes' 19 factories in the country. Five of these are integrated.

The committees, consisting of three management representatives and six worker representatives, meet once a month to discuss matters affecting the workers.



Are the toilets, canteens and other facilities in the company integrated?

Mr van der Walt says their facilities are partly integrated

POST: What reason do you give for this partial integration? Mr van der Walt. The speed at which each factory can do it.

Integration at the company is based on occupational level. This means that people doing a particular job have their own toilet and canteen.

The company has not had any hostile reactions from its white workers to this partial integration.

"You see whenever we make changes, we do it in consultation with our workers," he says

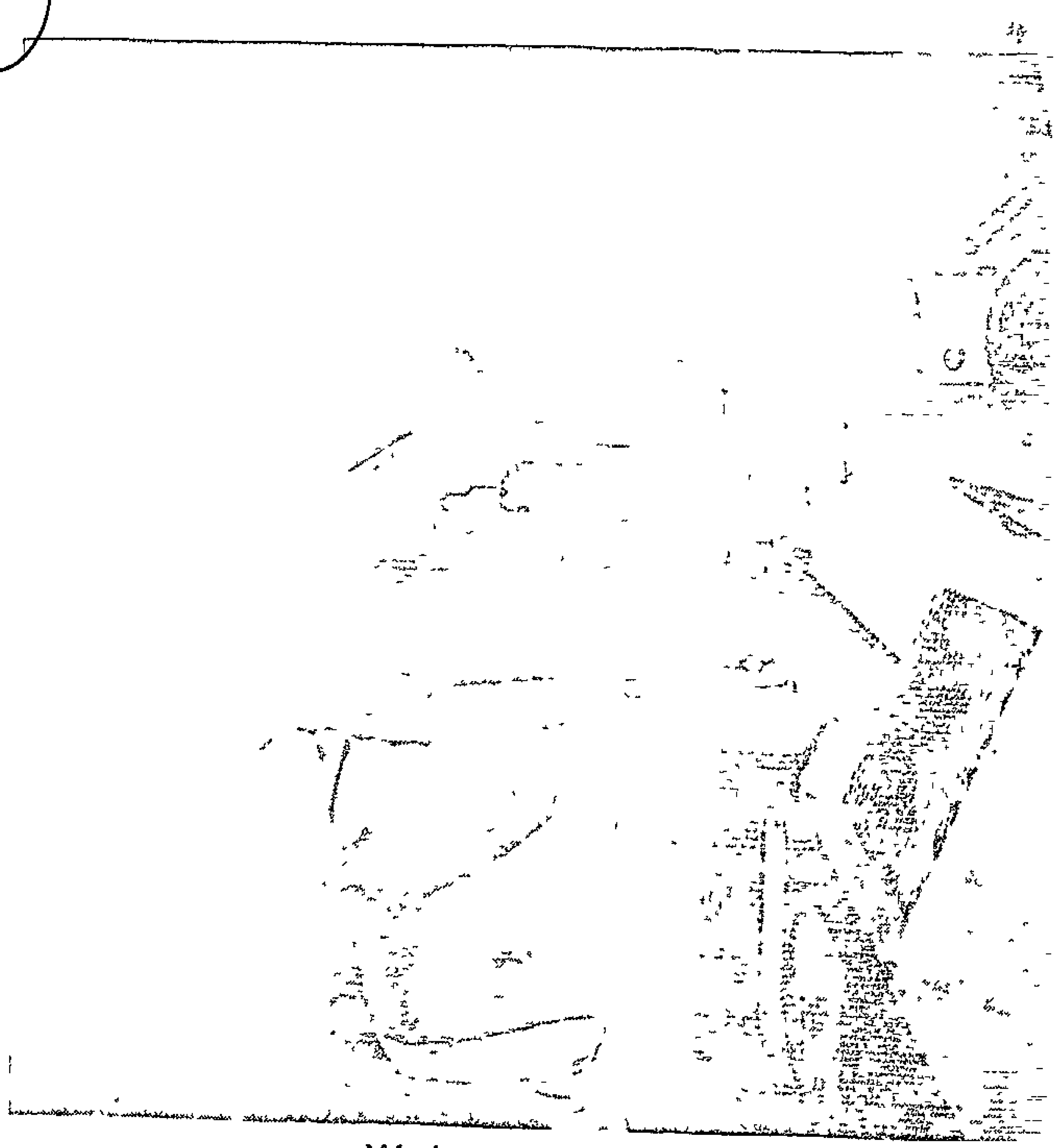
There has also not been any interference from outside the company, eg. labour inspectors, to prevent them from integrating some of their facilities

The company has donated R500 000 to the Urban Foundation for the improvement of the quality of life in the townships. The company also sets aside 0,5 per cent of its profits for charity.

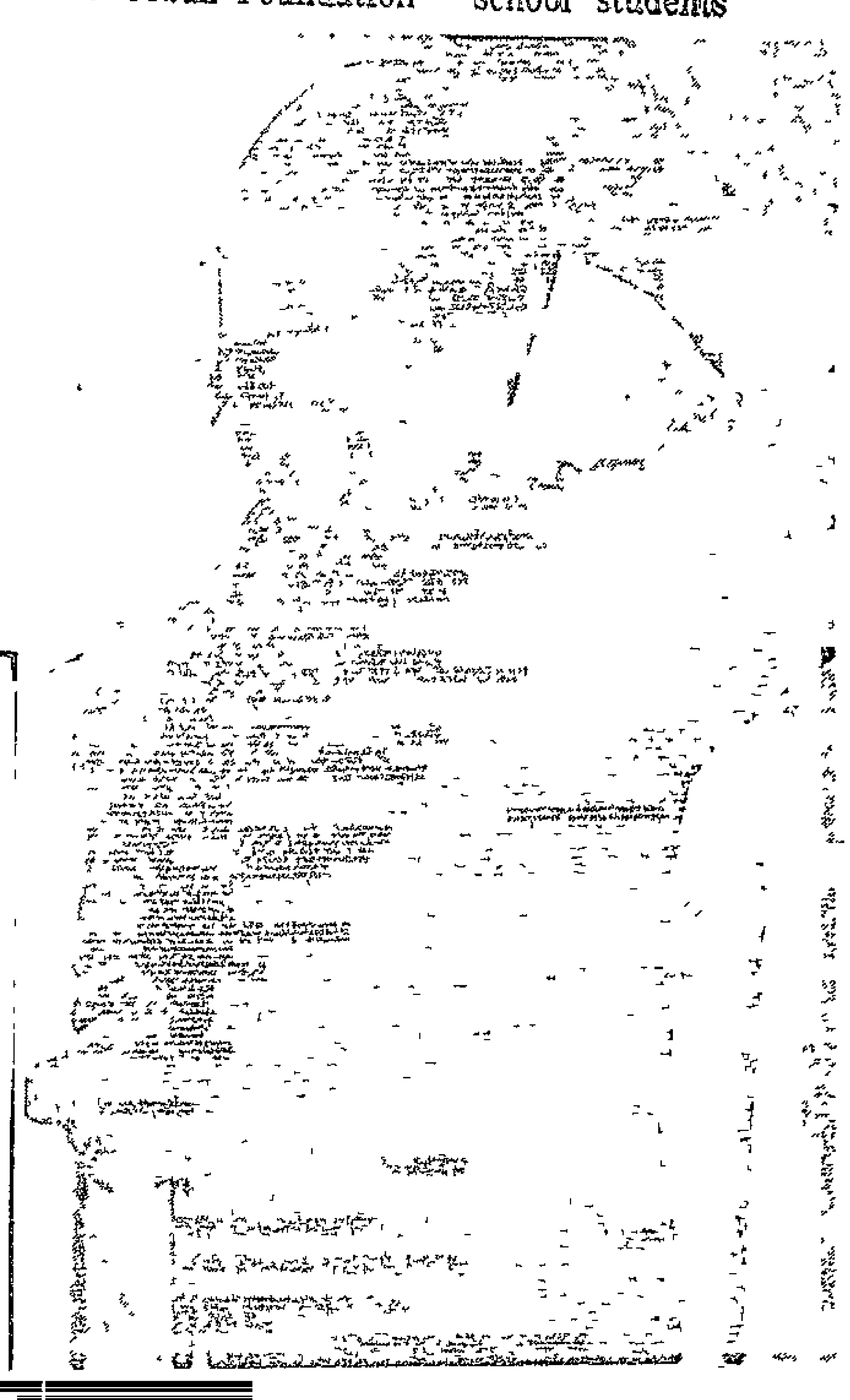
There is a housing scheme and a bursary scheme .

Metal Box employees apply for loans to either build or improve their houses.

The company also gives bursaries to university and high school students



Work at Metal Box.



DISEASES OF THE DIGESTIVE SYSTEM

F	A M	A F	C M	C F	B M	B F
,08	0,10	0,21	0,78	0,29	0,49	0,48
,01	0,00	0,00	0,07	0,10	0,05	0,05
,01	0,03	0,01	0,04	0,03	0,05	0,05
,09	0,39	0,10	0,41	0,19	0,23	0,22
,42	1,60	0,72	1,31	0,67	0,80	0,68
16	1,61	2,44	1,91	0,75	1,44	0,91
21	0,33	0,16	0,33	0,17	0,25	0,20
30	116	56	370	201	533	329

189

Sake-Rapport — RAPPORT, 28 Oktober 1979 — 3

Uniestaal lyk goed

UNIE-STAALKORPORASIE se huidige aandeelprys van tussen 84c en 86c is op sy beste net 1c laer as die hoogtepunt van 87c wat dit op die woelige Beurs van 1969 behaal het.

Hierdie hernieude belangstelling in die aandeel is reeds in die begin van September vanjaar ontketen toe die halfjaarlikse winssyfers vir die tydperk tot 30 Junie bekend gemaak is.

In die halfjaarlikse verslag was verdienste per aandeel 40 persent hoer as in die ooreenstemmende tydperk verlede jaar, en het die voorsitter, dr M D. Marais, in die vooruitsig gestel dat die hele jaar se winssyfers op hierdie vlak sal verbeter.

Wat egter veel noemenswaardiger was as hierdie gesonde vooruitskouing, was die feit dat hierdie verbasende eerste helfte van die jaar se groei nie in die vorige jaarverslag voorspel was nie. Inteendeel, dr Marais het bloot gesê 1979 se wins behoort op dieselfde peil as dié van 1978 te wees.

Hierdie woorde herinner al te veel aan sy huidige vooruitskouing in die onlangse halfjaarlikse verslag waarin hy nou ook gesê het dat die wins van die eerste helfte van die jaar in die tweede helfte gehandhaaf behoort te word. Beleggers wat tans die aandeelprys laat verstewig tot vlakke wat in 1969 geheers het, is heel moontlik van mening dat hy weer konserwatief voorspel.

Selfs die konserwatiefse raming van 'n aandeleverdienste van 22c vir die hele 1979, is 83 persent beter as verlede jaar se 12c per aandeel. Die ruimste dividenddekking deur verdienste was nog al die jare 3,8 keer, en selfs hierop sal die jaarlikse dividend moet styg met ten minste 0,5c na 6c per aandeel.

Maar verlede jaar se dividend was maar 2,2 keer gedek. Dus selfs op 'n dividenddekking van drie keer, sal die dividend 7c of meer wees. Teen die huidige aandeelprys van 84c sou 'n 7c-dividend 'n opbrengs van 8,3 persent lewer.

Hierdie geprojekteerde dividendopbrengs is veel hoër as die staal- en verwante bedrywe se huidige gemiddelde van 5,8 persent (sonder die inagneming van Dunswart). Indien Uniestaal dus op sy geprojekteerde dividendopbrengs by die gemiddelde wil inval, sal hy teen daardie tyd op 'n prys van 120c moet staan.

Selfs 'n geringe verhoging in die dividend van 0,5c tot 6c sal Uniestaal 'n aandeelprys van 103c besorg indien dit by die gemiddelde dividendopbrengs vir die sektor wil inval.

Dat daar weerstand op 87c sal wees, word glad nie betwyfel nie, soos reeds 'n maand gelede bewys is toe die prys van 86c weer na 75c gedaal het.

Daar is 29 miljoen uitgereikte gewone aandele, waarvan Metkor omtrent 31 persent besit.

— Franz Albrecht

CAUSES OF PERINATAL MORBIDITY AND MORTALITY

			A M	A F	C M	C F	B M	B F
ALL	0,25	0,17						
NO	519	359	170	113	942	785	1143	1075

X

DISEASES OF THE GENITO-URINARY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

6

after discussion with staff and 24%

Out of feud rises new body

189

Pat. 1/11/79

THE two-year-old feud within the Engineering and Allied Workers Union reached a climax at the weekend with the formation of the Steel, Engineering and Allied Workers Union of South Africa.

The new union comprises mainly members of one of the feuding groups.

SEAWUSA had its inaugural meeting at the Market Theatre, Johannesburg, at the weekend when they adopted a 32-page constitution and elected a national executive council.

The meeting was attended by 500 members from Pretoria, Daveyton, Bethal, Tembisa, Vosloorus, Witbank, Middelburg, Secunda, Springs, Sasolburg, Port Elizabeth, Krugersdorp, Luipaardsvlei, Johannesburg, Wadeville, Natalspruit, Thokoza, Vereeniging and Vanderbijl Park.

The meeting decided that:

- The national executive council should investigate the process of registration under the new Industrial Conciliation Amendment Act, and
- The union will co-operate on matters of mutual interest with registered and unregistered trade unions in the metal and other industries in the interest of workers.

On the executive council of the new union are: Paul Bapela president; Phillip Maseko, vice-president; Michael Mabena, Solomon Mamasedi, Joseph Mafisa, Simon Matsitle, Sam Manganyi, Johannes Senosi and Cher Motswadi committee members. Mrs Jane Hlongwane is general secretary.

FACTIONS

The split in the Engineering and Allied Workers started in November 1977 when some members decided to dismiss Mrs Hlongwane as general secretary.

Since then there have been two factions, the other led by Mr Mcebisi Mqhayi, using the name Engineering and Allied Workers Union.

Mrs Jane Hlongwane, secretary of the new Steel, Engineering and Allied Workers Union.

of the sample indicated in their comments
have preferred these not to have been held
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t the Workshop had been long enough and had
some extent to integrate into the University
hoosing their degree courses.

tudy Methods

he sample (69%) felt that their school
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ey were completely adequate and 18% nearly
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n-going study methods course in the first
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:ion Course

majority of the sample were extremely
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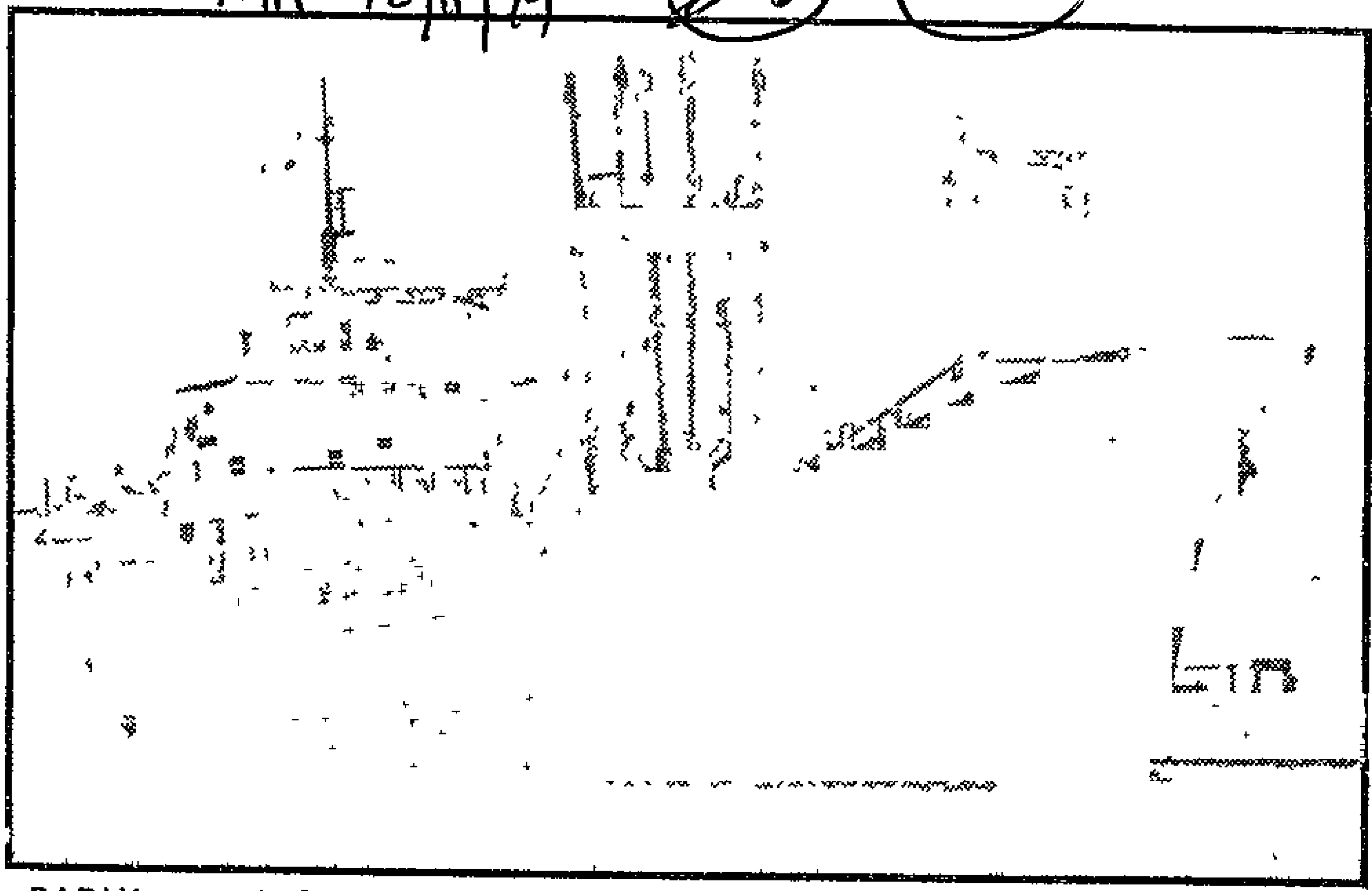
helpful.

ose advice they had primarily sought in
niversity curriculum, the sampe indicated

NM 15/11/79 ~~219~~ 2702

Ship building

(1X9)



BADLY in need of a major refit, the Maputo-registered Linde brings about R250 000 worth of overhaul and repair business to Durban

Big repair job from Maputo

SHIP-REPAIRERS Mechaweld Engineering of Durban, who have secured work contracts from Mozambique in recent years, are now carrying out about R250 000 worth of maintenance and voyage repairs on the Maputo-registered freighter Linde.

The eight-year-old vessel, owned by Empresa do Limpopo A Couto, follows at least two other Mozambican clients handled by local repairers, the 1 219 dwt Muanza and 2 624 dwt Polana

Mechaweld's work on the 3 131 dwt Linde began on October 16, the day following the vessel's arrival from Maputo

The two-month Durban layup involves major engine repairs, a complete overhaul and updating of substantial survey work, says the company's secretary, Mr James Currie

Both main engines, at least three auxiliary units and a host of other items are on the list of seemingly overdue overhauls

Equipment such as pipes and fittings, the decks and electrical installations also need attention

"Electrical work will be done by our own specialist division, which only began operations a year ago," Mr Currie told me yesterday.

Next major step for the Linde is a spell in the Prince Edward graving dock in about a week's time so that both her tailshafts can be drawn for an inspection

Mechaweld, who have had other Mozambican as well as considerable Spanish trawler business on their books, are "very pleased about the rather unusual contracts we managed to attract to Durban," they said

The Linde, classed by Lloyd's Register in the 100A1 category, is expected to clear Durban with a newly issued clean bill of health about mid-December

Shipping

WILF SEIFERT

ALTHOUGH this five-ton drydock service crane was wrecked in a freak accident more than three weeks ago, its battered remains are still an eye-sore on the site.

Mr R. W Meyer, the head of Durban's mechanical workshops, told me this week that a departmental inquiry into the accident had been completed and it would soon be removed to make way for a replacement.

Although Mr. Meyer did not divulge details, I understand that a 25-ton crane toppled the five-tonner on October 22 while pulling away from it.

The brakes of the wrecked crane were on and its jib pointed into the graving dock, when the working 25-tonner turned, in the process accidentally hooking on to the small crane's catwalk.

Still connected to the catwalk of the five-tonner, the big crane moved off and pulled it down.

IN PORT

POINT SHEDS A African Comet; A/B Prodos, B/C Export Trader, C Char Hsiung, D Damian, E Margaret Lykes, F Chai Trader; G Gold Kransos; L St Nicolas, L/M Safocean Auckland; M Ext Tacoma Maru; N Ionian Sky, O Katerina Dracopoulas, O/P Fernando Emme, P Neckar; Q Ithaki; R Yue Flower.

MAYDON WHARF 2 Thorswave; 3/4 Gamtoos, 4 Amstelveen, 5 Sable, 6 Lips; 7A Gamtoos, 7B Living Stone, 8 Raffela M, 9A Nedlloyd Serooskerk; 9B Zambezi; 10 Honda Star, 12A Sisal Trader, 12C Voorspeler, 13 Gallant Express, 14 Tokio Venture, 15 Silver Joy

PIER NO. 1 101 British Wasa, 102 Lucy S, 103 Seamaster; 104A Mandolyna, 105 Golden Sword **BLUFF** 2 Yon Eun, 4 Leonis Cambonis

ISLAND VIEW 1 Asia Loyalty, 4 Ocean Clipper, **SHIP REPAIR JETTY** Linda; Indiza **BUOYS** Prodos C, Condor **G DOCK** Mata **S DOCK** La Ensenada

ARRIVALS Resurgence Express from Australia.

SAILINGS. Ionian Sky and Seamaster for Far East; Fernandoemme for Mediterranean, Golden Sword for High Seas

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardised mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst ...eady decline in both of these indices ...: an initial decrease, show a comparatively ...crease in their SMR since 1960.

... has fallen from 50,9/1 000 to 21/1 000, ...g this period, the 'coloured' IMR has ... 2,6/1 000, a change of only 19,7%. ...en it is appreciated that the greater the ...rovements be accomplished. The decrease ... ...ere 28,4% and 25,7% for whites and 'coloureds' respectively.

The age specific mortality rates are summarised in Fig. 4. Since death is inevitable, it is to be expected that decreases in the mortality experience of younger age groups will give rise to a corresponding increase in mortality amongst elderly persons. Thus, although it is to be expected that for both whites and 'coloureds' the mortality rates for persons over the age of 65 years have shown a rising trend, it is of some concern that the mortality rates have also increased between 1960 and 1970 for 'coloureds' in the 25-44 and 45-64 years age groups.

The imbalance between the age specific mortality rates of whites and 'coloureds' has improved or remained constant for persons between the ages of 5 and 64. However, for children less than 5 years of age, the gap between whites and 'coloureds' is widening. In 1941, white children under one year old experienced 28,0% of the mortality of 'coloured' children;

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15,2% to 7,1%. It should be noted that the 0 year age specific death rates are higher than the corresponding IMRs. This is because the denominator for the former is the number of live births whilst for the latter it is the mid-year populations under one year of age.

Fig. 4 provides an indication of the proportional contribution of selected causes of death to the overall mortality experience of the white, 'coloured' and African communities.

... on of the ... of both the ...arent from ...ferent diseases ...loureds' in the ...ps. Thus, al... for a fairly ...', Table I ... have been fairly ... indicates ... rates for cardiovascular ... similar for both whites and 'coloureds' since 1941.

Clearly, the broad diagnostic categories used in this analysis conceal a certain amount of information. However, because of the changes in disease classification which have taken place since 1929, it is not possible to examine the temporal changes of mortality rates in greater detail. Disease categories with rates greater than 5/1 000 appear in italics in Table II. It will be noted that the mortality experiences of the 'coloureds'

Seifsa sees stronger recovery

89

15/11/79

REPORTS to the Steel and Engineering Industries Federation of South Africa (Seifsa) in September reflect a further strengthening of the hesitant recovery phase which characterised a number of sectors in the metal and engineering industries during the first eight months of the year.

This is stated in Seifsa's newsletter for September

"Current indications are that the stimulatory measures of the March Budget are now flowing through to Seifsa's consumer-related sectors and, in particular, producers of electrical equipment in the domestic appliance market and plastic manufacturers advise improved order intakes with some further acceleration in demand expected in the final quarter"

The newsletter says South Africa's steel producers also report higher steel output for the first nine months of the year, which reached 6 500 000 tons — 12,4% higher than in the corresponding period last year

Output of pig iron also reflected an improved nine-month total of 593 400 tons — up 20,2% on the previous comparative period

"A further stimulating element is noted in the telecommunications and electronics industry, which advises strengthening order books and improved output levels during the third quarter arising, in part, from the step-up in local content of manufactured components

"Medium-term and long-term prospects for this industry also appear assured with the concluding of new 15-year telecommunications supply agreements with the post office estimated to be worth R5 000-million.

"Seifsa sectors, however, associated with construction activities and heavy engineering report continuing sluggish demand with recovery dependent on some upsurge in capital investment in both the private and public sectors

"Overall, conditions in a majority of the Seifsa group of industries now reflect continuing improvements in utilisation of production capacity, particularly in the export-oriented basic iron and steel industries, the machinery sector and the electrical machinery sector, which is benefiting from the growing emphasis now being placed on import substitution" — Sapa

(189) 16/11/79

NFS MOTORS

Consolidating

(189) FM 16/11/79

Activities *Marketing of motor vehicles, agricultural machinery, industrial and construction machinery, wholesale distribution of parts and accessories Also involved in vulcanising industry through Day Tyre*

Chairman· *C E Fairweather, managing director W A Archbold*

Capital structure. *2,6m ordinaries of 50c 18 740 5% cum prefs of R2 Market capitalisation R2,7m*

Financial· *Year to June 25 1979 Borrowings long- and medium-term, R632 500, net short-term, R3,7m Debt equity ratio 69,5% Current ratio 1,4 Group cash flow R830 000 Capital commitments R163 000*

Share market· *Price 105c (1978-79 high, 110c, low, 65c, trading volume ast quarter, 12 000 shares) Yields 6,2% on earnings, 10,5% on dividend Cover 2,5 PE ratio .3,8*

	'76	'77	'78	'79
Return on cap %	★ 8 8	9 3	8 7	14 0
Turnover (Rm)	33 0	40 0	46 9	47 5
Pre tax profit (Rm)	1 3	1 1	1 1	1 0
Gross margin %	5 3	4 3	3 7	3 3
Earnings (c)	★37 8	★33 9	★39 2	27 5
Dividends (c)	★10	★10	★10	11
Net asset value (c)	★239	★265	★289	250

★Adjusted for one for-one capitalisation issue in 1979

Consolidation is the name of the game at NFS, judging from last year's results Though the group notched up a 23% compounded annual turnover improvement between 1975 and 1978, last year turnover was a pedestrian 1,3% ahead at R47,5m (R46,9m) On the back of this, attributable income advanced 3,7% to R683 000 (R659 000), with lower tax payments of R339 000 (R486 000) negating the 9% in operating income fall to R1,0m (R1,1m)

The balance sheet reflects the high cost of previous years' growth, with the debt equity ratio around 70%, despite last December's R300 000 rights issue Interest and leasing charges are covered a slim 2,2 (2,3) times by gross earnings, and repayments have clearly been a drain on cash flow At 18%-odd, the cash flow total debt ratio indicates room for further liquidity strengthening

Nevertheless, the group performed well considering the difficult trading conditions last year, which saw one of the worst droughts in recent history With over 50% of attributable taxed profits coming from the agricultural machinery division, the weather can impact heavily on group sales Although this division, which, according to managing director Bill Archbold is the world's largest Massey Ferguson franchiser, increased its market penetration 'total agricultural machinery turnover still showed a considerable decline lon previous years," says chairman Ted Fairweather

The motor vehicle division, which contributed 24,5% (36 4%) of taxed earnings felt the pressure of increased fuel prices and downbuying in the industry NFS holds one of SA s largest GM franchises, but was unable to meet the increased requirements for smaller vehicles from GM's ranges, although Sigma products, franchised by the group, offset this in part

The industrial and construction machinery division felt some resistance to diesel engined products on the OFS gold mines, which absorb a major proportion of the division's output However, improved trading conditions, stimulated by more buoyant activity in the area, coupled with improved cost and asset management, allowed the division to increase profitability and its overall return on capital employed

Efforts are underway to further consolidate the group's operating platform, following diversification into allied areas last year Day Tyre was wholly absorbed and since the year-end Kroonstad Bearing Works has also been acquired Further near-term acquisitions appear unlikely as the group's liquidity position is relatively tight

This year s outlook seems bright especially in the agricultural sector, although increasing pressure on the motor division might offset this Problems associated with rapid growth have been recognised, and near-term objectives are to strengthen the operating base

If consolidation continues successfully, earnings could well improve this year If this is reflected in higher distributions a rerating is possible

Jonathan Bader

increases on general cost increases ... more reserved

F.M. 23/11/79

189

TELECOMMUNICATIONS

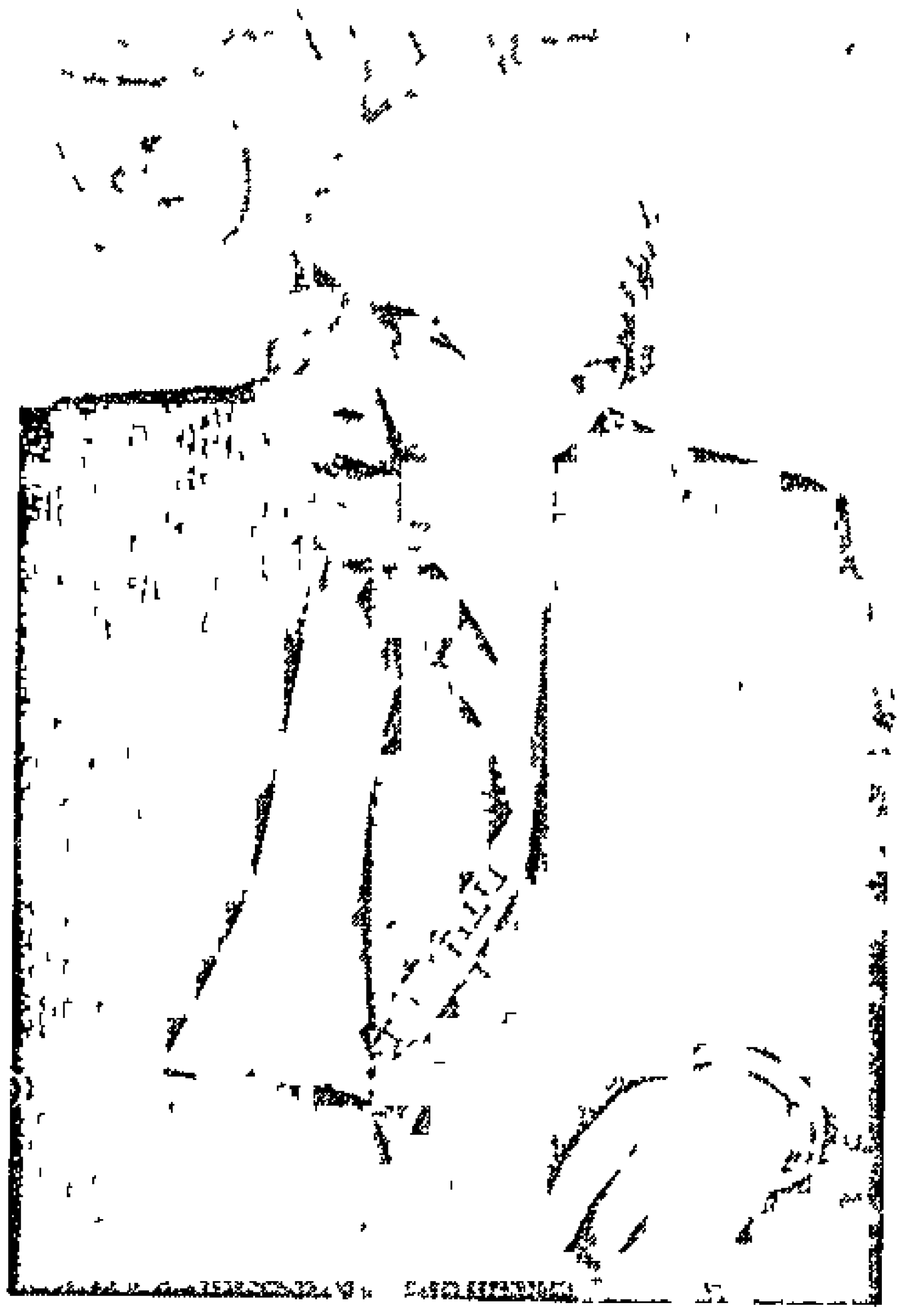
Taking the pulse

Three of the the five bulk supply agreements, which will push an estimated R4 billion of Post Office business into the hands of private sector telecommunications suppliers over the next 15 years were signed this week

These were with STC (part of the Allied Technologies group), Telephone Manufacturers of SA (Temsa) and Plessey A similar agreement was signed with Siemens recently Only the French company Fulmen still has to sign its agreement though this will obviously be affected by the announcement in July that Allied Technologies and Fulmen s parent company, CGE, have signed heads of agreement for joint manufacture of equipment

The main activity will be to manufacture and install the French-designed E-10 digital electronic telephone exchange, known here as SA 128 E

The Post Office is not saying exactly how big each company's share of the business will be, but the *FM* understands from market sources that it is likely to work out at around 33% for Siemens, 30% for Temsa, 15% for STC and 3% for Plessey That leaves 19%, from which



Rive spending R5,7 billion in 15 years

Fulmen's (or the new company's) share will be derived, although it may not get the whole 19%

But obviously any one company's share of the total business will ultimately depend on demand for the products which it supplies, and this could change significantly in the period covered

Each supplier will provide a range of equipment but the bulk of Siemens' business will be switching equipment and teleprinters while Temsa will be responsible for switching equipment and telephones Fulmen switching equipment STC transmission equipment and modems, and Plessey small business systems

Postmaster-General Louis Rive recently said that the Post Office plans to spend

R5,7 billion on capital expenditure in the next 10 years, a figure which, in addition to telecommunications equipment, covers roads, buildings, power plant, cables and towers

Star 23/11/79

·mployer group in new ɔw over black unions

y Sieg Hannig
.bour Reporter

teel and Engineer-dustries Federation me into direct con-ith a major foreign ment code and has up a major con-y in South Africa.

ı employers have sed reservations about Seifsa's guidelines on relations with black workers belonging to trade unions in the metal and engineering industries.

"If Seifsa did not intend to stifle trade unionism for black workers then this certainly does not emerge from the stated guidelines," said Mr Arthur Grobbelaar, general secretary of the multiracial Trade Union Council of South Africa.

He saw the guidelines as being in direct conflict with the EEC code of employment practice. The code covers subsidiaries of companies based in European countries, including some of South Africa's top trading partners.

Several employers had approached him about the guidelines, Mr Grobbelaar said.

But Dr Errol Drummond, director of Seifsa, has refuted all the criticism.

"We support trade unionism irrespective of colour but it is necessary for us to deal with unions which are registered," he said.

He regarded a union's refusal to become registered as a refusal to establish its credentials. "These credentials are important in a situation where officials of black unions come and go and there are splits in the ranks," he said.

"We don't propose to become a battleground for conflicting trade union ideologies."

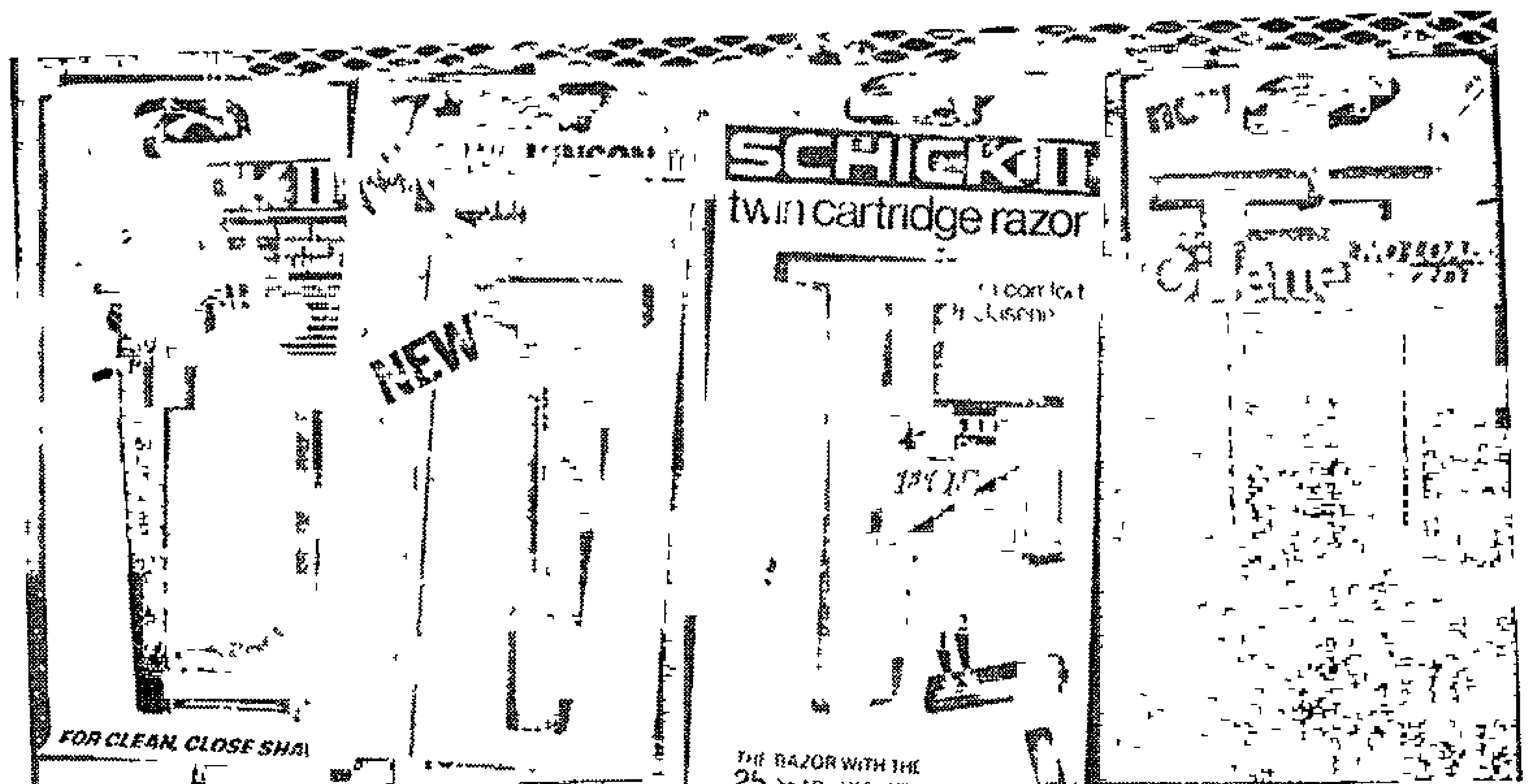
Unregistered unions could not become parties to an industrial council, he pointed out.

Seifsa's guidelines call on employers to

- Withhold formal recognition from unregistered and provisionally registered unions.
- Not "actively assist trade union organisation" and not accede to requests by unionists "allegedly catering for black workers" to have access to company property for recruiting or to place notices on company notice boards.
- Not engage on "in-house" negotiations on matters falling within the industrial council's scope.

It's a cut-throat contest for the biggest slice of the razor market

SUNDAY EXPRESS SURVEY



● Packed as close as the shaves they're supposed to give — the cut-throat contenders

BACK in the early Sixties it was reckoned electric shavers would eventually put such firms as Gillette, Schick and Wilkinson out of business.

However, electric shavers have barely shown any growth in the past 20 years while a great deal has been happening in the wet shave market where growth is continuing, though slowly

Now the blade market is slugging it out in an old-fashioned, cut-throat brawl

The market breakdown has remained almost unchanged for some years with electric razors accounting for about 8% of all shaves However, things have not been so static in the blade market — currently worth R10-R12-million Men have always wanted a closer, smoother shave from their razor and this has been the catalyst to a whole new era in the shaving world

□ □ □

Research and development was chiefly concerned with improving the conventional double-edged blade This was achieved in several different ways — notably stainless, then platinum, blades

When the platinum blade was launched in 1969, however, Gillette admitted that the shaving world had gone just about as far as it could in developing the maximum comfort and sharpness in an ordinary blade Thinking further along these lines, the main companies began to look for other developments

Already they had developed what was known as the injector razor — a new kind of razor with a blade that had only one edge, and where the blades were contained in a special container Now the technicians have turned their attentions to developing something completely different — a shaving system

This is where the revolution began, back in the mid-Sixties, with the launch by Gillette of their Techmatic — a continuous ultra-thin blade which really notched up sales and helped to push the "systems" share of the total blade market to around 5%

Although the Techmatic was the first of the new systems, it was not the Techmatic that really set the wet shaving market alight and caused the war between Gillette and its closest rival, Wilkinson, to become a major confrontation In 1972 came the shaving blockbuster — the Gillette GII

This razor used disposable, double edged blades and took the imagination of the South African shaver So much so that at one stage blades were virtually unobtainable Shavers, naturally, were upset They had the handle — but they couldn't buy the blade

Problem was that Gillette worldwide had grossly underestimated the public acceptance of the GII Plants around the world were churning out the blades — but not fast enough And South Africa, like the rest of the world, had a supply problem

An expensive mistake — and one that gave Wilkinson Sword the chance to grab the market

□ □ □

In November, 1972 Wilkinson made its bid with the bonded system — a single-edged blade held rigid between strips of plastic But the bonded system was a disaster and Wilkinson had lost a major opportunity of taking market share from Gillette

In August, 1974 Schick entered the twin blade market with the SII, a blade similar to the GII so that it would fit any twin-bladed razor — hoping to take advantage of Gillette's supply problems But Schick's bid came too late, because by then Gillette had solved their problem

Gillette responded with the twin injector in September, 1974 and the Schick twin injector appeared two months later Both products did nothing for either company

The razor market is divided into three areas

- The conventional stainless steel blade which accounts for about 30% of sales In value this represents roughly 40%, or just over R4-million a year, of annual sales
- The "systems" market which has moved from 18% (in unit terms) at the end of February, 1975 to 30% in 1979 Obviously this growth has been at the expense of the stainless steel market
- The conventional carbon blade which has a firm following among Blacks Gillette totally dominates this field through its Minora and Nacet brands

Gillette also dominates the systems market and the stainless steel market In fact Gillette dominates'

Wilkinson, despite being cheaper, has only an 8% share with its bonded system, although it is steadily gaining in popularity with its twin double edged stainless steel in the Black market

Schick's SII twin-edged injector has about 6% and the balance is taken up by all other brands

But it is the systems market that manufacturers are looking to for their growth, especially the twin blade market

This time Wilkinson, Gillette and Schick almost simultaneously came out with an innovation on the GII The Gillette Contour, the Schick Pivot and the Wilkinson Profile

The system is basically the same as the GII, but instead of a rigid head, it now has a swivel head "The new system is," according to Gillette's MD Jim Clarke, "designed to give a better and closer shave because the head remains in contact with the skin longer and the swivel enables the blade to easily reach previously inaccessible areas"

□ □ □

With the introduction of the pivot, the twin cartridge segment is expected to expand to more than 50% of the total wet shave market (currently worth about R12-million) But this time all three companies are off to an equal start, although Gillette has raced by launching the Contour a few months ahead

Major opposition for the pivot system, will, surprisingly, come from Schick, not Wilkinson Schick claims their system has a major consumer benefit in the form of "push button cleaning" But it is not only the system that has undergone change — it is the actual razor

According to Jim Clarke "Men no longer want a plastic holder, they want something more substantial — something like the old twin blade holder

Star 21/11/79

Steady rise in steel production

(189)

By Stephen Suckley

South African steel production is increasing steadily and figures for the first nine months of this year are 12,4 percent higher than the same period of 1978

In its September report on iron, steel and ferro alloys Seifsa reports that all other sectors also showed an improvement. The ferro alloy manufacturing industries improved more than 45 percent, reflecting additional furnace capacity installed last year.

Production of pig iron increased as did private sector foundry output for steel castings, iron castings and non-ferrous castings

Figures in all production categories in the 10 months to September show an increase over the same period last year.

The table below shows output figures reflected in tons

Reporting for September, the Minerals Bureau figures show that though coal production remained static in the past three months, exports of bituminous coal are rising steadily and in September topped the 2m-ton mark

In his annual report yesterday, chairman of Johnnies, Sir Albert Robinson, said the country was being too cautious over its export potential

Though exports are continuing to increase, they are at a very small rate At present the limit at which South Africa can export is 44m tons

INGOTS	Sept 1979	Jan/ Sept 1979	Jan/ Sept 1978
Cast billets	756 200	6 486 000	5 769 000
Pig iron	593 400	5 230 900	4 351 200
Ferro alloys	143 800	1 153 400	794 200
Steel castings	11 600	104 100	87 500
Iron castings	23 200	199 700	182 700
NON-FERROUS			
Castings	1 401	12 895	10 913

Profits...

LAWRENCE HYSLOP

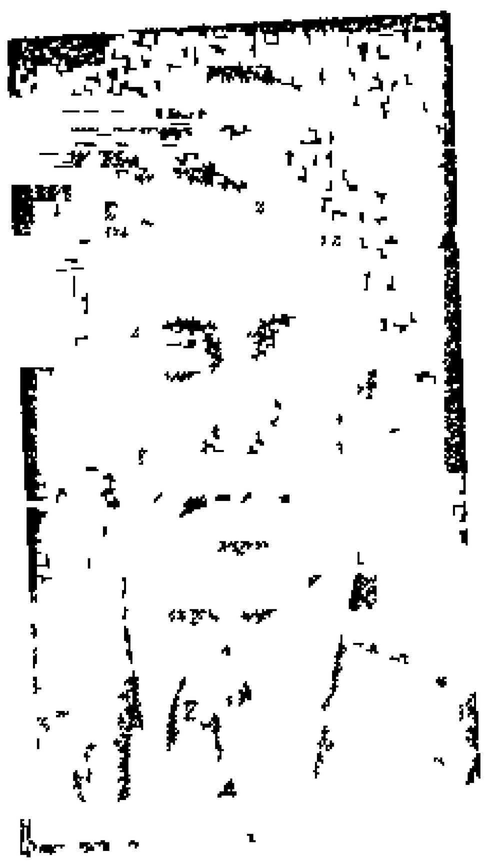
Man of steel

184

The steel industry is coming out of the worst recession since the Thirties and, declares Flather Bright Steels' MD Lawrence Hyslop, "we survived"

The strategy? Cutting production costs. Instead of pushing up profits just by increasing prices, the 37-year-old electrical engineer-turned-businessman has spent his five years in the Springs-based company's hot seat, trimming overheads. And, he says, he's not talking about "tea and toilet rolls" but about big items.

Financial Mail November 30 1979



Hyslop . . . worried about the social problems in replacing labour with machinery

He is justifiably proud of the salary account for example It is lower today than in 1976 and ' the staff are better paid and work harder' Hyslop notes his actions are 95% unfettered ' by head office at Scaw Metals, which in turn is owned by Amic

He is disturbed by the merchants tendency to rely on faster deliveries They are keeping lower stocks, he laments, and are playing the six 'bright steel" (processed steel) manufacturers off against each other It's the opposite of a monopoly and "in the long run those that don't carry stock will lose their *raison d'être* "

Flather Bright carries high raw material stocks which, to Hyslop's delight, now turn over four times a year "That s quite high, ' he stresses Already supplying the automotive industry agriculture, mining, defence and the railways Hyslop maintains there are always new markets — 'if you know where to look

An M Sc engineering graduate from Wits, he took his wife Sheila and two children off to Cape Town in 1971 for an educational sojourn

With the MBA he regards as his insurance against becoming "the sort of engineer in tweeds and a pipe who is thoroughly knowledgeable thoroughly dedicated and thoroughly poor ' he returned to Sappi where he had started his career six years before

But returning to Sappi with a R25 increase and a R4 000 overdraft was no fun He joined Standard Telephones and Cables an ITT subsidiary in Boksburg, eventually becoming the operations manager co-ordinating all production functions in the telecommunications department

Then, at 32, he was offered the position of managing director of Flather Bright

Flather Bright is one of the big two in the bright bar industry After introducing job evaluations and physically rearranging the factory, he determined "to buy the best equipment we could afford,' spending more in five years than in the previous 15

He bemoans the fact that the government gives incentives for importing capital equipment but not for employing labour ' We know their argument about raising standards and staying competitive," he accedes, "but the social problems related to imported machinery replacing labour is a dilemma which hits me regularly

A help, though, is the steel export promotion scheme which, in the bright bar industry more or less offsets the R40 ton extra cost to export Flather Bright is exporting 25% of their products to the US where it is competing against the local product to Canada South America Israel and Hong Kong

In fact SA is well-placed to penetrate markets in the Far East says Hyslop, because the costs of manufacturing here are less dependent on oil

A do-it-yourselfer who reads non-fiction — "I don't relate well to fiction" — his creative energy is channelled also into civic affairs

He s current president of the Springs Chamber of Commerce and Industries and convener of a newly-launched multiracial Education Foundation

Lawrence Hyslop say his chamber colleagues, "is still full of steam '

Financial Mail November 30 1979

ıch shares and the contributories
... continue to apply in respect of such a company, notwithstanding
at Act.

of insolvency to be applied mutatis mutandis.—In the winding-up of a com-
pay its debts the provisions of the law relating to insolvency shall, in so far
icable, be applied *mutatis mutandis* in respect of any matter not specially
this Act.

ble and undue preferences.—(1) Every disposition by a company of its
if made by an individual, could, for any reason, be set aside in the event
, may, if made by a company, be set aside in the event of the company
and unable to pay all its debts, and the provisions of the law relating to
nutatis mutandis be applied to any such disposition.

e purpose of this section the event which shall be deemed to correspond
ation order in the case of an individual shall be—

ie case of a winding-up by the Court, the presentation of the application,
ss that winding-up has superseded a voluntary winding-up, when it shall
ie passing of the resolution to wind up the company;

e case of a voluntary winding-up, the passing of the resolution to wind up,

e case of a winding-up of any company unable to pay its debts by the
t superseding a judicial management order, the presentation of the
cation to the Court in terms of section 433 (*l*) or 440

sion or assignment by a company of all its property to trustees for the
editors shall be void.

ons and share transfers after winding-up void.—(1) Every transfer of
ly being wound up or alteration in the status of its members effected
ment of the winding-up without the sanction of the liquidator, shall

position of its property (including rights of action) by any company
l unable to pay its debts made after the commencement of the winding-
ıless the Court otherwise orders

on of assets and costs of winding-up.—(1) In every winding-up of a
hall be applied in payment of the costs, charges and expenses incurred
d, subject to the provisions of section 435 (1) (*b*), the claims of creditors
e as they would be applied in payment of the costs of sequestration

FM 189 30/11/79

BLACK TRADE UNIONS

Seifsa's tough line

Seifsa's new guidelines on dealings with black trade unions have been bitterly criticised by both registered and unregistered unions But Seifsa, which represents 5 000 employers in a sector which employs about half a million workers, is sticking to its guns

It has asked members not to recognise black trade unions until they have received final registration and become a party to at least one of the three industrial councils in the industry

Even if a union has provisional legal registration, employers should not recognise it Seifsa has also recommended that there should be no "in-house" bargaining or negotiations with trade unions on matters that fall within the ambit of industrial council agreements, that black trade unions should not be given access to company premises for "recruiting or organisational purposes, or to place notices on company notice boards for the same purpose", and that employers should continue to use works and liaison committees for "effective employee/management communication at individual company level"

The guidelines also point out that in terms of the industrial agreements, members may not grant stop-order facilities to unions

Hitting the unions?

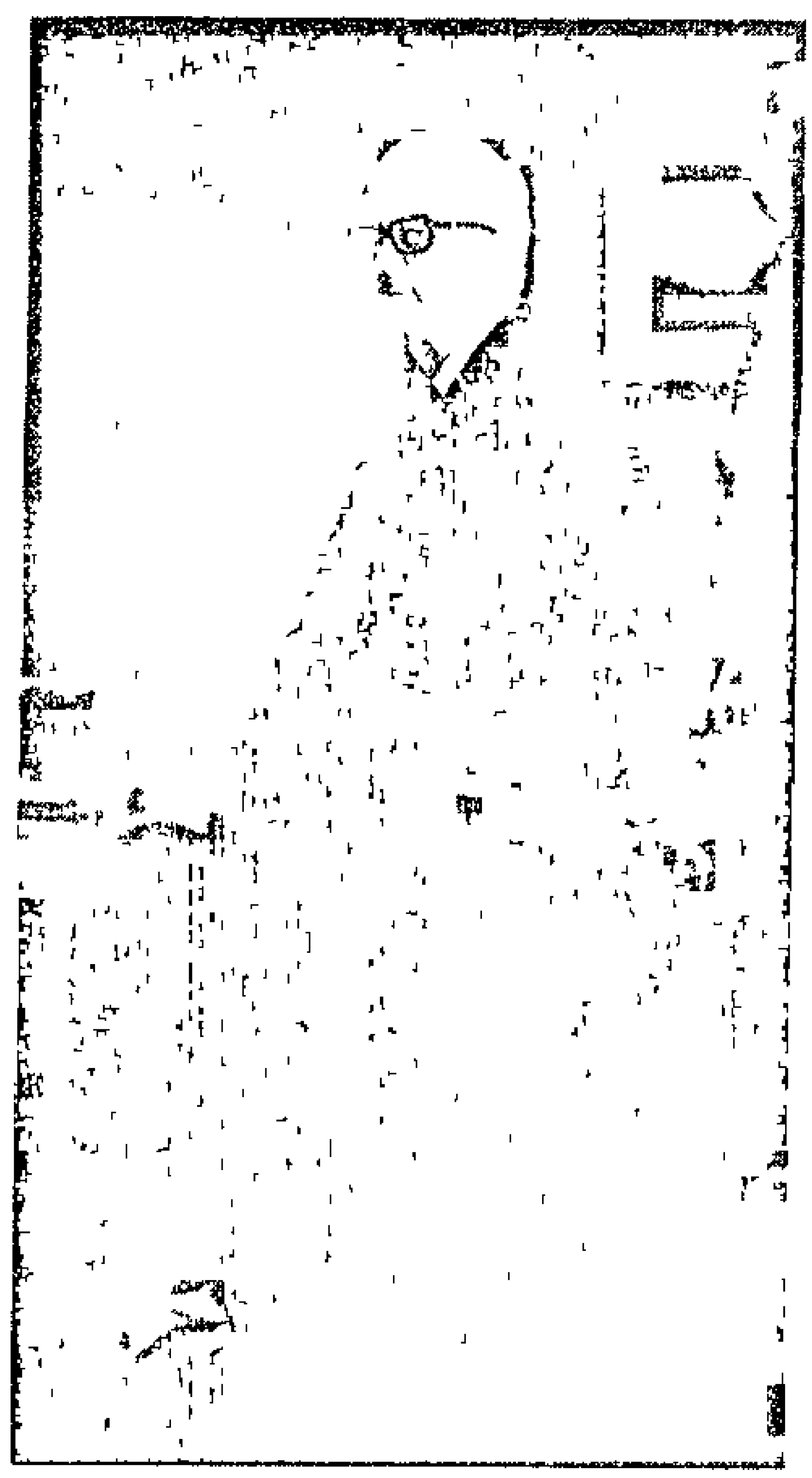
Trade unions have described the guidelines as an "anti-union" move Some of the newly-formed "parallel" unions are applying for provisional registration and would thus be excluded from bargaining And unregistered unions have long argued that unions' chief function is to represent members on the factory floor — a role which the guidelines expressly exclude They fear the guidelines seek to separate union leadership from the rank-and-file and their problems, thus weakening the unions

The *FM* learns that at an employer-trade union consultation last week some employers tried to distance themselves from these guidelines But Seifsa's director Errol Drummond asserts that "reports of unhappiness in the ranks is utter nonsense If members were unhappy with the guidelines I would have been the first to know" Other sources claim that employer reservations have been overstated

Unionists are convinced that Seifsa is trying to make life difficult for black trade unions States Jane Hlongwane, general secretary of the unregistered Steel, Engineering and Allied Workers Union "I am not surprised For years Seifsa has taken that line"

Skakes Sikhakane, general secretary of the Consultative Committee of Black Trade Unions (to which Hlongwane's union is affiliated) has accused Seifsa of interfering "They are trying to force unions to register This should come voluntarily from the unions And they are interfering in company affairs by suggesting that unregistered unions should not be granted access to company premises"

Fosatu's Alec Erwin says "We are not happy with the guidelines Clearly, Seifsa is trying to force everything through the industrial councils"



Seifsa's Drummond . no unhappiness in the ranks

Many registered trade unions have also come out strongly against the guidelines, arguing that they are not in the interests of labour relations and will inhibit the unionisation of blacks Says SA Electrical Workers Association general secretary Ben Nicholson "I'm afraid that black trade unions will become unco-operative, because employers have tried to hinder their organisation" And he adds that Seifsa is not keeping to the Saccola employment code, which states that employers should not hinder the organisation of workers

Some assert that Seifsa should take note of the recent unrest at Ford and General Tire, which they argue, shows the need for a strong union presence on the factory floor as a bulwark against unrest But Drummond reckons that "if Ford had similar guidelines then it would not be in the pickle it's in now" Moreover, he adds, an analogy cannot be drawn between Seifsa's stand and General Tire, which refuses to deal with black unions

A number of companies that see themselves as pace-setters in labour matters, such as Anglo American and Barlow Rand, have subsidiaries that are members of Seifsa But Anglo does not see a conflict between the guidelines and its own industrial relations policy, which supports dealings with unions on the factory floor Says Anglo's Graham Boustred "The idea that Seifsa is against black trade unions is ridiculous Seifsa's whole record is one of encouraging participation We are in favour of black workers exercising trade union rights through the industrial council system"

And one of Barlow's subsidiaries has had dealings with the unregistered Metal and Allied Workers Union According to a Barlow's spokesman, the company will continue to have discussions with the union The firm is currently defining its position in the light of the Seifsa guidelines, he adds

FM 30/11/79

(189)

FOUNDRIES

Steeled for growth

With expected output this year up 12% to 684 000 t, SA's foundry industry has embarked on a new round of capital expansion which will lift capacity in certain sectors by as much as 50%-100%

The renewed growth follows a savage decline in SA foundry output since 1976 Dave van Niekerk, president of the SA Institute of Foundrymen, explains that plant replacement has become essential in many sectors following a prolonged period of minimal investment

"The industry, at present, is working at 60% of potential capacity Foundries have realised the need for rationalisation and greater efficiency in order to improve their position in relation to their competitors"

Local demand is still insufficient, says Van Niekerk, but the expansion of the mining, armaments, petro-chemical and building industries is expected to stimulate the foundries

The motor industry's local content programme plus the Atlantis Diesel Engines project suggest increasing demand from the automotive and transport equipment sectors The implementation of import substitution programmes are aimed at further expansion of the local market

"Improved export performance is expected, with the ultimate aim being long-term penetration of the export market," he adds "With increasing demand from both the United States and Europe, there is a need for higher quality and greater efficiency"

Jurgen Drist, MD of Chamdor Stainless Cast Products, notes "The export market has widened for certain sectors owing to the collapse of a number of smaller overseas foundries under the weight of stringent anti-pollution legislation"

Local legislation has not been as restrictive as that overseas says George Strubel GM of GEC Springs The size of the industry does not justify extensive pollution control, which could harm the industry But, he adds, a clean-up of the foundries has improved working conditions As a result, the industry has become more attractive to potential employees

Brian Thomas of B Thomas & Pillner feels the shortage of skilled labour "is another reason behind the mechanisation drive, particularly in foundries engaged in mass production This solution is not open to the smaller jobbing foundries who use more generalised machinery requiring greater operational skills"

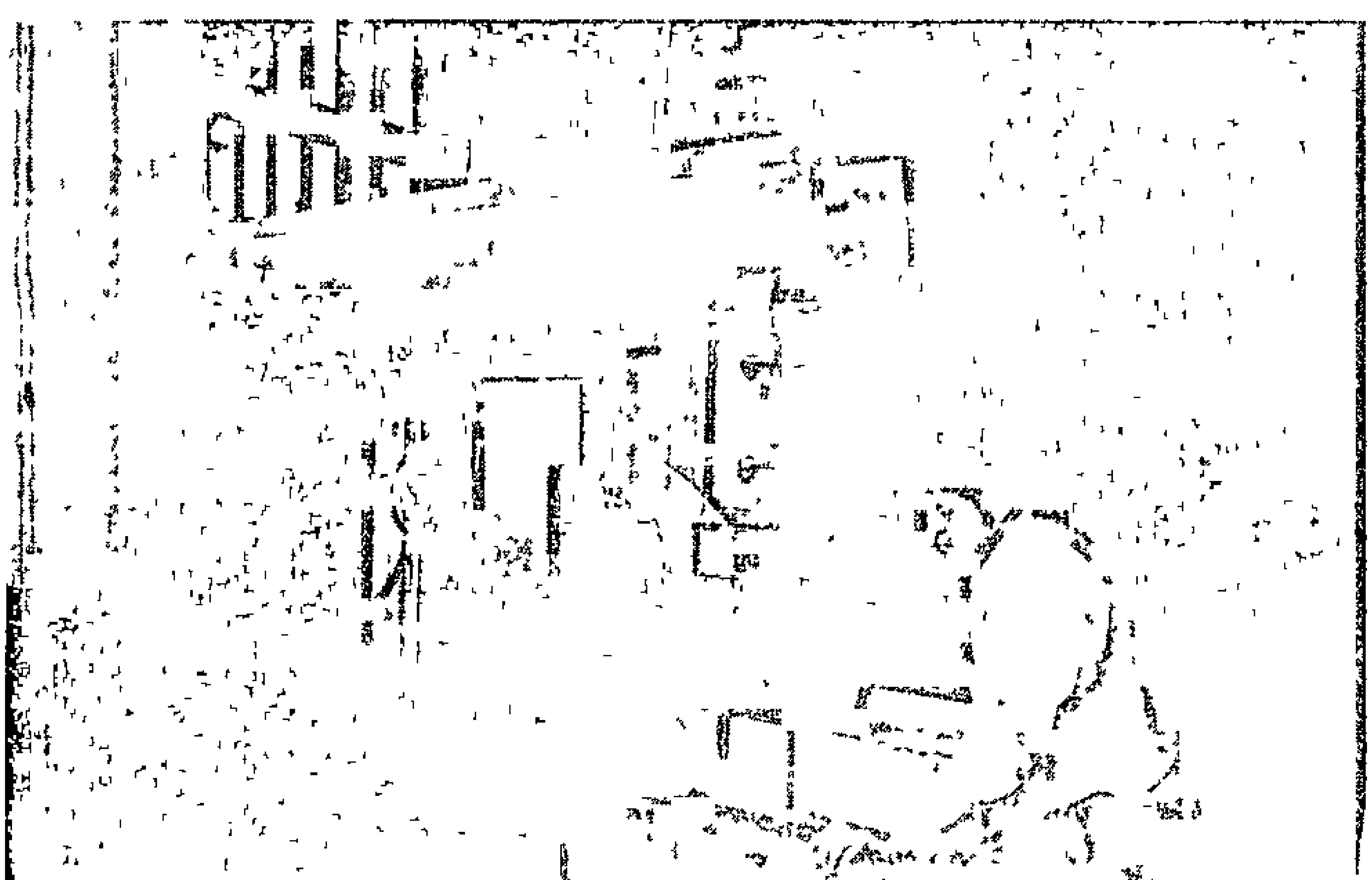
Quality has also become a vital factor John Chatterton, top UK foundry consultant, stresses that "foundries have been forced to invest in extensive modernisation programmes to meet their clients' demands for greater precision"

Major developments among the 224 foundries in SA

Selcast, a wholly owned subsidiary of Stewart and Lloyds, is spending R15,7m on expansion and modernisation which, according to group MD Percy Levick, "will make us the foundry leaders of the southern hemisphere"

Eclipse Foundries has upped its steel output by 40% and is currently in the middle of an expansion programme designed to push iron foundry capacity up by 50%

Chamdor Stainless Cast Products has doubled its output in the past year "Although we have an extensive overseas market, our investment is aimed solely at coping with local demand" says MD Jurgen Deist



Benoni foundry . part of a broadly based expansion

Modernisation

Benoni Engineering, a subsidiary of E C Lenning, has embarked on a R7m modernisation programme aimed mainly at improving output quality

Vickers Lenning, a subsidiary of E C Lenning, was brought into operation a year ago with a total investment of R8m The plant is at present working at full capacity and a further investment of R0,5m will be necessary to meet demand

B Thomas & Pillner has invested R0 5m in electric melting facilities and sand reclamation equipment which enabled diversification into steel and alloy castings

East Rand Engineering embarked on a plant expansion and modernisation programme to the tune of R1 5m, designed to increase malleable capacity by 50% and grey iron capacity by 100%

Prima started a "significant investment programme' about four months ago designed to increase capacity by 20% This increase is specifically designed to cope with exports — mostly American

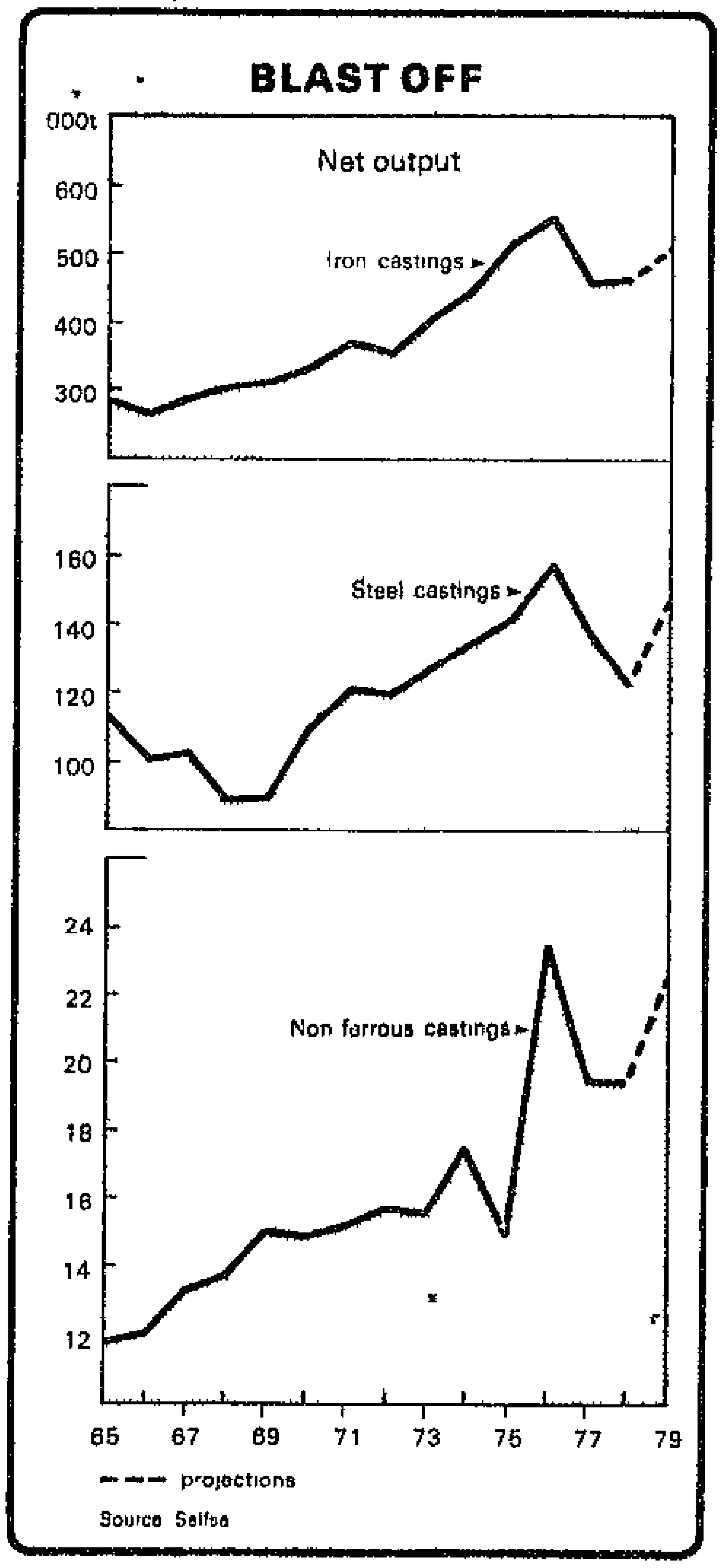
Chamdor Iron & Brass Foundry's heavy vehicle truck and trailer components sector has started a two-year expansion programme to increase output by 50% This, together with a quality control programme, involves an increase in investment of 30%

ARC has increased capital investment by 10% which will increase output by 10%

Boksburg Aluminium has doubled up on floor space staff and plant This has increased output capacity by 30%

GEC Springs has just completed a R1m investment This pushes output up by 4 000 tonnes 'A large part of the investment involved the installation of essential pollution control equipment" says GM George Strubel

The future looks good That seems to be the general feeling gauged from the 30-odd foundries interviewed by the *FM*



"The market is extremely buoyant On the steel castings side, foundries looking for business a few weeks ago now have a 6-month delivery schedule This has been due mainly to the pick-up in mining " says Chatterton

Brian Cohen, Chamdor Iron & Brass MD, sees an "increasingly important role being played by the smaller to medium-sized foundries, particularly the more specialised units "

MD of Boksburg Aluminium, Samuel Nock, agrees "I've been in the business for at least 30 years and the last two have been the best this foundry has ever seen "

RETAIL JEWELLERS

All that glisters

Despite — or perhaps because of — the world gold boom, there has been a real decline in SA retail jewellery sales in the last two years Higher gold and diamond prices have both stimulated and inhibited local consumer demand in different market sectors But on balance the trend is down

Retail jewellery sales should be 6% up this year to R120m With increases in jewellery prices ranging between 15% to 35%, this amounts to negative growth in real terms

But the big operators are satisfied, and two of the biggest, Sterns and American Swiss report sales ahead of total market growth

Sterns is coming strongly out of a sales slump in 1976, which, says chairman Syd Barnet, was the direct result of the introduction of the two-year military call up "In that year nobody was coming out of the army to get engaged," he says "It was only at the beginning of 1979 that army boys were sufficiently established to think of buying engagement rings " With rings accounting for 42% of the market, it is not surprising that engagement specialists Sterns felt the pinch

Part of the success of the big chains seems to stem from their anticipation of changing fashions within a changing market ' We foresaw the gold chain rage," says Barnett, "and accordingly ordered well in advance at a good price The same applies to the earring trend We stocked up in time when we saw the swing to short hair "

Clive Hirshsohn of American Swiss believes that the market has split into two distinct segments those with less disposable income who must have an engagement and wedding ring, come what may, and those with more to spend whose appetite for jewellery has been sparked by the world bullion rush

Of the first category, he says, "Costs have gone up so we have kept prices more or less constant by reducing the size of some of our pieces It has opened a new market for smaller diamonds, because a cluster of small diamonds costs far less than one large diamond of the same caratage '

But at the other end of the market, on a smaller scale, the trend is for more, and heavier hardware Women, short of space on their necks which already carry several chains, are putting chains around wrists, ankles and stomachs Traditional adornments, which are becoming heavier, are being supplemented by gimmicks in gold like discs bearing messages of love, the controversial gold "ingots", identity tokens, and gold plates inscribed with calendars of the wearer's birth month with a small diamond on the birthday

Yvonne Marsland, Sterns' gold and silver jewellery buyer now identifies a pre-engagement market among the more affluent young "It is now more common for young men going to the dangers of border service to exchange gold jewellery with their sweethearts, ' she says

Heavy gold adornment is gaining favour with men as well Traditional tie-pins and cuff-links are being replaced by heavy bracelets and neck-chains Even children and infants are being regaled with gold bracelets, pierced earrings and bibstuds

Marsland also notes a swing in spending by young women from clothing to good jewellery Says she, "Some working girls are realising that the money they spend on clothing is as good as lost in two years time, but an investment on jewellery can only appreciate for the rest of their lives "

Gold baubles now for trendy men too

PUBLISHING

Having a Ball

After two years in the business, Jonathan Ball Publishers (Pty) has negotiated a potentially lucrative contract with UK publishers, Hodder & Stoughton What comes out of it is "a completely restructured company, Hodder and Stoughton SA," says Jonathan Ball, 28-year-old MD of both Jonathan Ball Publishers and the new company He won't disclose link-up terms other than to say "It was a matter of an exchange of interests in this new marketing company '

Hodder and Stoughton SA will be primarily a marketing organisation selling Hodder & Stoughton books as well as books published by Jonathan Ball Publishers Weidenfeld & Nicholson and Michael Joseph Sphere Books and Hodder & Stoughton's paperback imprint, Knight and Coronet are also on the list

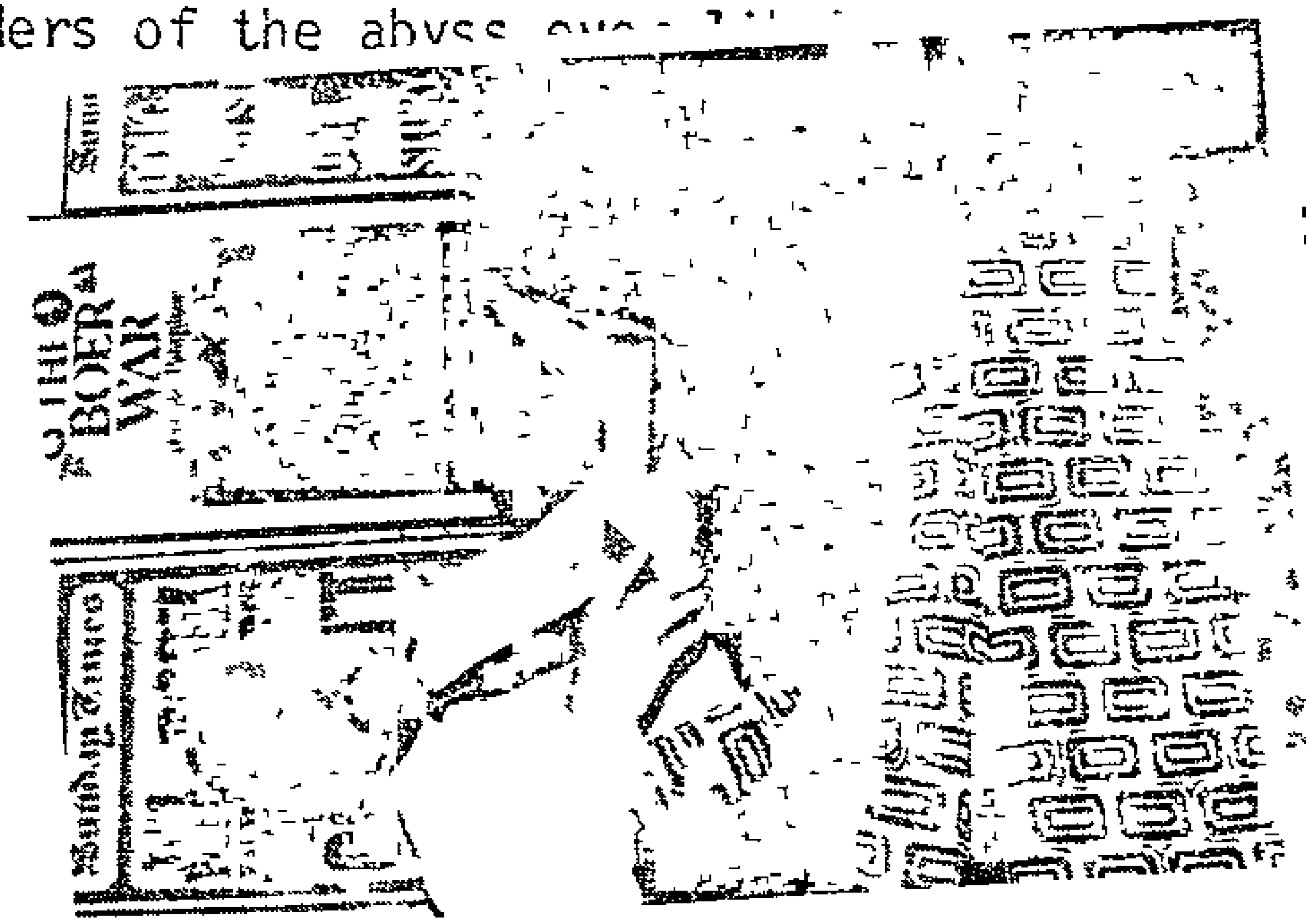
Ball expects 1980 turnover to be "in excess of R2m We'll be marketing 1 000 titles a year " UK Hodder and Stoughton turnover in 1979 is expected to top £20m Jonathan Ball Publishers turnover in 1978, its first year of operation was R240 000. Ball expects R300 000 in 1979 R500 000 in 1980 Profits are expected to be R120 000 this year "But we're putting together two organisations and most of this goes into continued growth "

JB Publishers published 15 titles this

"Poems sincere to the point of pain" *Natal Witness*

"Peter Horn is as vigorous and versatile a poet as any in South Africa ... he not infrequently achieves poems of me= morable force or beauty". LIONEL ABRAHAMS, *Rand Daily Mail*

'Peter Horn's poetry is prickly and sharp, bristling with reminders of the abyss ...



Ball there's a need for aggressive marketing

year Publications in 1978 included the Hans Strydom/Ivor Wilkens study, *The Super Afrikaners* Hardback and paperback sales says Ball, are expected eventually to top 120 000 with all international rights sold

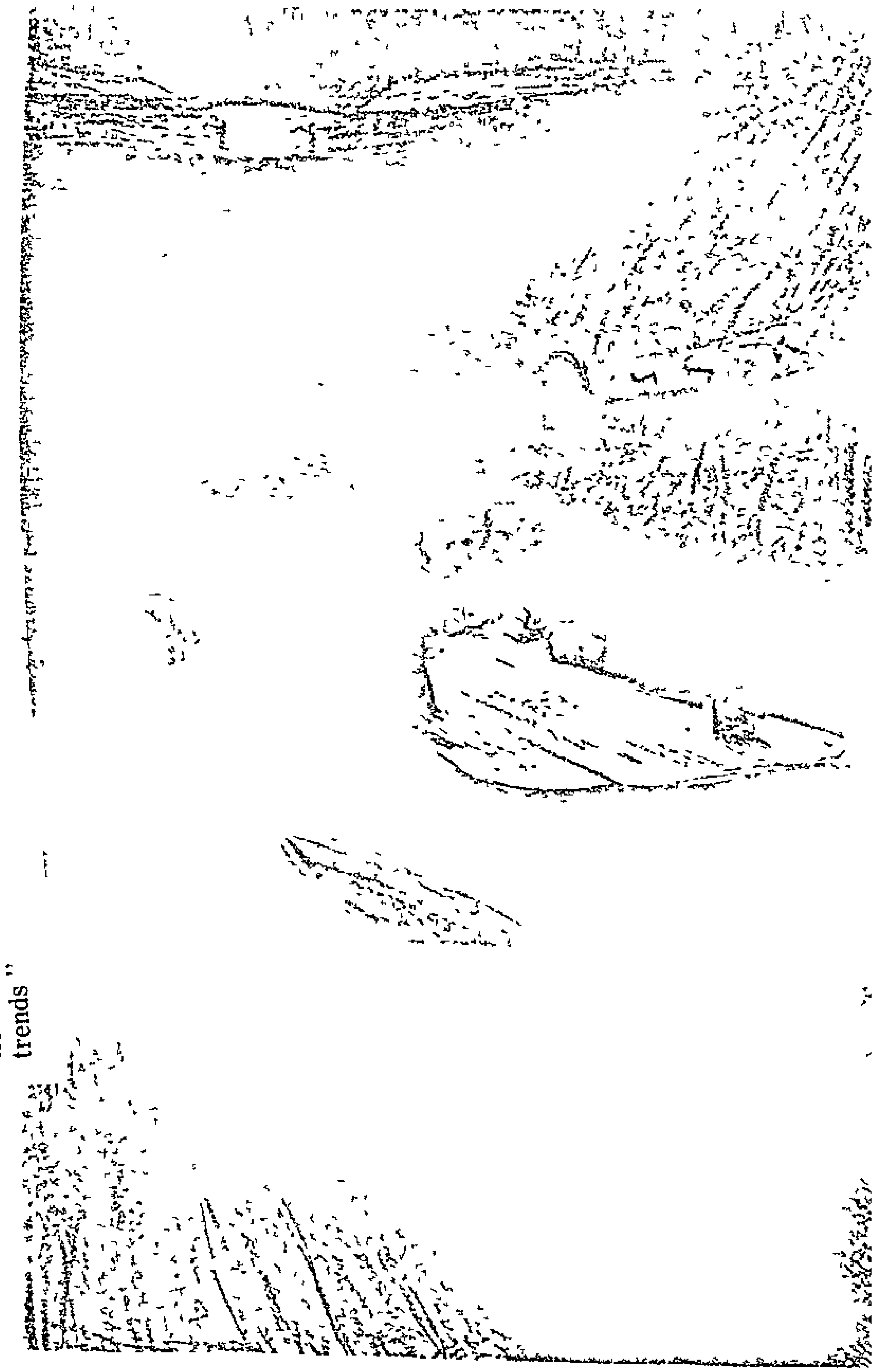
Publishing is not an easy industry Paper cost increases averaged 30% this year with printing costs up at least 12% Book prices over the last five years hiked 40% Not surprisingly unit sales are down while turnover continues to grow 20%-30% annually because of book price increases

Ball thinks costs can be contained if publishers, instead of importing the finished product, publish in SA co-editions with UK publishers To stimulate public buying he feels the need is ' for aggressive marketing There's a growing awareness of this need Bringing to SA successful authors like Forsyth on his recent promotional tour is one of the new marketing trends "

He can seize a detail and render it emblematic; write satire which bludgeons its subject in a satisfyingly thorough way". ROBERT GREIG, *To the Point*

'It is a beautiful and moving work which seems to have jumped Aragon's 'cage of words' and found the door of this 'world of black and white'" MARGUERITE EDMONDS, *New Nation*

Silence in Jail



Poems Peter Horn

D. Times 2/12/79 (189)

A Royal slips but still goes at cracking pa

IN THE past year, Otis' five-year compound earnings rate shaded marginally lower, from 39,9% to 39,1%.

But whereas last year this was enough to take Otis to the top of both the Top 100 and the Royal lists, this year the company can manage only 5th overall and 2nd in the Royals

It's no fault of Otis others have simply grown faster, and it's still a pretty good achievement

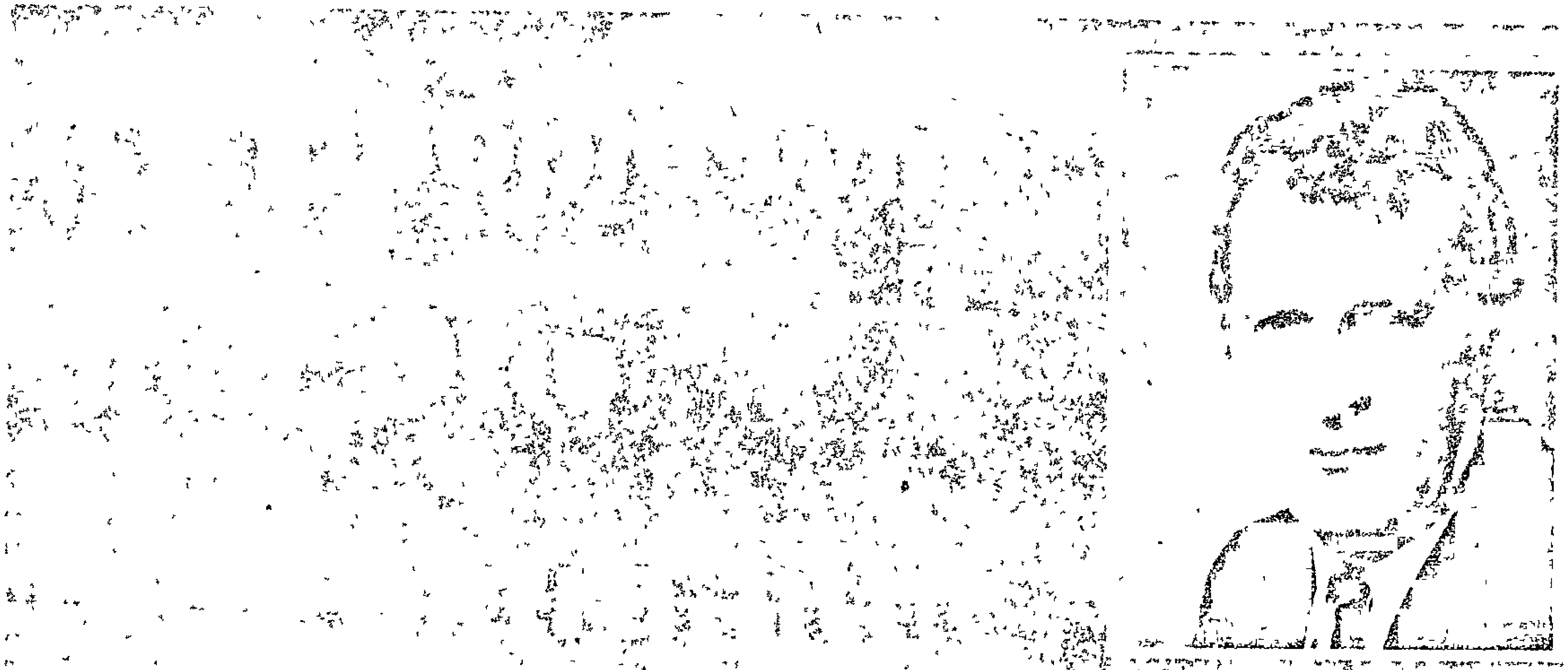
Managing director Brian King has no doubt why Otis has kept up this cracking pace "I'm 150% sure that the greatest thing behind this company is our people," said Mr King

"Take our nine field managers Their average age is only 48 but they have an average length of service of 27 years

"They've grown up with the company, and they're committed to it But we do have a counterbalance to this tremendous technical strength in that four of our 16 top management people are graduates

"This brings an academic leavening, and of course many of our field managers have had management training

"A little lower down the scale, we have 45 first-line supervisors Their average age is 46, with 22 years' service



Brian King . training own labour force

"This year, no fewer than 20 employees received 25-year service awards, while of our total staff of 965, about 12% have been with us for 25 years or more

"Nearly 50% of our artisan field staff served their apprenticeships with us, which shows that — unlike many companies — we have accepted the responsibility of training our own labour force, not just pinching somebody else's

"In the past two years our controllable labour turnover has been only 12 against the comparable national average of 25% to 30% "

Another aspect of Otis' commitment to developing labour skills is that via the Urban Foundation it is one of the major donors to the Thamdor In-Service Training Centre near Krugersdorp

In addition to a R50 000 capital sum Otis is budgeting R40 000 a year this year and next to send trainee artisan aides on three-week courses at the school This training facility the first of its kind in SA is available to all companies in the lift industry

At the same time Otis is another company that has benefited in recent years from starting on a low base In the late sixties and early seventies, Otis took a cold bath on the construction side with some heavy losses on big installation contracts

Losses rectified

This depressed profits in 1972-73 These losses have now been rectified and with the adoption of new and better tendering practices and tight construction disciplines Mr King does not expect the problem to recur

However Otis remains vulnerable to fluctuations in building contracts The results for the year to November 1978 (Otis' latest for this survey) benefited from the bringing to account of profits from some large completed contracts (Johannesburg's Sanlam Centre, Stadsentraal in Pretoria and Customs House in Cape Town)

With no major completions, interim figures for the year just ended showed a sharp decline, and those for the full year are also certain to be off

For at least a year or two, this could push Otis well down in the rankings again

This does not bother King too much Operating in a highly service-oriented sector, apparently excessive increases in profits, when measured by such yardsticks as this survey, can induce adverse customer reactions What concerns him, is to maintain the level of service to clients

Electromechanical equipment can always break down Otis is continually monitoring the level of service and on the lookout for new ideas, where its international associations are invaluable

Busy team

Not only does Otis have its own head office engineering team busy all the time on checking and auditing, field audit teams are sent out at random intervals from both Europe and the US Otis SA ranks high among the worldwide subsidiaries of the Otis group

It is particularly proud of the fact that in 1978 the Carlton Hotel chose the firm as its Supplier of the Year, out of some 400 organisations supplying the hotel

With no immediate signs of a pick-up in building construction, where will Otis derive new business growth in the next few years?

Mr King points out that building is far from the only market Otis supplies mining and industrial lifts as well An unusual current installation is a decor lift at the new Pacofs (Performing Arts Council of the OFS) theatre in Bloemfontein — the first time this particular design has been used in SA

Another important area is modernisation or replacement of existing installations

And, of course, Otis is still sitting on a cash mountain — R9-million at last count As it has been unable to find suitable takeover acquisitions this has enabled it to pay dividends in excess of earnings in the past two years

Says Mr King "There's no point in building up liquid resources in the company when, for example short-term interest rates are so low We've looked at many propositions but we have certain very specific skills and expertise, and to find the right marriage is not easy

Competitive market

"Also, it's a very competitive market lots of other people are looking for acquisitions, too Maybe groups like Barlow Rand or Murray and Roberts have the head office resources to investigate propositions more fully '

Otis is a subsidiary of the US United Technologies group, which in July completed a hotly contested takeover of Carrier, a leading producer of (among other things) air conditioning systems Especially on the service side, possibilities of rationalisation between the Otis and Carrier interests in SA would seem a natural

However, a rationalisation so far from the US could create problems under that country's anti-trust regulations, so Otis may be prevented from undertaking this obvious extension of its business

Still, it seems a safe bet that some time Otis will find a way of employing its cash in a new direction, which could set off a new phase of organic growth and also insulate the company to some extent against the inevitable fluctuations of activity in the construction sector

S. Times 2/12/79 (1·89)

Bad times — but Asea kept growing

COMPANIES supplying heavy equipment to the engineering sector have not all had the happiest times lately. Asea's ability to produce steady growth in recent years in the face of a downturn in fixed investment stems from several reasons.

In the first place, over the three years from 1976 to 1979 invoiced turnover continued to grow, but outstripped orders received, so that although activity remained high, the order book was being eroded

The second factor is not unconnected with this Orders for big transformers can take years to execute, so that profits brought to account in a particular year do not necessarily reflect general business conditions in that year

Thirdly, and perhaps the most important Asea's biggest customer is Escom, which has continued to spend virtually uninterruptedly on increasing generating capacity

Derek Keys, Asea's chairman for the past 18 months, therefore stresses that his company's gradual climb up the Business Times Top 100 Companies lists (39th in 1977, eighth last year, and now third) "is the result of our long harvest time

And lot of the thanks goes to Escom

Asea chairman Derek Keys . . . "Because of the energy crisis came faster than we expected."

"In fact, our results really start to pick up about 10 years ago, when our present managing director, Rolf Linarsson came out from Sweden

"We still have a very good relationship with our Swedish principals They're nice people to do business with, they want to stay in this country and help develop the local economy "

Mr Keys does not see political problems jeopardising this relationship "Asea is not affected by Swedish legislation against trade with SA, as Asea Sweden has only a 45% interest in us

"In retrospect, it was very far-sighted of them to disinvest to that extent, back in the sixties With a relatively moderate government now in power in Sweden, I can't see any extension of the legislation Of course, there's pressure from the media from time to time, but no worse than in any other country where companies have subsidiaries here "

At the same time, Asea SA has developed its own independent facilities as much as possible About 80% of the equipment sold are now made locally, and Mr Keys stresses that this is genuine local manufacture, not just assembly If the local company can buy its requirements more cheaply elsewhere, it is under no obligation to buy from Sweden Its core steel, for instance, is currently bought in Japan

Mr Keys says that when he took the chair "I was warned that the first couple of years would be difficult, but that thereafter we'd get back to a strong growth rate again

"In fact, thanks to the energy crisis, the pick-up came faster than that Contrary to our earlier expectations, profits in the first half of our current year were up on the previous year Escom's capital programme is accelerating, and we're now back in the happy position that our current order intake is in excess of sales, so that the order book is being built up again "

But Asea is not only being

● To Page 12

P. T. O

Bad times, but Asea kept growing

From Page 4

carried along in the wake of Escom It has spent considerable sums on capital investment in recent years, both extending and sophisticating the product range Power transformers can broadly, be divided into three categories large, medium and small

Asea has a dominant position as regards the big transformers and is a strong competitor in the middle of the market Through Aseatac, originally set up in partnership with the IDC, but soon to become wholly-owned, it is now going into a new field of local manufacture, with a plant to make capacitors and distribution transformers — the smallest used in reticulation systems

"At this stage, this project is very much an act of faith But we believe that our plant is so modern and well-designed that our prices will be unbeatable," says Mr Keys "We're just about to go into production, and we hope this will give us the lion's share at the small end of the market as well"

At the point of peak funding, it was expected that some R10-million would be involved in Aseatac so for a company with only 10 8-million shares in issue, which will [illegible] by a few hundred thousand when the IDC is bought out of Aseatac, if this project is successful it could obviously have a significant effect on earnings

The energy crisis will undoubtedly continue to increase emphasis on electricity as a source of energy Whether it is generated from coal or uranium is beside the point While Asea s rate of earnings growth may well taper off this year the odds look go[illegible] will be a good decade for it

Pennington Company Law

J.T.R. Gibson SA Mercantile and C

Halsbury's Laws of England Volum

5. COMMITTEE REPORTS

Report of Company Law Amendment Committee 1925-26 HMSO Cmd 2657.

Report of Company Law Committee 1962 HMSO Cmnd 1747.

Report of the Commision of Enquiry into Company Law (Van Wyk de Vries)

6. MISCELLANEOUS

Memoranda, study papers and specimen agreements provided by Van Hulsteyn, Duthie and Saner, and Bell, Dewar and Hall. Both are firms of attorneys in Johannesburg.

(189) 2/12/79

S. Times 2/12/79 — (189)

Berzack Bros booms — but what about shareholders?

"SPEAK to the Press? Not me," says Berzack Brothers' chairman, Maurice Berzack "I'm too busy running the company to have time for that sort of thing "

Well, it's undeniable that Mr Berzack and his family (all seven directors are members of the Berzack or Illman families), are producing results, even if outside shareholders have less to feel joyful about

For, since 1974 — and in spite of a widespread view among Diagonal Street analysts that the company follows ultra-conservative accounting policies — earnings have risen from 59c to 280c a share

Dividend policy has become steadily more conservative The 1974 dividend of 10c a share was already covered 5,9 times, the 1979 payout of 19c no less than 14,7 times Even the Rembrandt group, long castigated for heavy profit retentions, never envisages a dividend cover that high.

Put another way, there can be few companies as successful as Berzack where directors' fees for several years exceeded the dividend payout, although admittedly in the year to June 1979, total dividends of R227 000 again crept back past directors' emoluments — R198 000, or an average of R28 000 a head

It adds up to a good argument for boards having non-executive outside directors, to look after the interests of minority shareholders, although the company would no doubt prefer to take the view that its record is justified by the well-known Joel Stern theory that companies shouldn't pay dividends at all

The original Berzack Bros business was engaged in the manufacture and supply of sewing machines and allied lines

In 1968 it merged with the Illman group, which made electric cables, electric wire and industrial plastic products

Some analysts believe that the ex-Illman interests have made the greatest contribution to the excellent profit performance of recent years but, in spite of the apparent wide differences between the various interests, the company does not feel the need to break down turnover in monetary terms — only as an index

This makes it impossible to be sure about this

Hih earnings retentions have also been reflected in a scoring net worth; from 335c in 1975 to 1 010c a share this year

This is a premium of 58% on the current market price, while the PE ratio is a remarkable 2,3 Only the niggardly dividend policy and a slightly unwanted feeling on the part of minority holders can justify this sort of rating

In the annual report, Maurice Berzack said that although the group could not expect to maintain growth at the percentage rate of the past three years, the board was still looking towards further expansion

To increase market penetration in established fields it is necessary to keep abreast of technological advances, while ventures into new fields entail not only expensive research but also highly specialised and costly capital equipment, and thereafter inventories and debtors remain to be financed

The group would thus continue its policy of using retentions as the main source of finance, which, he was convinced, not only created a strong asset base, but paved the way for solid future growth to the ultimate benefit of shareholders

Shareholders can only hope that the "jam-tomorrow" dividend policy will be relaxed

S Times 2/12/79

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The changing face of Edward L Bateman

MD Bill Bateman ... "our business comes in lumps."

A COMPANY supplying spares and stores to the engineering industry may seem an unlikely candidate for inclusion in a list such as the Business Times Royals. But, as managing director Bill Bateman explains, that is no longer a fair description of Edward L Bateman's business.

Design, construction now plays big role

"We were always into plant design and construction in a small way — really no more than as an adjunct to the installation of equipment we sold," says Mr Bateman

"But since the mid-seventies, we've got much more heavily involved in this area, because we realised it had good growth potential and needed only low capital investment For one of the attractions of this kind of business is that, if your contract terms are OK, it's largely self-financing "

The impact of this decision is seen in the profit breakdown published in the annual report each year As recently as June 1977, consumable spares contributed 53% of profits (which was much in line with the trend of previous years), in the past two years, this has fallen to only 27%, the balance coming from capital plant

Bateman has picked up some large contracts in recent years, not only in SA, but in neighbouring countries, including the coal-handling complex at the giant new Secunda mine, which feeds Sasol 2, appointment as managing contractor at Ergo's gold and uranium plants, design and construction of the first section of Iscor's Grootgeluk coal mine, the design and building of the Dwangwa sugar mill and refinery in Malawi, with a throughout of 3 500 tons of cane a day, and the design and building of General Mining's new Chemwes uranium plant, at Stilfontein

It is, however, inherent to this business that orders come in lumps, with sometimes nothing new coming up for months Already in the interim report in March this year there was a warning that order intake had been unsatisfactory

Says Mr Bateman "We really did go through quite a drought After landing R90-million of orders in April 1978 (for Finsch diamond mine and the Stilfontein uranium plant) we went for well over a year without landing anything big Only in the past two to three months, when we won orders grossing R85-million, have things picked up again

"This will have no immediate impact on profits, because we only bring income to account on the completion of a project, which can take up to two years And in spite of these recent orders, we're still by no means at capacity "

Mr Bateman does however see signs of a revival in contract work, although he stresses that the market his company operates in is not necessarily representative of the economy as a whole

Like Rand Mines' Tony Petersen (see article elsewhere in this survey), he also believes that Three Mile Island has damaged the short-term outlook for nuclear power, and hence uranium plants, one of the company's specialities

Nevertheless, the recent order intake has obviously improved Bateman's prospects, although not maybe yet to an extent that would justify a revision of the forecast in the latest annual report, that profits are likely to be little changed this year And since the East Rand Engineering takeover in 1970, Bateman's growth through acquisition has been fairly minor.

While the group has a net cash holding of R4,6-million, this is not necessarily available for financing takeovers Mr Bateman points out that the nature of the business call for fluctuating cash needs to finance major projects, a point reinforced by the fact that, although its dividends were 5,8 times covered last year, the net cash holding fell by R5,6-million

It is clear that the group does not believe in incurring debt to finance expansion as Mr Bateman puts it "We're fiscally conservative, but entrepreneurial in spirit "

When private sector fixed investment starts to revive, especially in the fields in which Bateman has established its reputation, the company will again no doubt pick up its fair share of orders So any check to the growth rate this year, even if its enough to end Bateman's spell among the Royals, is likely to be short-lived.

Star 4/12/79

(189)

Engineering still needs a boost

By Pieter de Vos

Though conditions in civil engineering have improved, the industry has not yet fully shared in the effects of the economic pick-up.

The outlook for 1980 points to an increase in work, but a return to the boom conditions of the mid seventies is not expected.

The Federation of Civil Engineering Contractors says in its quarterly review that though new contracts in the first nine months of this year was 40 percent up on the corresponding 1978 figure it must be borne in mind that the value of contract awards last year was very low

Although there have been a number of new major contracts, more work is still required, particularly in the field of smaller contracts of R1m and less.

As a result, competition remains keen and prices have still to return to realistic levels

Construction activity, which so far this year has not yet reflected the better order intake, accelerated during the third quarter, and output estimated at R350m, is 10 percent up on the previous quarter

The better economic outlook, however, as well as new mining and industrial developments and further expansion of the country's infrastructure fine wools with Japan and will require an increasing volume of civil engineering work

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Restrictions on Directors, their Powers and Certain Acts

221. Restriction of power of directors to issue share capital.—(1) Notwithstanding anything contained in its memorandum of articles, the directors of a company shall not have the power to allot or issue shares of the company without the prior approval of the company in general meeting

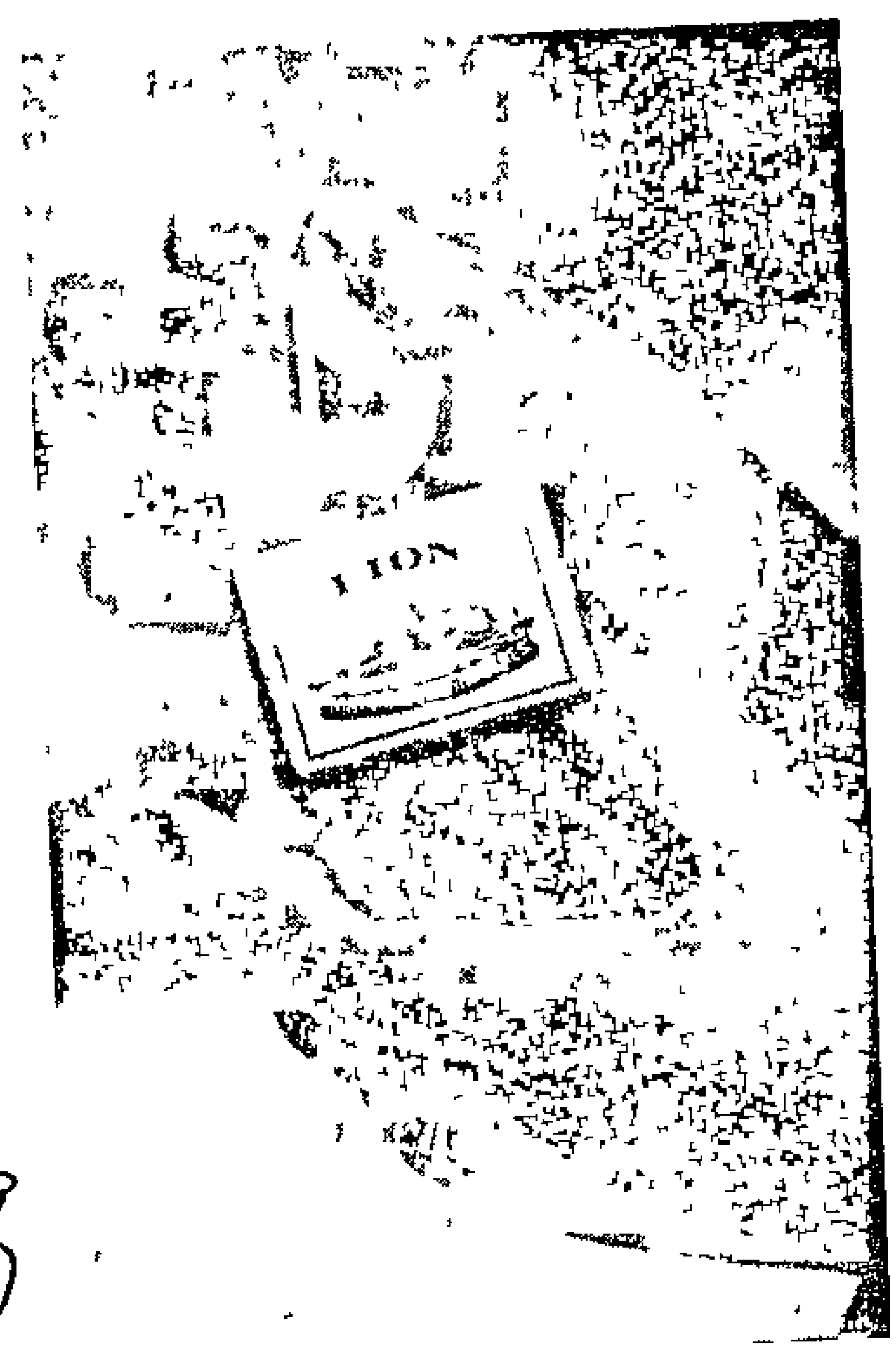
(2) Any such approval may be in the form of a general authority to the directors, whether conditional or unconditional, to allot or issue any shares in their discretion, or in the form of a specific authority in respect of any particular allotment or issue of shares

(3) If any such approval is given in the form of a general authority to the directors, it shall be valid only until the next annual general meeting of the company but it may be varied or revoked by any general meeting of the company prior to such annual general meeting.

(4) Any director of a company who knowingly takes part in the allotment or issue of any shares in contravention of subsection (1), shall be liable to compensate the company for any loss, damages or costs which the company may have sustained or incurred thereby, but no proceedings to recover any such loss, damages or costs shall be commenced after the expiration of two years from the date of the allotment or issue

222. Restriction on issue of shares and debentures to directors.—(1) No provision in any memorandum or articles or in any resolution of a company authorizing the directors to allot or issue any shares or debentures convertible into shares of the company at the discretion of the directors, shall authorize the allotment or issue of any such shares or debentures to any director of the company or his nominee, or to any body corporate which is or the directors of which are accustomed to act in accordance with the directions or instructions of such director or nominee, or at a general meeting of which such director or his nominee is entitled to exercise or control the exercise of one fifth or more of the voting power, or to any subsidiary of such body corporate unless—

(*a*) the particular allotment or issue has prior to the allotment or issue been specifically approved by the company in general meeting, or



John White

Lion Match . . . striking bottom line growth

F.M. 7/12/79

(189)

LION MATCH

Acquisition plans?

Improving profitability in Lion Match serves merely to compound management's problem The company has to invest its funds in an operation which will not dilute the current return on capital of over 20% Obviously, the alternative of paying all excess funds back to shareholders is not going to be pursued in spite of some motivation for that thought when the company paid a 5c a share bonus in the year to end-March 1978

Improved profits in the six months to September 30 have allowed a 22,2% hike in the interim dividend to 11c a share But the company's tradition of twice-covered dividends has been left intact, thus further bolstering retentions and cash on hand — which earned R201 000 interest during the six months under review The company is likely to have over R5m to invest and, although chairman Alan Williams says no significant capital commitments have yet been made, the unchanged payout policy suggests an acquisition announcement shortly

Improved trading

In the September interim period, all the group's divisions (matches, packaging and printing and personal products, such as blades and sunglasses) benefited from "an improved trading climate and better operating efficiencies "

Turnover rose 17,9% to R22,5m After a marginally lower tax rate and a doubling of interest received from the group's cash resources kept on short-term balance, net profit rose 28,6% to R2,1m Divisional contributions are not broken down but the largest contributor, matches at about 50%, improved profits on higher turnover After cost saving exercises, Interpak's profits were "quite well ahead " In the highly competitive, low margin, shaving market Wilkinson Sword improved its share in an improving market while Camargue sunglasses increased penetration No mention is made however, of whether this market share has yet started returning profits for the group

Williams expects the consumer spending upswing to carry on through to September 1980 at least The increased level of profitability is forecast to be maintained Thoughts are being given to revaluing assets, last valued in 1969 This will reduce the return ratio but will further increase borrowing capacity already under-utilised at a 2% debt equity ratio

Prospects in the medium to long term are good, but the share is tightly held with 65% owned by Wilkinson Match (UK) and only 35 000 of the remaining 3m shares traded in the last quarter At 349c the share yields 6,3% Although this is a far better yield than the sectoral average of 4,5% the tight margins and intense competition in Lion's operating areas should prevent any lower yield Dividend growth is Lion's strength, however, and the share is a good hold

Ian Muil

level would be difficult in the prevailing economic climate

In part he was right Although turnover improved 15,4% to R57,2m (R49,6m), operating profit felt the squeeze of tighter margins in a highly competitive market, and fell 3% to R3,7m (R3,8m) But an improved contribution of R600 000 (R325 000) from associate GFCM, coupled with lower tax charges arising from export incentives and rebates, meant attributable earnings advanced 16,5% to R3,4m (R2,9m)

The group finalised two acquisitions during the year, the full benefits from which should flow through this year In June, Siding Construction which operates in the railway and ancillary services fields was acquired for 250 000 Cementation shares and R600 000 cash This acquisition, effective March 1979, was expected to have no immediate impact on group assets or earnings the same consideration applied to the purchase, announced in September and effective October, of pattern maker and foundry operator W D Wiggill

With order books substantially fatter than a year ago — especially for 50%-owned Gold Fields Cementation Mining — which has landed a R12m shaft sinking contract from Sasol and others at Botrest and Black Mountain — and improving margins, a further profit advance is slated for the current year The 16,5c dividend puts the share, at 235c, on a 7% yield, though prospects of a higher payout this year may be insufficient for the shares to be re-rated

Jonathan Bader

F.M. 7/12/79

(189)

(2~~8~~2)

MINING EQUIPMENT

Triple concerto

Three powerful associates have now positioned themselves to stake out a dominating position in the SA mining equipment industry They are Boart International (in the Amic stable) and General Mining, already equal partners in Coalequip, and Klockner-Becorit, an important German engineering concern

Firms warned off Seifsa union line

RDM 7/12/79 (1) 189 (2)

By RIAAN DE VILLIERS
Labour Correspondent

THE Federation of South African Trade Unions (Fosatu) has called on member companies of the giant Steel and Engineering Industries Federation (Seifsa) to ignore Seifsa's recently-issued guidelines for dealing with black unions — or force it to change them

In a statement, Fosatu — which has predominantly black affiliates — warns that the guidelines could damage relations between unions and companies and might increase the level of tension between employers and employees

The statement has fueled controversy over the Seifsa's policy guidelines to member companies on how to handle the unionisation of blacks workers.

Fosatu points out that the guidelines require Seifsa members

- Not to deal with a representative of a black union before establishing whether the union has been registered,
- Not to recognise any union without full registration,
- To refuse to negotiate on in-house issues on any matter covered by the industrial council agreement for the industry,
- Not to give any organising facilities to unions "allegedly catering for black workers",
- To allow stop-order subscription facilities only to unions which are members of the industrial council,
- To retain liaison or works committees or works councils to cater for communication at company level

The statement charges that Seifsa is recommending that companies concede the "bare minimum" in their recognition of unions

Describing the continuation of in-plant committees as "the most worrying of all", the statement says Seifsa clearly believes its members should hang on at all costs to the "completely discredited committee system" and exclude any union role in their plants

It points out the Wiehahn Commission clearly recognised the need for black workers to have union rights

"But to allow workers to belong to unions and then to refuse the unions the right to play any part in the plant is nonsensical and dangerous "

Union sources say some employers have argued to them that the guidelines have been misinterpreted — but the sources add that many other employers interpret them the way the unions have done

Officials of unregistered unions report that companies which have had links with them in the past now refuse to deal with them until they register and become industrial council members

Dr Errol Drummond, Seifsa director, said yesterday the guidelines made it clear Seifsa was not opposed to black or mixed unions

"Our industry operates under the Industrial Council system which has been the vehicle for industrial peace over a number of years We want to involve black and mixed unions in this dispensation "

On the issue of dealing with unregistered unions, Dr Drummond said Seifsa did not want to become the battleground for conflicting trade union ideologies

"Registration would establish the bona fides and credentials of the unions concerned "

"We're not concerned with de facto situations because the law provides for de jure situations Registration is obviously an essential element in this "

Dr Drummond said experience had shown the works committees provided for good two-way communication and had played an important role

Mr Lucas Kgowe is presented with six months' salary by Mr Arthur Sneath for having worked for 40 years without missing a day

RDM 12/12/79 ~~209~~ ~~300~~ 189

Every day for 40 years

By LEONARD NEILL

WHEN Mr Lucas Kgowe boards the train for Gaborone tonight he will carry with him a building society book showing six months' wages as a present from his employers and a record of not having missed a day's work in 40 years

Mr Kgowe, 78, has decided that the time has come to retire He goes home to his wife and daughter on his Botswana smallholding after having spent more than half his life working for West Rand Engineering Works in Krugersdorp

"We have a remarkable record of long service in this company," the works director, Mr Arthur Sneath, said "But the fact that Lucas has not been absent a single day since he joined us in 1939 is an amazing achievement "

It is the company's policy to reward its long-service employees on retirement In Lucas's case he was given a cheque equivalent to 25 week's salary at a company function on Monday and deposited it in the building society He will also receive a regular pension

He assured his colleagues as he left the company yesterday he would be visiting them regularly "They are my friends," he said "I will miss them very much "

AFROX

Gas lifts profits

Activities: *Manufacturer and distributor of industrial and medical gas and gas equipment, welding equipment and electrodes Subsidiary Dowson & Dobson is a major supplier and manufacturer of mining and heavy machinery A 50% stake is held in Silicon Smelters Ultimate holding company is BOC International of UK (60%)*

Chairman: *J B Sutherland, managing director P G Joubert*

Capital structure: *29,4m ordinaries of 50c Market capitalisation R79,4m*

Financial: *Year to September 30 1978 Borrowings: long and medium term, R10,6m; net cash R4,6m Debt equity ratio 12,8% Current ratio 1,7 Net cash flow R11,9m Capital commitments R10,5m*

Share market: *Price 270c (1977-78 high, 270c, low, 130c, trading volume last quarter, 184 000 shares) Yields 14,8% on earnings, 6,5% on dividend Cover 2,3. PE ratio: 6,8*

	'75	'76	'77	'78
Return on cap %	19 1	21 1	22 1	20 3
Turnover (Rm)	121 4	142 7	132 3	131 6
Gross profit (Rm)	13 1	17 4	18 9	21 7
Gross margin %	10 8	12 2	13 7	16 1
Earnings (c)	21 7	*28 7	34 4	40 0
Dividends (c)	10 5	12 0	14 0	17 5
Net asset value (c)	176	218	241	306

** After deducting credit in respect of cylinder revaluations*

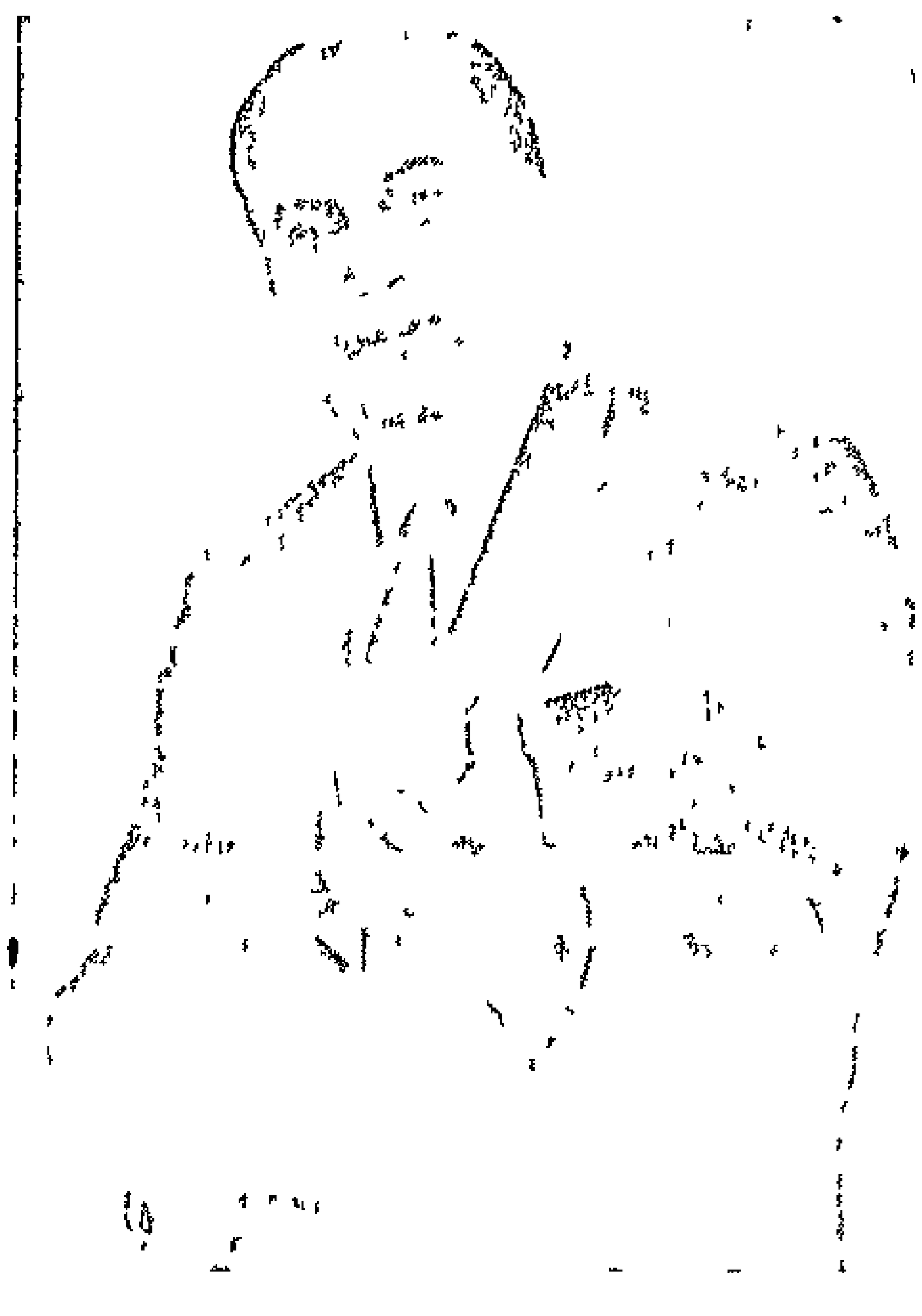
On a 2% increase in turnover, trading profit jumped a commendable 15% to R21,7m The substantially lower growth in turnover was largely due to the sale of several subsidiaries

The results are an excellent example of "marginal profitability" in a capital intensive industry During the recession when demand for gas slowed, prices were adjusted to maintain respectable profits while sitting with surplus capacity Now that industrial demand has picked up the extra throughput is cream Afrox's sales accounted for R79,5m of the group's total turnover of R134,6m, and 78%, or R17,8m (R15,3m), of pre-tax profits, giving a substantial 22% pre-tax profit margin

Dowson & Dobson's turnover slipped from R59,1m to R53,1m but pre-tax profits were little changed at R5,2m (R5,3m), pre-tax profit margins were pushed up from 9% to 9,8%

A smaller loss from Silicon Smelters boosted overall profits During the year Afrox increased its stake from 33% to 50% for a nominal sum as US based Foote Minerals pulled out Afrox's share of the R2,6m loss amounted to R882 000 (R1,3m) Afrox is not allowed to offset this loss against tax Silicon Smelters appears to be turning the corner, as with increased world prices of silicon, an operating surplus was made in August and September Results in 1979 are expected to be substantially better, although this is not to say that Silicon will make profits

Afrox worked hard to improve liquidity The interest bill is down 53% to R678 000 although net debt of R5,9m



Afrox's Sutherland .. accounting for inflation

(representing 7% of equity funds), is slightly up on net debt of R3,6m (5% debt equity ratio) for the previous year

Afrox, in line with its conservative accounting policy, has provided for the first time a supplementary current cost income statement This shows earnings of 36c per share instead of the 40c published The difference is very small as the group's depreciation policy has largely taken into account replacement costs But on the published profit and loss account, earnings would have been still lower if stocks had been valued on the lifo basis And this, presumably, will be the next move to give a realistic earnings figure

Asset revaluations were based on latest replacement costs During the year all plant and machinery and major properties were revalued, which increased depreciation by R790 000 and the net book value of assets by R12,6m To date all revaluations of fixed assets have increased the net book value by R35m and the annual depreciation charge by R1,9m

This year capital expenditure of R10,5m on the new gas producing facility and welding wire plant, should present no problem, with cash flow likely to exceed last year's R11,9m

The group incurred a R581 000 extraordinary loss on the sale of freehold properties which were valued on the depreciated replacement cost basis, although in effect a small profit was made on the sale

On an earnings increase of 29% to 40,0c (31,8c) the total payout has been pushed up 25% from 14c to 17,5c At 270c the share yields 6,5% which is slightly below the sector's average In view of the anticipated growth, particularly on the gas side, as well as from Dowson & Dobson, it is fairly valued and suited to long term investors

Gerald Pemberton

F.M. 28/12/79

FARM EQUIPMENT

Back in the black

With good farming weather, the sales outlook for heavy duty farm equipment is improving dramatically August/September/October sales of tractors, combine harvesters and balers show substantial hikes compared to the same period in 1978

For the three-month period, combine harvester sales rose 127%, from 49 units to 111, balers improved sales 84% from 93 units to 171, and tractor sales are up 9%, from 3 176 to 3 470

Although the three-month period reflects a healthy increase, calendar year sales in 1979 still lag behind 1978 because of a slump in the first half Combines sold 480 units during 1978 at a value of R20 3m Sales during 1979 are expected to be only 320 units, value R16m Sales of balers during 1978 totalled 686 units value R3,7m, but in 1979 are expected to total 600 units, value R3,6m

The improved outlook, says Malcomess marketing services manager Dr Kit le Clus, is due to several factors The downturn in the second half of 1978 and the first half of 1979 was due to a large extent to tough credit restrictions applied by financial institutions following the hue and cry caused by a sharp rise in farmers' debts

At the end of 1977 farmers' debts to the Land Bank had increased 37% from December 1973 s R375m to R512m, debts to commercial banks had risen 50% to R560m, debts to co-ops 159% to R412m, and to financial institutions by 44% to R457m In fact, says Le Clus "these rises were in line with farm trends The figures were affected by the high rate of inflation, so were misleading "

Because of the restrictive policies applied, farmers' liquidity was adversely affected which in turn affected sales of heavy equipment Coupled with this were low yields in summer crops because of severe drought conditions and prices of wheat held at unrealistically low levels Production cost increases were estimated at 20% On value farmers output was down an estimated 34%-35%

Things are improving The wheat crop now being harvested is expected to be a bumper one Moreover, wheat prices have risen 13%, so Le Clus predicts farmers will increase wheat income by 70%

Current favourable climatic conditions augur well for maize, grain, sorghum, peanut and sunflower crops to be harvested in April/May/June/July

Excellent spring and summer rains mean that 1980 maize crops for example could increase from this year s 7 5 Mt-8 Mt to a healthy 10 Mt Prices are expected to rise some 20%-23% The peanut "voorskot" is expected to hike at least 20%

If all this comes about "farmers will be in the black again and we can expect normal buying patterns of heavy equipment," says Le Clus He is confident sales of tractors, combines and balers will 'pick up exceptionally well' in 1980

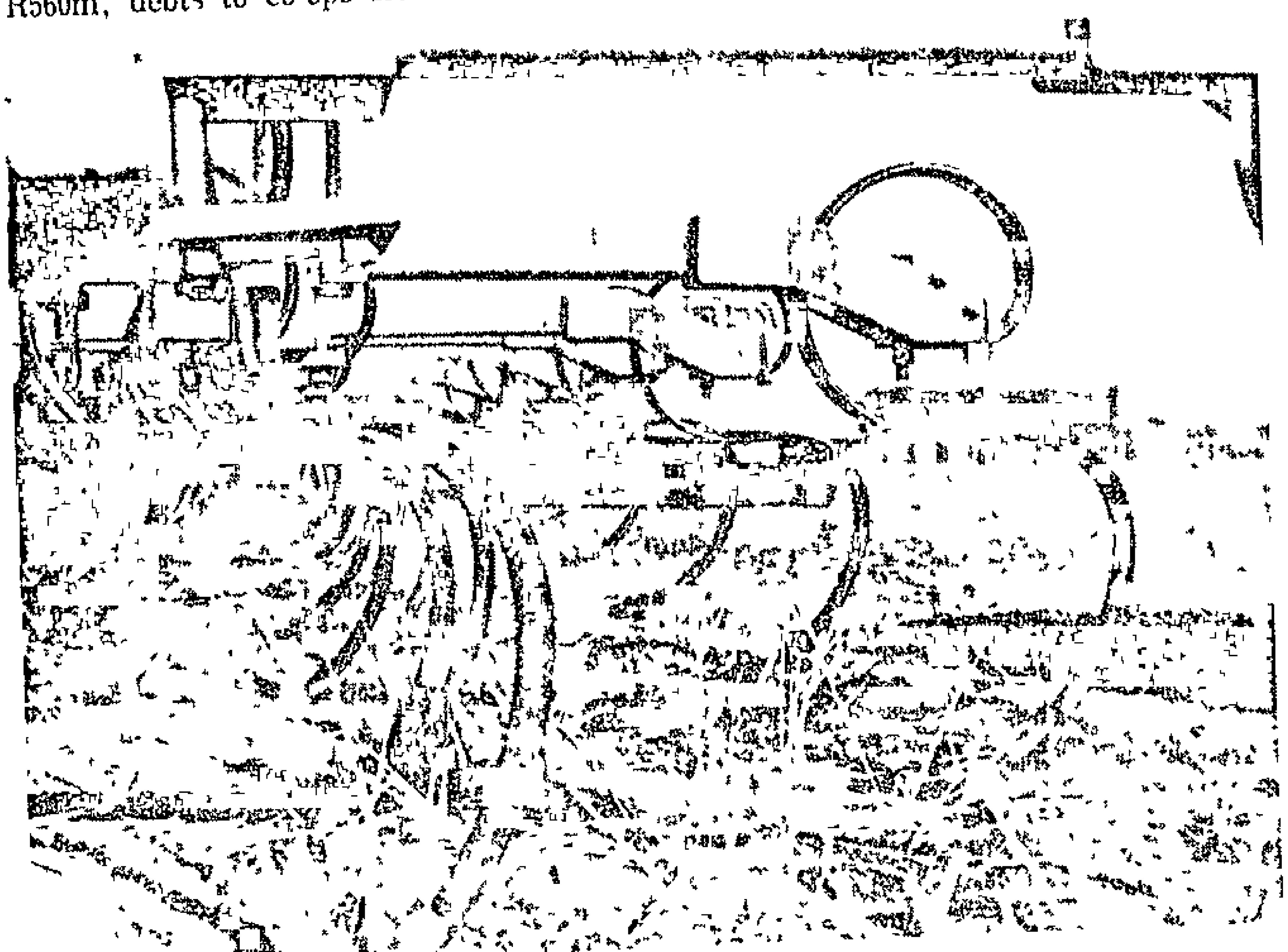
Tractor sales in 1980 are expected to reach 13 000, worth R188m combines are expected to top sales of 500, worth R24m, balers should sell 700 units worth R4 5m

Major distributors are loath to reveal market share, but 1978 sales of tractors put Ford at the top with 22 5%, Massey Ferguson 21,5%, Vetsak 18%, John Deere 14%, Malcomess 6%, International Harvester 5%, Deutz 4%

In combines Malcomess leads with 37%, Massey Ferguson 24% John Deere 20%, Vetsak 10% Deutz 8% International Harvester 1%

In balers Malcomess leads with 27%, Vetsak 22%, North 20%, Massey Ferguson 12%, John Deere 10%, International Harvester 6%, Deutz 2% Independents make up the difference in all three categories

The FM found little support for positive crop forecasts from grain market agents Kahn & Kahn Says Alfred Kahn "There s no way in which we can forecast the maize crop at this stage It's only just been planted Right now climatic conditions are extremely good but the critical months are January/February That's when you have to get rain If all goes well there should be a tremendous crop We couldn't say to what extent it would be a record crop, we don't even have the figures of the planting area yet "



Farm equipment . . digging in for a good year

F.M. 28/12/79 (189)

MINING EQUIPMENT

Whispering giant

Question· What multi-national industrial group is controlled from SA and operates in five continents with a current turnover of nearly R300m?

Answer Boart International, a wholly-owned subsidiary of Amic, in the Anglo Group

Boart, because it is unquoted, usually only commands a sentence or two in annual analyses of its parent's accounts And management is not altogether unhappy to operate discreetly, because too much publicity about their SA affiliation might very well hurt some of Boart's overseas subsidiaries

Nevertheless, there is much that deserves to be said about Boart, whose financial track record alone speaks volumes for management After a low point of under R1,5m in 1972, group after-tax profits rose 12-fold in only six years, to well over R19m in 1978

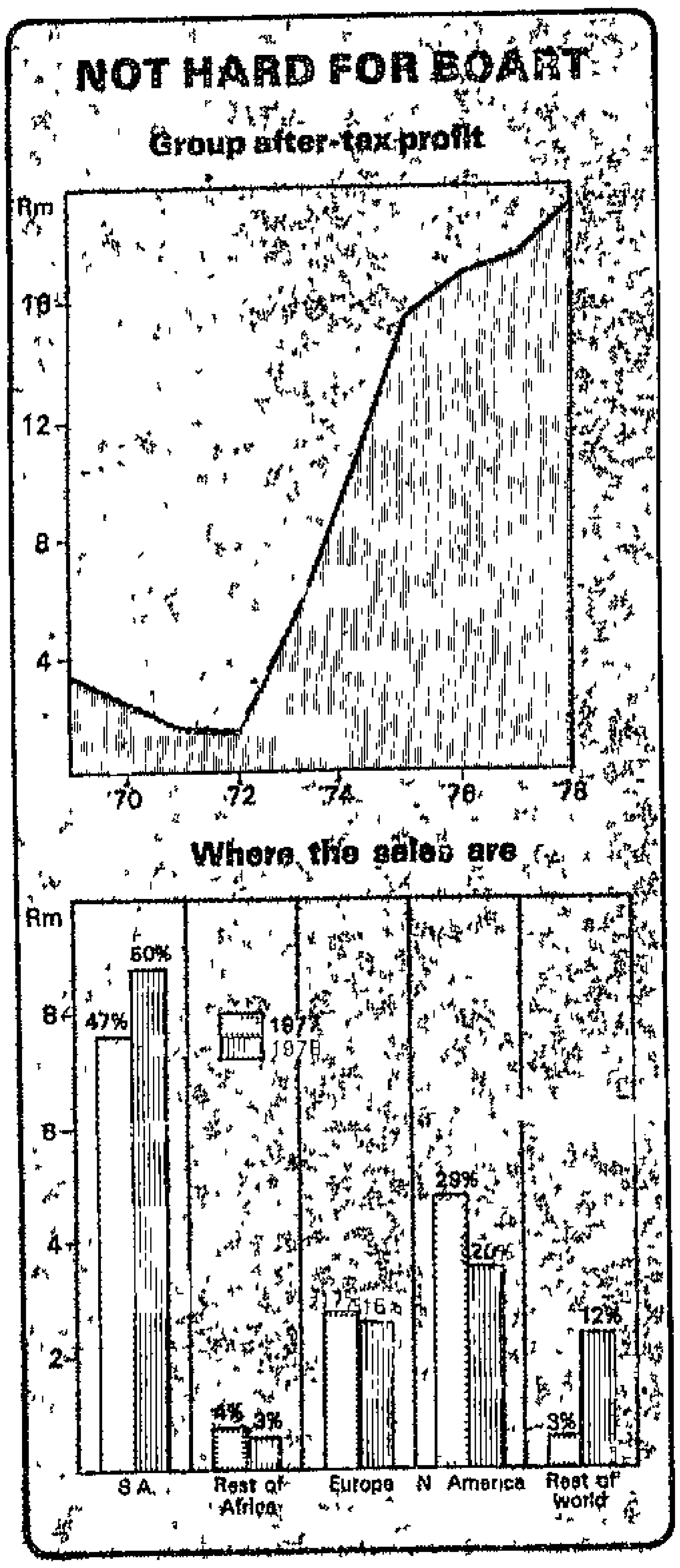
Attributable profits were R17,7m, arrived at after deconsolidating the profits of certain foreign subsidiaries, as, in the directors' opinion, they may not be recoverable

These profits were generated by "diamond drilling and allied manufacturing activities" (47%), "hard metal manufacturing and allied trading and contracting activities" (36%) and "other manufacturing activities" (17%)

It all started way back in 1936 when Anglo-American was desperate to find a market for Congo boart (low-grade industrial diamond) which had accumulated during the depression The problem was solved by the development of a cheap and efficient diamond drilling crown (subsequently used to great effect in the exploration of the OFS gold fields)

Diamond drills led very logically to tungsten carbide mining tools (in 1949), and so a diversified supplier of mining equipment and hardmetal tools was born An important milestone was the take-over of Barratt's Industries in 1975, which added the rock-drilling equipment of Steel Engineering (Seco) and the iron foundry at Barratt & Pillans

Today, Boart's activities extend to the manufacture of its major raw material, tungsten carbide, and to mining services provided world-wide on a contractual basis These include exploratory and blast-hole drilling services, specially those offered by its American subsidiary, Longyear, which is particularly active in core drilling Longyear also supplies drilling equipment



Boart recently extended its local activity in coal mining equipment through a partnership between Coalequip (owned by Boart and General Mining, 50-50) and the German coal mining equipment firm, Klockner-Beckorit (*FM* December 7)

Boart has a factory at the industrial "free port" at Shannon, Ireland, where Boart Hardmetals (Europe) Ltd serves European mining industry. In Germany, Wendt gmbh manufactures impregnated grinding machines

SA provides 50% of consolidated profits, North America 20%, Europe including UK 15% and South America, Australia and the Far East, between them, 20%

Boart has a group business development division (operating from Johannesburg and the UK) which provides international marketing and corporate planning

The Boart Research Laboratory, at Factoria, Krugersdorp, develops new mining products which can be tested at the Boart "test mine" nearby

Managing Director is Hilton Davies, who is optimistic about 1979 results He thinks the most promising markets for future growth are the United States and the Far East

Boart has opened a trading office Hong Kong, to serve future markets in Japan, South Korea, Taiwan and even, to some extent, China

MANUFACTURING Iron + Steel

4 JAN.. 1980 — 27-April 1980

DATES TO REMEMBER

Last day to register for dividends
Friday January 11 Common Fund 10c, French Bank pref ord 5c, Huletts Corp 12c, JCI 100c
Meetings
Tuesday January 8 Plevans (New Doornfontein)
Wednesday January 9: Sable
Thursday January 10 Welgedacht Witbank Cons
All meetings are in Johannesburg unless otherwise stated

Cementation Mining Ultimate holding company is Trafalgar House (UK)
Chairman *A B Theunissen*
Capital structure *6,6m ordinaries of 50c 150 000 6% cum prefs of R2 Market capitalisation R19 5m*
Financial *Year to 30 September 1979 Borrowings long- and medium-term R2 1m net short term R1 2m Debt equity ratio 19 5% Current ratio 1,5 Group cash flow R4 1m Capital commitments R1 3m*
Share market *Price 295c (1978 80 high, 295c low 150c, trading volume last quarter, 243 000 shares) Yields 16,7% on earnings, 5,6% on dividend Cover 3,0 PE ratio 6*

	76	77	78	79
Return on cap %	16 9	21 9	18 1	19 1
Turnover (Rm)	44 3	49 8	49 6	57 2
Pre tax profit (Rm)	2 6	4 0	4 1	4 3
Working profit (Rm)	7 9	10 2	9 5	8 5
Gross margin %	25 0	39 8	44 0	49 2
Earnings (c)	9 5	12 0	14 0	16 5
Dividends (c)	258	284	290	316
Net asset value (c)	258	284	290	316

Although last year resulted in record earnings and dividends for the group, profitability in the manufacturing and sales division still has a long way to improve before Cemenco can achieve real growth levels So despite a 15,4% turnover improvement, to R57,2m (R49 6m), pre-tax profits moved a pedestrian 4 2% ahead to R4,3m (R4,1m) This reflected, *inter alia*, 'an unrealistically low level" of structural steel activity in SA, as well as continued difficulties in selling the group s railway track equipment and other manufactured products on world markets

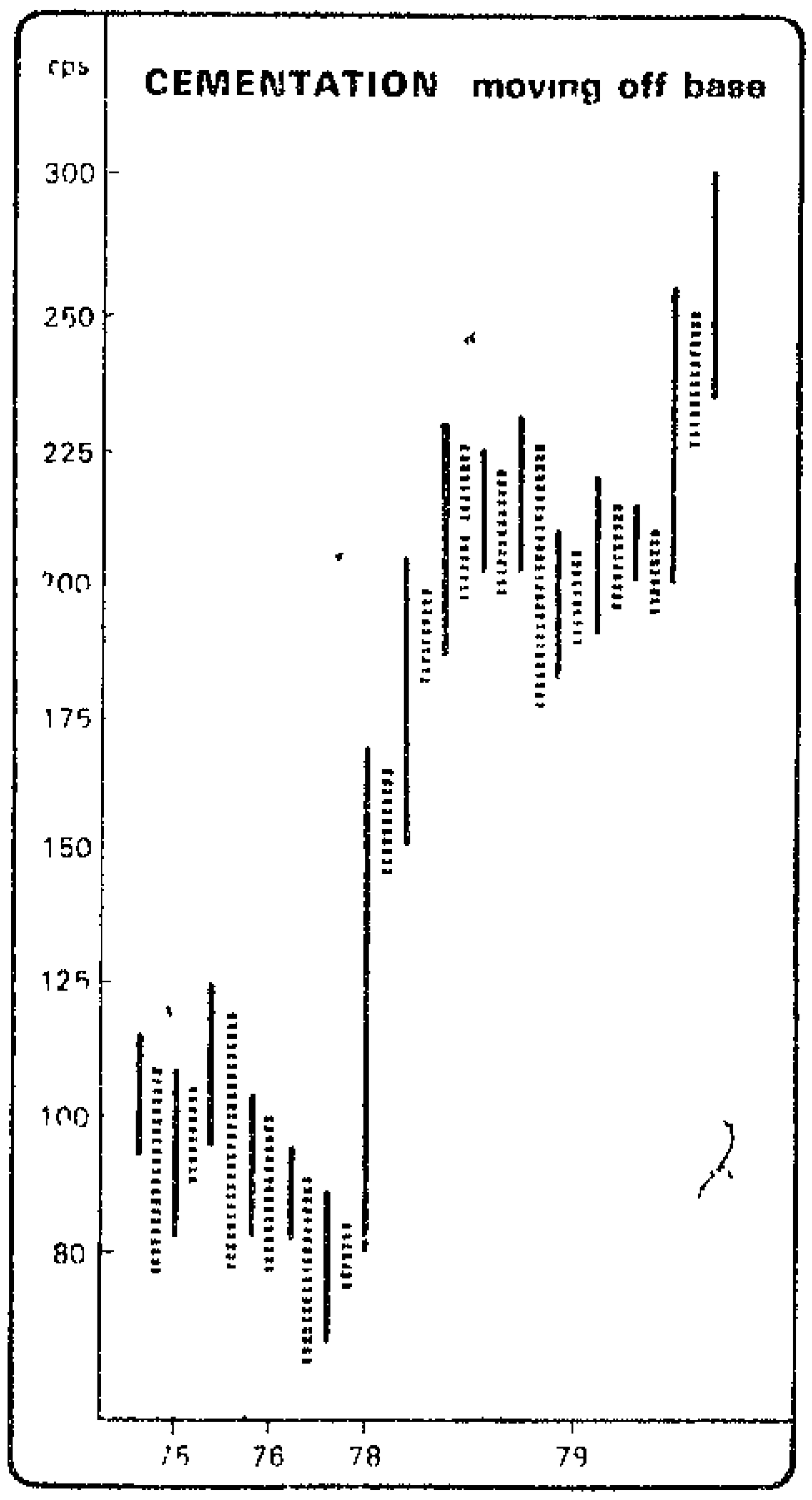
According to the directors, a large proportion of inter-group trading tended to detract from the real turnover position, so the statutory figure is not a true reflection of the group s efforts Last year s internal turnover was R9 1m (R7,3m)

Although operating income was marginally down to R3 7m (R3 8m) increased dividends of R600 000 (R325 000) from unlisted subsidiary Gold Fields Cementation Mining combined with a profit contribution from civil engineering contracting division of R656 000 (loss R139 000) counteracted the 23% fall in taxed income to R2m (R2,7m) recorded by the manufacturing and sales arm Overall every company in the group operated profitably according to chairman Albert Theunissen, so tight margins and a highly competitive market obviously took its toll

During the year, Cemenco continued its objective of becoming increasingly self-sufficient, and acquired Siding Construction and W D Wiggill (*FM* December 7) Siding Construction a "well-equipped tracklaying company" will complement the group s traditional railway track division William Bain and W D Wiggal provides a suitable foundry operation to supplement the group s current engineering activities Although not mentioned in the accounts each purchase involved the payment of 250 000 Cementation shares and R600 000 cash

The purchases were not a strain on the group's cash flow, which was well up at R4 1m (R3,1m) Cash flow felt the benefits of a reduced 20% (28%) tax rate, which helped push attributable earnings 40% higher to R3,1m (R2,2m) Consequently Cemenco was able to increase dividends to 16,5c (14c) without sacrificing cover

Another feature was the reduction in debt equity ratio to 19,5% (39 2%) through the retirement of R3 0m-odd short-term borrowings Borrowings were increased in the face of adverse trading conditions in 1978, and last year's retirement could well be seen as a sign of management s confidence that future capital needs can be



funded internally

The group's year-end order book increased substantially to R82m (R32m) and includes a large enough order book for the mining services subsidiary to increase its capital base by R400 000 to meet present and future commitments in that company Although benefits of the increased order book will flow through this year, some of the large contracts are long-term, so full impact will not be felt for some time

The market seems to have taken a positive view on prospects though it has been spurred by unconfirmed rumours that parent Trafalgar House is planning an offer for minority interests At 295c the share offers a relatively low three-times covered historic 5 6% yield

Jonathan Butler

COMPANY AND TERMS	Last day to register	NIL PAID LETTERS Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS Take up price	Price Dec 19 cents	Price Jan 2
CHARTER Rights issue 1 Minorco share for every 4 Charter shares held	13 11 79	5 12 79	10 12 79	16 1 80	17 1 80	18 1 80					17 1 80	1 2 80			
FAR WEST RAND EXTENSIONS — Rights issue 1 new share for every 2 shares held at 55c									ement				55c		
FEDERALE MYNBOU BPK Rights issue [illegible]									ement				100c		
GENERAL MINING & FINANCE CORP LTD Rights [illegible] 30 General Mining [illegible] shares of 40 cents for every 100 Union Corp shares held at 1 500c Upon the implementation of the takeover of Union Corp									[illegible]				1 500c		

CEMENCO (99) FM 4/1/80

Basic changes?

Activities. *Holding company with main subsidiaries engaged in design and manufacture of steel and metal products Holds 50% of Gold Fields*

ENGINEERING

FM 11/1/80

Revival continues

The metal and engineering industries, whose output in 1979 approached R9 billion (R8,6 billion in 1978) and constituted about 28% of total manufacturing output in SA, are confident that the moderate revival in activity experienced last year will continue and can be sustained into 1980 Export earnings from these sectors were worth R1,1 billion

This emerges from the latest Steel and Engineering Industries Federation of SA (Seifsa) review of activities in these sectors According to Seifsa director, Dr Errol Drummond, the "psychological outlook" for the immediate future is good as the general economic upswing continues "We also stand to benefit from the spilt-over effects of other sectors requiring our goods and services"

But, according to Drummond, the Achilles heel is still the shortage of skilled labour

Import substitution has been instrumental in improving production capacity utilisation in a number of sectors The assessed potential value for substitution is calculated at R875m pa, and additional turnover in the metal products, electrical equipment and machinery sectors reached R238m, or 22%, of the potential. For the machinery sector, the increase was 13%.

Seifsa says that the "moderate upward phase" is reflected in higher iron and steel output Steel production exceeded 8 Mt, up 12% on 1978, while output of pig iron, at 7 Mt, increased 19%. The trend also holds true for ferro alloys, where ferro chrome exports alone reached R300m over 1978's R186m.

The iron, steel and non-ferrous foundry sector, plagued by low domestic demand and high under-utilisation of capacity, is nevertheless "very soft," says Drummond. Modernisation and expansion programmes, including greater mechanisation, are hoped to provide a greater export thrust.

Seifsa projects that against the "back-

under-utilised capacity, new capital investment will be "restricted" to R441m for 1979

DORBYL

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rm 11/1/80

Long in prospects

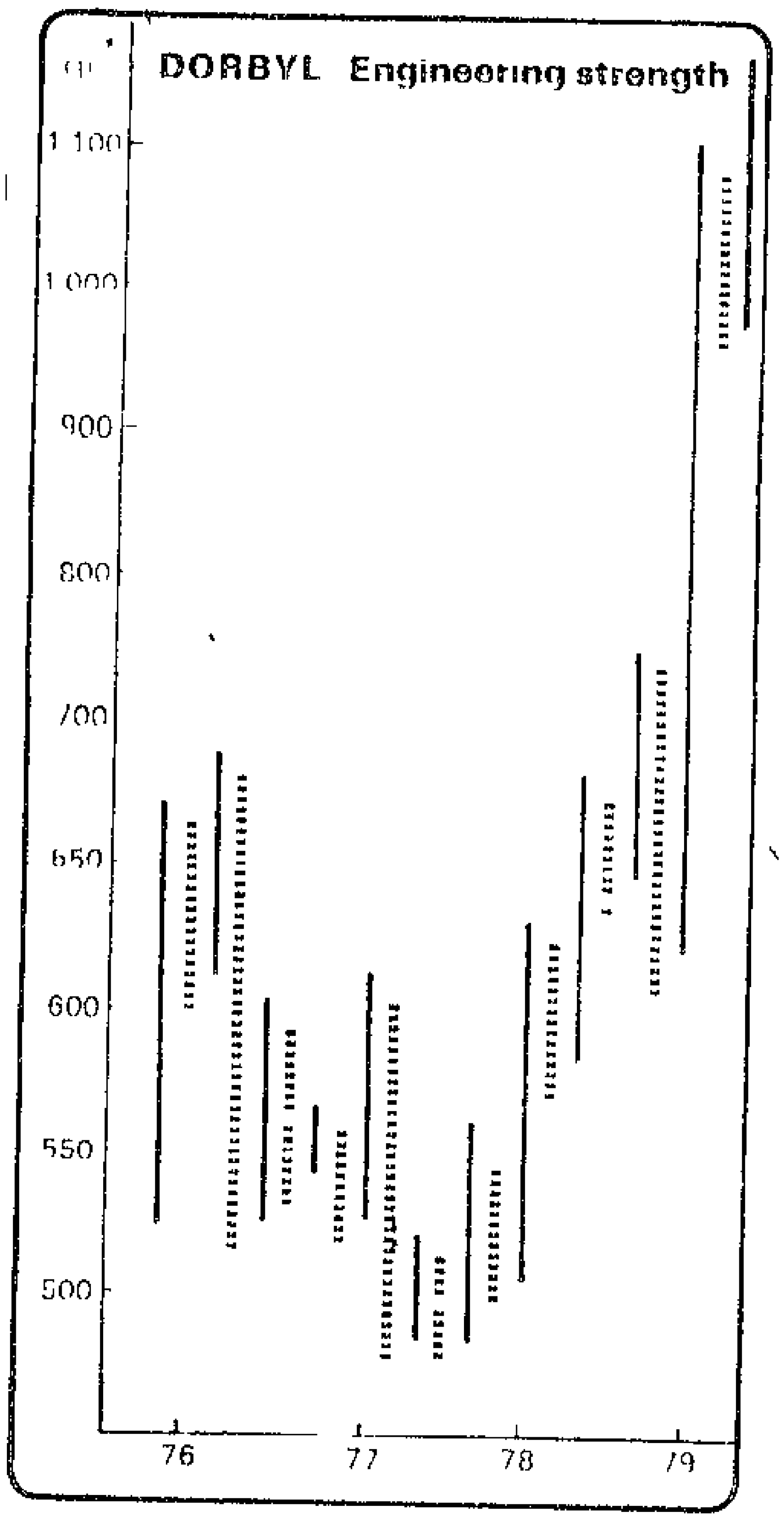
Activities *Heavy engineering group formerly known as Dorman Long Vanderbijl Corp Involved in construction rolling stock, manufacturing heavy engineering shipbuilding and repair Holding company is IPSA with 54 2 of the equity*

Chairman *C D Ellis managing director J C Roux*

Capital structure *8m ordinaries of 50c 350 000 cum prefs of R2 1 5m 5 cum prefs of R2 1 6m redeemable cum pref of R2 Market capitalisation R98 4m*

Financial *Year to September 30 1979 Borrowings long and medium term R45 3m net short term 11 6m Debt equity ratio 47 3 Current ratio 1 Group cash flow 21 4m Capital commitments R m*

Share market *Price 1 230c (1979-80 high 1 230c low 610c trading volume last quarter 11 000 shares Yields 12 7 on earnings on dividend Cover 2 5 PE ratio 7 9*



Considering that the engineering sector only began picking up half way through 1979, Dorbyl's 31 8 attributable earnings increase to R12 8m (R9 7m) seems to reflect the benefits of its heavy diversification programme of the past few years

Yet with pre-tax income only 8 9% ahead at R18 7m (R17 1m) the attributable earnings hike benefited more from a lower 27 5 (37 9) average tax charge arising from investment allowances during the year than an improved operating performance Only this year will the capex programme start coming through at the operating level

The turnover increase to R458m (R3 9m) was partly due to the acquisition in May of the Irvin Chromium group which has added considerably to the turnover but which resulted in only small profits being consolidated So with pre-tax margins down to 4 1 (4) and with ever-increasing competition chairman Doug Ellis appears justified in his statement that considering all factors the group has performed satisfactorily

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Although Dorbyl ended the year in a very sound financial position strengthening the operating base did not come cheaply Total borrowings increased 43 5% to R60 9m (R42 4m) resulting in a debt equity ratio of 47 3 (40) Higher borrowings were necessary to fund in part the R21 5m capex as well as some R5 5m spent on business acquisitions and an additional R16 2m required for working capital to support increased activity levels

Besides a R12m 11 redeemable debenture issue in November 1978 short-term cash and deposits were reduced by some R9 2m resulting in net short term borrowings of R12 6m compared with net cash position of 1 6m at end 1978

Utilisation of excess liquidity to partly fund growth has been occurring for some years It is a positive feature of the accounts as it indicates sounder asset management and deployment of group resources

Several acquisitions were made last year the major one being the Irvine Chromium group for R5 5m It's activities complement those of Dorbyl's construction division and as the benefits of further Sasol contracts flow through its contribution to the group's bottom line should be material

The 43 Busaf minorities were taken out at a cost of R2 1m Also a further 10% stake in SA Instrumentation was acquired and the holding in Sintered Metal Components was considerably increased

Overall prospects for the current year appear sound with the group set to take fuller advantage of its revitalised operating platform Nevertheless competition will remain intense for some time so margins will continue to be squeezed

The order book which is looking healthier stood at R37m (R32m) at the year-end a 15 7 improvement According to Ellis this includes a healthy element of long term work (and in real term) the group is looking generally to increased activity

The only operation to show a reduced order book was the rolling stock division

Although it secured important locomotive orders, it will not see a quantum improvement until capex planned by the SAR increases beyond present levels

There is under-utilised capacity elsewhere in the group which, Ellis hopes, will be taken up by short-term contracts in a rising economy, along with further major contracts However, the group does not give a meaningful breakdown of the numbers involved at the divisional level, so it is difficult to see just what capacity is available

The group's coastal operations, outside of ship repair, faced very depressed conditions during the year, and were a "drain on profitability" However, the year-end Cape and Durban order books were stronger than at end-1978, which augurs well for prospects in the current period

Ellis feels that, provided no disruptions retard the present growth of business confidence in the country, there should be a further increase in group operating profits this year So an increased dividend will probably follow last year's 62c (55c) payout

A real factor militating against a faster dividend growth rate is the need to maintain cover at higher levels to allow the group to maintain self-generated growth from retained earnings However, if earnings achieve target this year, a 70c dividend is well within reach At 1 230c to yield a prospective 5,7% the share is fairly priced

Jonathan Bader

CT 12/1/80

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12/1/80

Engineering training system may be streamlined

SWEEPING changes have been recommended for South Africa's technician engineering training system to streamline the exiting training courses. The object is to maximize the efforts of the country's limited engineering manpower.

This is one of a series of recommendations contained in the Goode Committee's report, under the chairmanship of Mr R C J Goode The committee was appointed in 1974 at the recommendation of the Federation of Societies of Professional Engineers (FSPE) by the Minister of National Education

Comprising some of the country's leading professional engineers the committee was briefed to inquire into and report on the training use and status of engineering technicians Its recommendations have now been submitted to the government

A major change envisaged is to create a new category in the engineering complement to be known as an engineering technologist, who will assume certain of the responsibilities currently handled by professional engineers who generally speaking, are educated at university faculties prior to obtaining practical training Engineering technologists will fill an existing gap in the overall engineering picture rather than replace the professional engineer or the technician

Better salaries

Other possible spin-offs from the report are better salaries and better training for lecturers at technical colleges and greater efforts to 'save' the non-academically oriented engineer who makes the mistake of attending university when he is more technically and practically minded — up to 50 percent first year failure rates are experienced for engineering students at universities

Basic thinking contained in the Goode Committee report is that technical colleges and colleges for advanced technical education (Cates) should be developed parallel to university engineering courses but with different emphasis designed to bring out the best talents of the practical engineer ...

- The professional engineer with his academic "bent" who qualifies at a university
- The engineering technologist
- The engineering technician (distinguished from the artisan in having a wider and higher technical ability)
- The artisan operator

The South African Council for Professional Engineers (Sacpe) says in a critique of the Goode report that more matriculants should be attracted to engineering training with the improvements of status and opportunities that will follow the report's implementation In engineer-hungry South Africa the benefits are obvious

The re-structuring means the practical engineering-orientated person can "train up" in stages with apprentices For example being able to convert to technicians' training courses on a part-time basis Moreover, there are now more levels at which technicians can tackle training according to their individual abilities and ambitions

Major changes

Finally, the highly talented practical technologist now also has the opportunity to acquire a new level of training on an independent footing with the academically trained professional engineer

To achieve these new standards, major changes will have to be implemented in the colleges for advanced technical education (Cates) The Goode report proposes, for example, that the salaries of lecturers be reviewed to attract a higher calibre of individual

Moreover lecturers will undergo more training to improve their competency At the same time, they will require more practical industrial experience before their appointment and contact with industry through visits and subsequent work periods will be ...

nevertheless be able to obtain the Higher National Certificate

Study in advance of the HND will also now be possible to Advanced National Certificate level After a further period of study, post HND students will qualify for the Diploma in Technology, the "technologist" level

The ultimate qualification obtained by a technologist will be the Associateship and this will be awarded by the Cate after the submission of a thesis, project or design set by the Cate

Energy saving motor

A NEW generation of commuter rail vehicles — 3-phase traction motor replaces dc motor — streetcars and commuter rail vehicles run more economically

For as long as there have been electrically driven commuter rail vehicles —almost a hundred years already — they have been driven by dc motors But the days are now numbered for this tried and tested type of drive

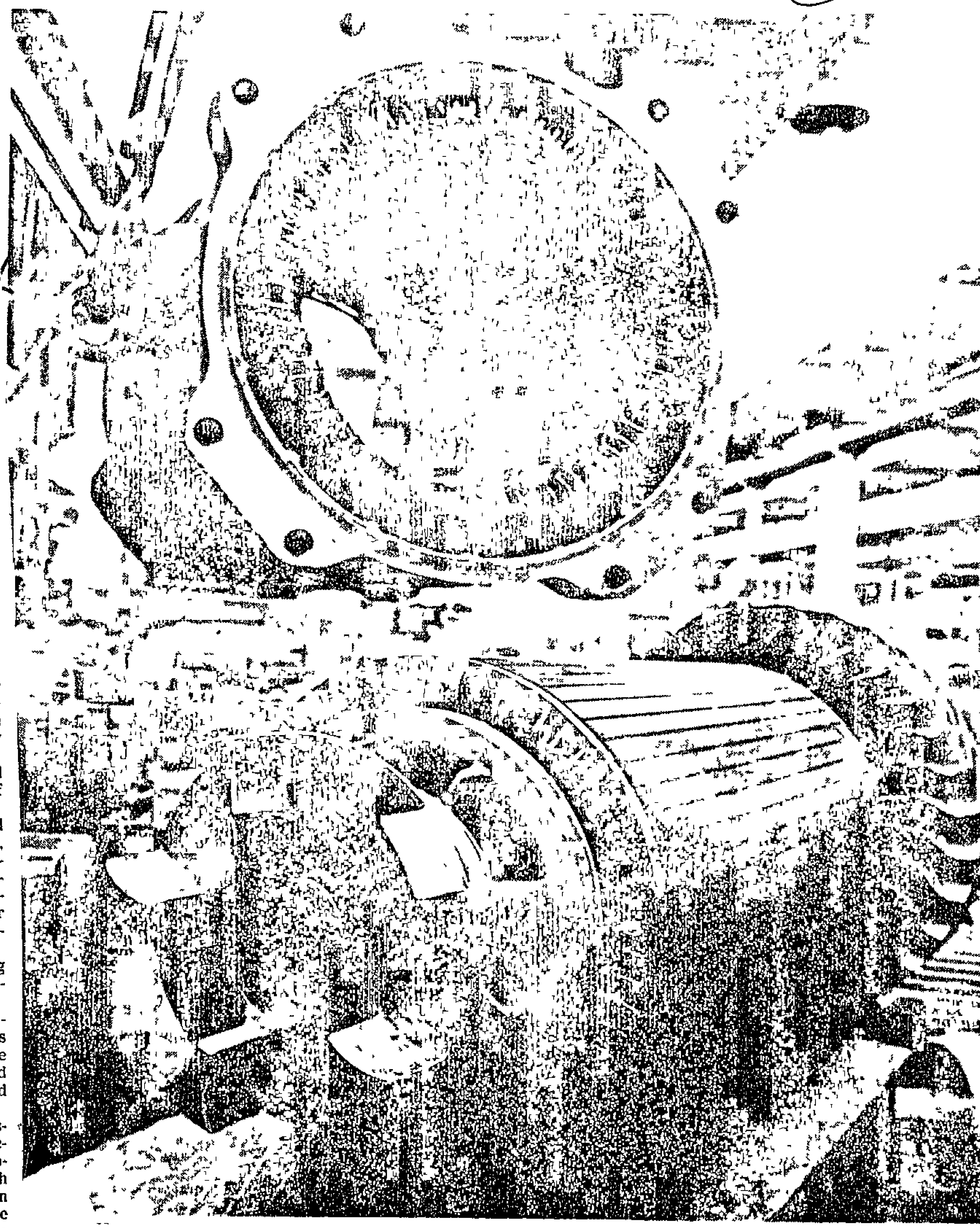
The electronically controlled dc motor is taking its place, equipped with a variety of advantages considered doubly important today considerable energy savings, much less wear and only a minimum of maintenance

This type of drive has long been in widespread use in industry for stationary applications But too many technical obstacles stood in the way of its being used in motor cars, where every centimetre of space and every kilogram of weigh saved is essential

Electronics first made it possible Successes in semi-conductor technology with the development of components with high current ratings have ushered in an era of technological change which is now being extended to rail vehicle motors

Prototype

In 1975 Siemens equipped a streetcar in Nuremberg with the new 3-phase traction motor — the first commuter rail vehicle in West Germany to take advantage of this new developme...



d control in use up till now ils considerable energy loss cially when starting this is done without steps and almost no energy is lost In tion the braking energy is

fed back to the contact line so that it can be used again

In the case of traditional drive this energy was lost as heat The 3 phase traction motor requires less maintenance by

dispensing with parts such as collectors and carbon brushes for the current supply It thus gets sent to the workshop less often which also helps to keep costs down

The passenger also notices what has changed shortly after entering the vehicle thanks to continuous control the train now travels smoothly and without any jolts

When the recommendations are implemented, the practical technologist will have new status and will fill a gap created by the tapering off of the number of overseas immigrants with advanced technical training

Creative ability

The report says in its preamble "It is evident, both overseas and in South Africa, that in the training of the undergraduate engineer, greater emphasis is being placed on scientific background and creative ability Thus more of the routine of production, the maintenance of equipment and the fault-finding are being handed over to the more practically trained engineer and senior technician

"The technician group the group between the artisan and the professional engineer has thus expanded greatly as its highly trained members move up to take over duties relinquished by the professional engineer

"In the middle ranks too, there is a greater demand for adequately trained technicians as more complicated and expensive equipment is provided to control processes and to conserve operative manpower

At the lower end there is uncertainty as to when a person should qualify to be called a technician and on occasion artisans and operators are termed technicians solely for prestige reasons " The report makes proposals to eliminate these anomalies

The new structure of curr

Other ideas

Other recommendations in the Goode report are

- Cates should revert to the semester system of training
- Cates laboratories should be improved, especially where new courses are involved
- The integration of apprentice and technician courses should be discontinued and courses for more advanced students should be re-structured to meet their individual needs
- Short single purpose courses for specific technologies should be introduced

Four main streams of practically oriented technologists will emerge in future At the present National Diploma in Technology and Higher National Diploma levels a student will take the equivalent of six subjects to obtain a newly created Higher National Diploma and complete in-service training to make a four-year course

This strengthens the concept of parallelism between colleges for advanced technical education and universities originally recommended in the Van Wyk de Vries Commission's report on universities

The HND will be the entrance qualification for a Diploma in Technology (Dip Tech) or could lead to the Goverment Certificate of Competency obtained by passing Legal Knowledge and any further subjects that the Commissioner of Examiners may require

The HND, like the National Diploma of the present will indicate the specialist field of study of the student Students failing to reach the required

Since then this prototype has been thoroughly tested over tens of thousands of kilometres of normal operation The results were so convincing that orders were placed for eight double motor cars with 3-phase traction motors for the new subway line in Nuremberg

A second prototype was put into service in the Vienna subway line which opened in the spring of 1978 and a descendant of this new generation of vehicles will soon be running in Mulheim (North-Rhine Westphalia)

The overwhelming majority of passengers remain unaware of what is different about these vehicles how the dc current taken from the contact rail or contact line is converted to 3-phase current in the vehicle and how the constant-current dc — link converter — a newly-developed electronic device — "responsible" for this process functions and controls the electrical energy in proper doses according to the load on the motor

This new technology also contains the positive aspects of the new type of drive In contrast to the "old" motor it uses 20 percent to 25 percent less current while maintaining the same performance

The stepwise closed loop

Call for District 6 withdrawal

THE 2 000-strong Western Cape Traders' Association is to call upon white supermarkets to support their stand to bring pressure on the international electronics company, Anker Data Systems, to withdraw from District Six.

At the same time the District Six Rent, Residents and Ratepayers' Association is to ask its several thousand members to boycott supermarkets and stores where ADS or TEC cash registers are used.

Anker Data Systems paid R50 000 for a site in District Six to build a factory. It is the only commercial firm known to own land in District Six.

WITHDREW

Last year Shell South Africa withdrew from a transaction to build a service station following urgent representations from people and organisations opposed to the development of District Six as a white area.

'We would like ADS to follow the example of Shell,' the general secretary of WCTA Mr K Allie, said yesterday.

'The cry of the coloured people is to give District Six back to them,' he said.

The WCTA is affiliated to the National Chamber of Commerce (Nafcoc) which has a membership of about 35 000 black business people throughout South Africa.

NOT POLITICAL

Mr Allie emphasised that the moves against ADS were not political.

'We are not trying to oppose the Government in any way. Coloured people at this juncture want to co-operate with the Government to bring about better race relations,' he said.

Speaking from Johannesburg yesterday the managing director of ADS, Mr Louis van der Merwe, said the chairman of the company, Mr G Kopatz, who was overseas at the moment, must have bought the site as a busi-

(Continued on Page 3, col 9)

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District 6

(Continued from Page 1)

ness proposition and possibly did not know about the political connotations.

He said ADS was a small company in South Africa employing about 200 people. The employment of about 40 coloured people in the proposed factory in District Six would represent a big increase in coloured job opportunities in the company.

He said ADS was legally committed to the land.

'Whether we can rescind or not I don't know,' he said.

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TABLE II

RAPPORT 20/1/80 189

Winskope in ingenieursektor

Deur FRANZ ALBRECHT

In die ingenieursektor van die Johannesburgse Effektebeurs is daar nou 'n paar winskope te kry. Die hele sektor behoort deur die huidige ekonomiese oplewing te baat, en die verdienstestygings was tot nou toe nog baie konserwatief.

Nog nooit was die klimaat so goed in Suid-Afrika om aandag aan kapitaalintensiewe projekte te gee nie En die land het dit nodig vir indiensneming om arbeidsrus te verseker, en gesonde groei met verdere uitbreidings te rugsteun.

'n Klinkklare bewys dat die ingenieursektor besig is om groeipyne te ontwikkel, word gevind in die feit dat opgeleide tegniese personeel oorsee gesoek word.

Dit is juis hierdie premie wat plaaslike ingenieursmaatskappye vir hierdie gehalte personeel moet betaal, wat miskien die enigste nadelige faktor in die bedryf se groei kan wees.

Die voorsitter van Dorbyl, mnr. C. D. Ellis, het nou die dag daarop gewys dat daar 'n groot tekort aan geskoolde mense is, terwyl daar werkloosheid onder die swak opgeleide tegniese personeel is.

Mnr Beau Sutherland, voorsitter van Afrox, het in sy maatskappy se jaarverslag verlede maand nog gewaarsku dat lone vir geskoolde personeel ver bo hul produktiwiteit styg Hy het egter gesê dat dit nou moontlik geword het om personeel op alle vlakke op te lei en dat die private sektor sy deel moet doen

Die groep ingenieursmaatskappye wat onlangs verslag gedoen het oor hulle bedrywighede vir die 1979 jaar, is deur die bank optimisties dat 1980 'n goeie jaar vir hulle sal wees.

Enkele van die mees onlangse uitlatings word hieronder opgesom. Dit moet onthou word dat 'n jaar gelede toe die vooruitsigte vir 1979 gelewer is, die meeste van hulle pessimisties oor die toekoms van die bedryf was.

Met die groot styging van 85 persent in die verdienste per aandeel in die jaar tot Junie agter die rug, beskou die voorsitter en ondervoorsitter van Abercom, mnre. Donald Ord en Peter Herbert, dit nie raadsaam om enige verdienstestygings vir die toekoms te voorspel nie.

Dit is egter welbekend dat hierdie nuwe bestuur, wat van mnre. David Lurie en John Feek oorgeneem het, nou stewig in die saal sit en dat alle afdelings van die maatskappy weer gereed is om die verwagte opgang in die ekonomie te benut om sake uit te brei.

Afrox se voorsitter, mnr. Beau Sutherland, is vol vertroue dat die groep se wins in 1980 weer sal verbeter. Hy skryf dit toe aan die stimulerende begroting en die verbeterde toestande wat in die ingenieursbedryf heers.

Die groep het ook op groot skaal belê, en behalwe vir die R15,9 miljoen wat hy in 1979 aan uitbreidings bestee het, word verwag dat 'n verdere R20 miljoen hierdie jaar belê sal word.

Cemenco se voorsitter, mnr. A. B. Theunissen, kyk na 'n verhoogde wins in 1980 omdat die groep kontrakte ter waarde van R82 miljoen in 1979 gehad het vergeleke met R32 miljoen in die vorige jaar Sommige van hierdie kontrakte loop oor 'n tydperk van drie jaar.

Die uitvoerende voorsitter van Dorbyl, mnr. C D Ellis sê hy kan met aansienlike vertroue voorspel dat verdienste van die groep sal verbeter en dat die dividenduitkering verhoog sal word.

Om in hierdie doel te kan slaag, sal hy graag wil sien dat vertroue in die ekonomie gehandhaaf word en dat die enorme bedrae likiede geld wat tans beskikbaar word, vir kapitaalintensiewe projekte in die bedryf aangewend word

Die verslag van die direkteure van Edward L. Bateman sê dat die hoër groeikoers wat op die langtermyn voorspel word, die verdienste van die groep tot dieselfde peil voordelig behoort te beïnvloed

Die voorsitter van Reunert, mnr J M. Reunert, sê die daaglikse verkope en die waarde van die bestellings wat tans verkry word, is aansienlik hoer as 'n jaar gelede Meer kontrakte word verkry, die bestellings wat nog uitgevoer moet word, het gestyg.

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Accidents (E

Suicide (E950-E959, E979)

Homicide (E960-E969)

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POST, Thursday, January 31, 1980

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Sacked over pay call

By EDMUND JAYIYA

ELEVEN workers were dismissed this week after they had asked the manager to pay them equal wages in the Sandton department of Stratford Engineering Company, Ophirton.

All are from Soweto and their services with the company range between 11 months and 11 years.

Mr L Fry, manager of the company, could not be contacted for comment yesterday and a Mr Glassen (spelling supplied by the sacked workers) said he had nothing to say on their dismissal

Spokesman Anthony Zuma said they would return only if they got equal pay.

The spokesman of the workers, Mr Anthony Zuma told **POST** that last Friday they approached Mr Fry and asked him to pay them equal wages in their department

He was not prepared to negotiate with them and demanded their reference books.

Some had not brought the reference books along and decided to bring them on Monday.

Mr Zuma said "When we brought the reference books on Monday, he told us not to enter the premises

"I then took the reference books and dropped them at his office He then signed them off and told us he had already employed women

"He told us to come and collect our pay on Tuesday. He said he was willing to reinstate some of us

"We told him we were prepared to return to work because we did not walk out We explained to him that we would return to work only if he was prepared to pay us equal wages"

He then said we should come on Tuesday

"On Tuesday, we went to the company, but were shocked to receive R17

"We then decided to report the matter to the legal clinic of Urban Training Project (UTP). The union promised to investigate the matter They would inform us immediately of the findings"

A spokesman for UTP said the matter was referred to the Industrial Council

The workers claimed they were working under "horrible" conditions.

They were made to sweep floors when the inspectors arrived They were told that their work could be done by women.

They earned R33 a week and worked from 8 am to 4 15 pm They did not work at the weekend

The workers at the offices of Urban Training Project.

FERROALLOYS 189

Alloy there RDM 25/1/80

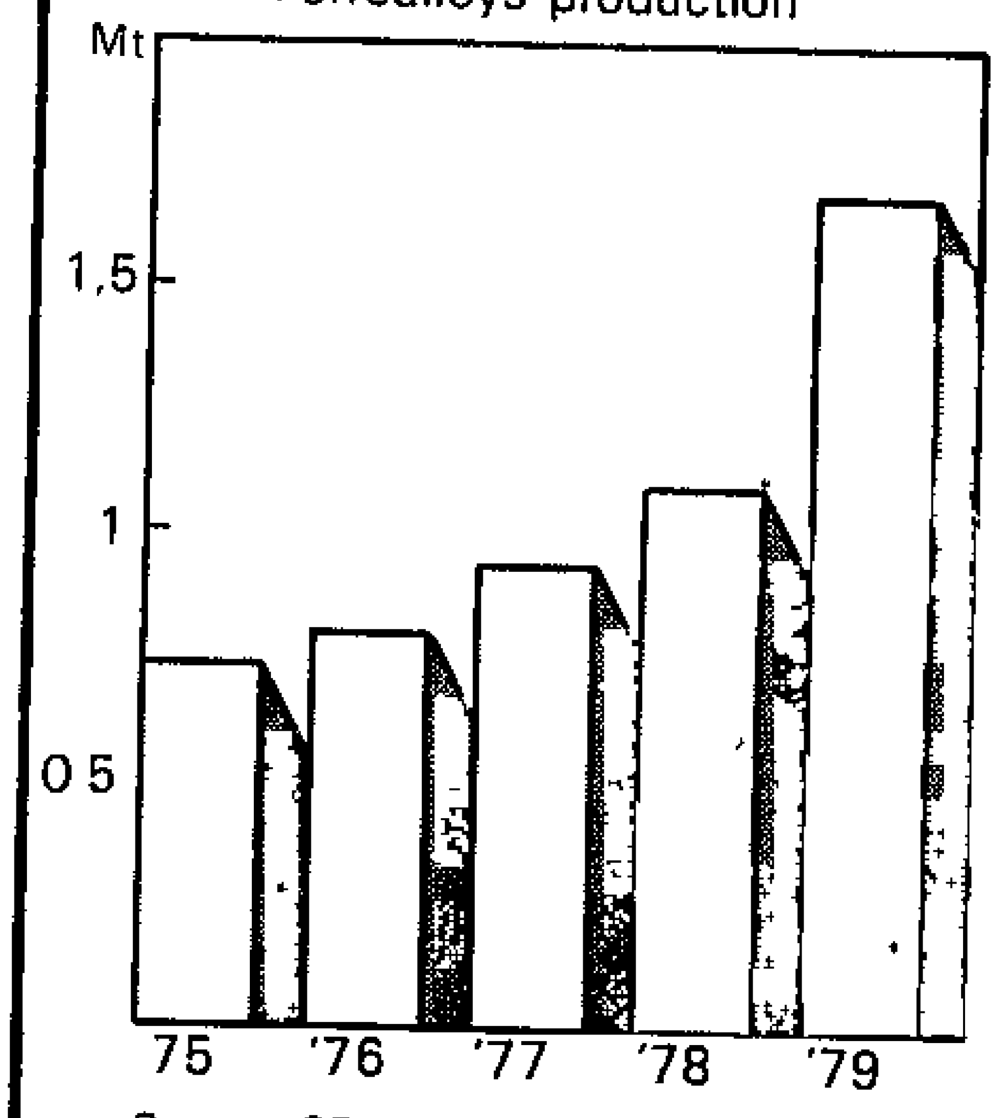
Despite a 55% leap in ferroalloy production to 1,75 Mt in 1979, producers are playing their cards close to their chests when it comes to forecasting the outlook for 1980

Production has more than doubled from 747 600 t in 1975 and indications are that SA's full production capacities are being utilised at the moment One reason for the growth has been a stepped-up export drive, which in ferrochrome alone, has seen 1979 earnings rise from R186m in 1978 when 505 000 t were exported, to R300m last year From 1973 to 1978 exports of ferrochrome increased 25% pa, and current estimates are that 1979 exports topped 650 000 t, while SA's total production capacity for the alloy is around the 800 000 t pa mark

Producers have obviously been quick to cash in on steeply rising prices — the delivered price of ferrochrome rose 40% and that of ferromanganese 50% last year And to add impetus to the demand for alloys, SA's steel output rose 12% in 1979 to over 8 Mt, while production of high-carbon ferromanganese in the US dropped to 200 000t from 500 000t in 1975

Local demand for stainless steel, which has shown a compound growth of 10% pa over the past 10 years, has also contributed to higher local demand for ferroalloys, particularly ferrochrome This is evidenced by the announcement that Middelburg Steel and Alloys is to expand its stainless steel production facilities at a cost of R127m to an ultimate capacity of 200 000t pa from its present 23 000t Production will initially be increased to 65 000t, which according to MD John Hall, will mean an additional off-take of 16 000t of ferrochrome, "a drop in the ocean compared to total output "

Plus factors for the SA product are large ore reserves of both chrome and manganese, abundant labour and cheap energy Production is likely to swing away from industrialised nations dependent on oil-based power generation in favour of countries like SA, Australia and Mexico



CHROME ON TOP
Ferroalloys production
Source SEIFSA

But as Pieter Streicher, chairman of the Ferroalloy Producers' Association has warned, producers are going to have to discipline their planning and not create too much capacity Market penetration at all costs will be unwise, he has said, and oversupply could push prices down With price negotiations due in a few months, the industry is not saying what its intentions are "Negotiations between consumers and producers are normally a battle of wits, and it's too sensitive an area at the present time to say too much," says one producer

With the US moving into recession, and uncertainty about what will happen to the European economy, the industry is not as confident about 1980 as it was about last year But, on the other hand, as world tension about the deepening central Asian crisis grows, the resultant war psychosis could create greater demand for ferroalloys should the west embark upon a major rearmament programme

Another imponderable is Rhodesia and

IE COUNT

fastest growing in the world) but less visibly It is understood the main point of disagreement in the Barlows negotiations centred on the valuation of Sperry Univac assets

With world sales in excess of $2 billion a year, Sperry Rand (Univac) ranks alongside NCR and Burroughs as one of the leading US computer companies after IBM

In SA, Univac is believed to account for 7%-9% of the installed computer base, which is worth more than R750m

Cont →

Middelburg's [illegible] big expansion plans

the outcome of the elections there. Should a stable government come to power and if the country's [illegible] readily moved on the world market, the effect for SA ferrochrome producers is bound to be adverse. Hall[s] foresees prices holding at present rates for the first six months of 1980, but after that it's anyone's guess what happens.

New concept in mine supports

RCM 31 1 80

A R1-million purpose-built factory for the manufacture of pipe sticks and stick props has been opened in Westonaria by HL & H Mining Timber, a member of the Hunt Leuchars and Hepburn group

Pipe sticks are a relatively new innovation in roof support for underground mining operations, consisting of a single round turned timber pole which is inserted under pressure into a steel tube This operation is seen in the picture

Stick props consist of a telescopic timber filled tube the length of which can be adjusted by the insertion of timber discs

Underground, these supports can be used in place of timber mat packs at the working face and the stope, the single pole giving equal or greater roof support than the mat pack while taking up considerably less room in what is already a very limited area

They are, however, unsuitable for roof support in such areas as gulleys where the timber mat pack remains the major source of roof support

HL & H Mining Timber's new factory at Westonaria is capable of meeting the demand for this new, but already widely accepted form of underground support

The plant is well situated for distribution to the West Rand and Western Transvaal mines, while a similar plant is already in operation in Welkom serving the Free State mines

Timber is railed to the Westonaria plant from HL & H Mining Timber's own forests and the poles are then reduced to perfectly uniform timber inserts by turning them on a high speed round wood reducer

The pipe sticks and stick props will be distributed by road from the Westonaria depot to the mines serviced in that area

2/5/80 DD

Plan for R230m PE ship yard

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PORT ELIZABETH — Work on a R230 million ship repair yard in Algoa Bay will start before the end of the year if the site is approved and a financial package deal can be arranged

The executives of Algoa Bay Dockyard Development Company, the Port Elizabeth promotors of the scheme, are confident the site will be approved soon and the capital will be forthcoming.

They estimate the repair yard will be showing a profit within four years of being commissioned and be paid for after 10 years

The size of the proposed repair yard has been scaled down, however, and will no longer feature a drydock for ships of up to 500 000 tons Instead it is proposed to build a drydock for ships of up to 350 000 tons and a smaller one for ships of up to 150 000 tons

Core sampling of the sea bed will start within the next few days and depending on the site selected for the yard, a model may have to be built to determine the effects of waves The core sampling is expected to last a maximum of four months

The chairman of the company, Mr Johan Crouse, and the managing director, Mr Henry Combe, leave for Europe on Tuesday to discuss the construction and financing of the project with several large groups and bankers who are interested in becoming involved

They said the reason for the smaller combination of drydocks was that the number of ships bigger than 350 000 tons represented only 4 per cent of the market. Even with the smaller combination, the yard would still cover 91,5 per cent of the market at a saving of more than R26 million

DDC

S. Times Business

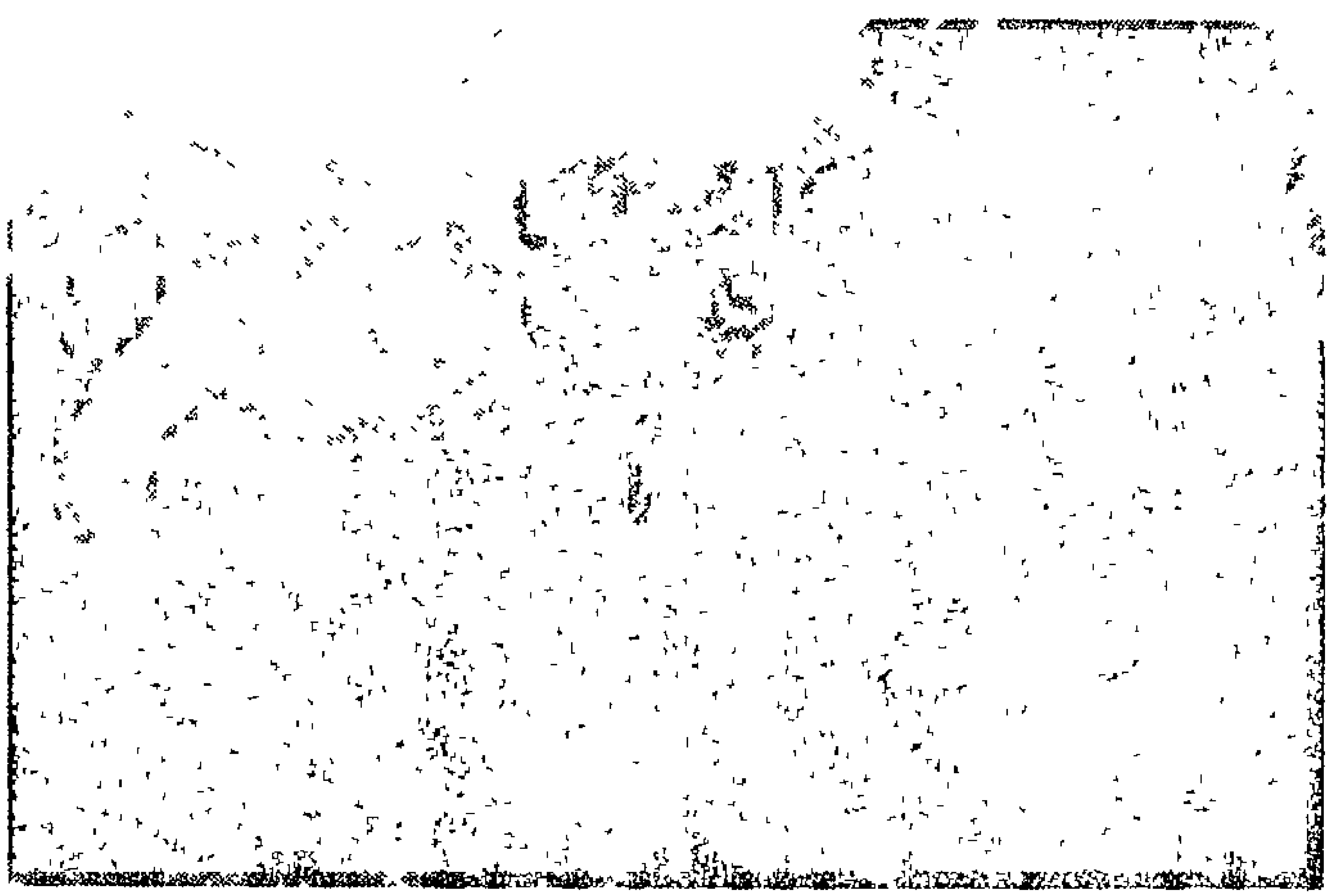
3/2/80

~~860~~

189

~~217~~

Vast new find of quality iron ore



A blast in the Sishen iron ore mine's open pit, one of the world's largest open cast hard rock mining operations

BY ANDREW McNULTY

A MAMMOTH new high-grade iron ore find, potentially worth more than R6 500-million has given South Africa's booming mining industry the possibility of additional large scale exports

The American-based Phelps Dodge Corporation has located extremely large reserves of high grade ore in the northern Transvaal

The deposit contains very substantial tonnages — hundreds of millions of tons — that can be mined by open cast methods and far larger reserves that could be mined later by underground methods

This was confirmed to Business Times this week by Dr Pat Ryan, managing director of Phelps Dodge Mining

Based on current export prices, the deposit is potentially worth well over R6.5-billion

Dr Ryan says evaluation of the reserves is still in progress and any decision to establish a mine will not be taken for some time

We are busy exploring a possible mine, he says "If this deposit had been in the United States it would certainly have been mined But there are various questions to consider mainly markets, and it s early days yet "

However, the deposit is a significant boost to the country s total reserves of iron ore, estimated at 9 500 million tons or 3% of the world's total by the South African Minerals Bureau

This estimate includes proven reserves which can be mined by present mining methods but does not include the new Pietersburg reserves

The ore is eminently suitable for iron and steel making

It is superior in quality to the Sishen-Postmasburg ore which, with an average iron content of some 64%, is among the best quality in the world

The new reserves contain ore of the magnetic variety (known technically as taconite) which is easily concentrated to a high-grade 70% iron product by magnetic separation methods

The Pietersburg material is preferable to the Sishen hematite ore because there are about 4% less impurities that have to be removed in the iron and steel making process

Furthermore, the concentrate fines produced in the Pietersburg magnetic ores are easily pelletised into round balls, which are more efficiently reduced in the blast furnace than the lumpy Sishen-Thabazimbi type ores

A blast furnace reduction operation in the Pietersburg area will result in a 30 to 23% reduction in the weight of material that has to be railed for further treatment and eventual consumption in the Witwatersrand

According to one estimate, the easily mined open pit ores alone would enable an increase of about 50% in the country s present steel production to be maintained for the following 100 years

At this rate of local production — about two million tons of iron or steel a year — total reserves in the Pietersburg taconite field would support production for 300 to 500 years, which indicates the great potential

However prospects of the deposit s being turned to account depend heavily on future export demand

A downturn in steelmaking has made world markets for iron ore highly competitive The market — as well as the lack of railage facilities — mean it could be unlikely that a new mine will be established in the short-term

Iscor now meets all its domestic needs from the Sishen mine and generally exports as much as the Sishen-Saldanha line can carry

One of the world s largest open cast, hard rock mines, Sishen has reserves of some 1 000-million tons and now produces 20-million tons of ore a year From 1976 — when the Sishen-Saldanha rail was opened — until now, Sishen has exported 42-million tons worth R522-million

The two other significant iron ore producers are Iscor's Thabazimbi mine in the northern Transvaal and Associated Manganese's Beeshoek mine in the northern Cape

Although export tonnages of iron are classified, foreign earnings are rising rapidly In 1979 iron ore exports earned some R230-million, up 39% on the previous year Major markets are Japan and western Europe

Prices have firmed slightly in the past 18 months, but a new study by the Minerals Bureau forecasts little significant improvement in demand before 1983

South Africa's total production in 1978 was about 24,2-million tons compared with 26,5-million tons the previous year

500 on strike at Cape project

(189)

By STEVEN FRIEDMAN
Labour Reporter

WORKERS at an engineering site at Saldanha Bay struck yesterday in protest at the dismissal of eight colleagues.

The workers are employed by CMGM, an engineering firm based in Johannesburg.

According to the Western Province General Workers Union, which represents workers at the site, at least 500 are involved.

"Virtually everybody besides a group of workers from the Transvaal are on strike," a union spokesman said.

CMGM management refused to comment yesterday.

By yesterday evening the workers had not returned to work. Late yesterday afternoon CMGM's manager director told them they would be paid off if they did not return. The workers said they would not work for the company if the eight were not reinstated.

Last week a worker at the site was dismissed and subsequently another seven had also been fired.

The workers were convinced that all had been fired for their union organising activities.

On Monday night, a group of about 200 workers demanded to be paid off if the eight were not reinstated. Management refused this request.

They then gathered outside the compound and refused to enter it unless the eight dismissed workers were allowed in as well. The compound guard refused this request and the crowd soon grew to around 500.

Police arrived and persuaded management to allow the eight workers to sleep the night in the compound, the spokesman said.

After initially agreeing to take all the dismissed men back, management said it would only reinstate seven of them. The workers rejected this offer and were waiting to be paid off, according to the union spokesman.

Inyanga ngoku sele izakuphela abasebenzi
eBellville South benogwayimbo. Into ebange
abahlanu ebebesebenza nabo. Bathi unobange
kukuba bebengamalungu eTrade Unions Le uni
thethwano lokuba kunyuswe imali ibeyi - R4
8 ngemini. Umphathi wefektri leyo uthe ezi
ziya kwenza uqushululu efemini

Abasemagunyeni kumbutho weUnion onamalungu
ngokuba yi (Food and Canning Workers Union)
amaphepha anika iUnion igunya lokuba benze
thi kusetyenzwe phantsi kwazo. Ifektri leyo
Ifektri ibalula into yokuba onathini eku
lento kunyanzeleke ukuba kuphungulwe abas

Nangona eba baqxothiweyo ingabantu beBala
abamnyama. Nangona bathe baqrogriswa ngoku
bamnyama bane bemi kwicala lebeBala ababat
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"Silapha sonke yaye iinjongo zethu zinye."

Ayanda amanani abantu abathandakanyileyo
abafundi base University nakwano Kolegi ab
zikolo U.W.C., Hewat, Peninsula Training Co
Abafundi bathe abasebenzi mabaphinde baqesh
Fattis & Monis ingathengwa

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Abafundi base U.C.T. bayenzile eyabo intl
Bacele ukuba imveliso zakwa Fattis & Monis

Umbutho oyi Women for Peace Movement ucele
kunye nabasebenzi.

Umbutho walapha eKapa oyi National African
wakhupha istatement uxhasa abasebenzi abagx

UFattis & Monis uphikele ukuthi akukho ngxa
ungumphathi wefem le uthi, ukhathazekile xa
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imveliso, kodwa imveliso yehlile

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Record Self Raising Flour, Record Cake Flo
Record Unsifted Flour, Record Wheatie Meal
Millie pack Mealie Meal, Fattis & Monis ice
Fattis and Monis Macaroni, spagetti, shells
Princess macaroni, spagetti, shells, rings
Checkers, Poto' Gold, Pick 'n Pay macaroni
Wrench Town Bakery, Observatory, Good Hope
Somerset West

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Printed by S R C Press, U C T

Fattis & Monis Strike

For almost a month 88 workers of the Fattis & Monis factory in Bellville South have been on strike. They struck because five of their fellow workers were dismissed. The workers say the [illegible] because all five were members of a trade union. The union was [illegible] to negotiate for better pay and hours of work - R40 a week and an 8 hour working day. A director of the factory says these demands are "out of all proportion" and unreasonable and would lead to "disruption" in his firm.

Officials of the 10 000 member union (the Food & Canning Workers Union), say the dismissed men had signed a document giving the union rights to negotiate for better conditions. The factory refused to negotiate with the union. It says the men were replaced by machines and that it was part of a cut-back of staff.

Although those dismissed were 'Coloured', [illegible] than half of the men who were on strike are African contract workers. In spite of the threat of being endorsed back to the homelands, the African workers are standing firm with their 'Coloured' brothers and sisters. On the first day of the strike, men from the Department of Labour tried to separate 'Coloured' and African workers who had gathered outside the factory. The workers refused to be separated. One said, "We were all there for the same purpose."

Moves of solidarity with the striking workers are increasing. At a solidarity last week more than 500 university [illegible] college students from U.W.C., Hewat, Peninsula Training College and Bellville Technical College called for workers to be re-employed and for a boycott of Fattis & Monis products.

The Western Province Traders Association says it will instruct its members not to sell the factory's products unless there is negotiation.

The South African Council of Sport (SACOS) has called on all sports bodies and schools affiliated to SACOS to support a call for re-employment of the workers and a boycott of the factory's products

More than 400 students from the University of Cape Town held a meeting and called for a boycott of all Fattis and Monis products

The Women for Peace movement has called on the factory to negotiate with the workers.

The Cape branch of Nafcoc - the National African Federated Chamber of Commerce - has issued a statement in support of the dismissed workers

Fattis and Monis insist th[illegible] dispute" However a director of the firm says he is worried about [illegible] boycott of the factory's products by blacks because much of [illegible] trade is with blacks. The management have kept production going by employing [illegible] workers in the place of the striking workers.

tinuing — DDR

... worth R1 000.

Ciskei, Transkei workers paid out

7/2/80

(180)

CAPE TOWN — About 280 workers from Transkei and the Ciskei, who were paid out by the civil engineering firm CMGM in Saldanha Bay following a dispute over a dismissed worker, left here last night after refusing an offer of re-employment

They were taken from the CMGM site in Saldanha Bay by bus on Tuesday night after they had refused to continue working following the dismissal of the worker. He is leading member of the Western Province General Workers' Union

They spent yesterday afternoon at a CMGM industrial site in Cape Town where they were paid leave pay. They were paid normal pay in Saldanha Bay shortly before leaving for Cape Town

A committee of six met the managing director of CMGM Cape (Pty) Ltd, Mr Paul Hodge, at his office at the site in Cape Town where topics included the dismissal of the worker on Monday

In a statement released yesterday afternoon by Mr Hodge, the company said the worker was Mr M Sodladla. He had been dismissed by a foreman, Mr D Nyathi, for refusing to work. After being dismissed he had threatened the foreman — DDC

Highveld . . full blast and expanding

tember

Part of the capex budget is earmarked for a ninth pre-reduction kiln, the commissioning of which is expected in the second half of 1980 Also, approval was given in November for an R18m, tenth kiln to be started up before the end of 1981 This will complete the first iron plant and take steel production capacity to 900 000 t a year

Given Boyd's expectation of similar earnings in the second half, despite his reservations on export prospects, look for earnings of at least 60c (40,2c) And, with lower borrowings and a large and growing net cash flow, which rose from R34m to R53m last year, the funding of capex through retentions should not prove onerous, ensuring a virtually unchanged dividend policy The change over to Lifo stock valuation means that the group can operate with a lesser dividend cover So a twice-covered dividend of 30c is in prospect Yielding a prospective of 7,2%, the share is worth holding, and accumulating on any price weakness

John White

(189) FM 8/2/80

STAINLESS STEEL

Looking on the brighter side

Stainless steel consumption jumped 70% from 17 000 t in 1978 to 29 000 t last year, and is set to grow at a rate of 8% annually from now onwards as the industry moves into a dynamic growth phase

From 5 000 t in 1966 the local market increased to around 20 000 t in 1974, but then came the economic downturn and the subsequent fall-off in consumption

Present growth is attributable to the quickening of economic activity and the resultant increase in capital expenditure, particularly in mining and metallurgy The Sasol expansion and that of the downstream chemical industry also added its weight to the increased off-take of stainless steel Mining activity currently accounts for 13,1% of consumption, and oil, gas and chemical industries 14,1%

Another major contributing factor to growth has been the marketing effort of the SA Stainless Steel Development Association (Sassda) which pumped R1,8m into market development over five years According to Southern Cross MD, John Hall, this generated an additional market of 12 600 t (worth R3m), on top of normal 5% growth, in mining, petrochemicals, agriculture and transport

Hall foresees continued growth for the industry "The heavy plate market should grow from around 9 000 t to 29 000 t in 1990 As far as sheet is concerned, we are looking at a market growing from 4 000 t to 18 000 t over the same period, while coil should reach 11 000 t " Over the ten-year period he sees total production (presently 24 000 t) reaching 58 000 t against a projected market of 70 000 t

All this bodes well for Southern Cross, the only stainless steel producer in SA, which is embarking on an ambitious R127m expansion programme to meet the expected demand Orders for plant have just been placed, with R40m going to the UK for a cold strip mill and pickling and annealing plant, R30m to the US for a hot mill, while an Austrian company will provide the continuous casting facilities for R10m

Existing capacities after a year will be pushed to around 25 000 t of plate, and 19 000 t of sheet and coil, while total potential capacity will eventually reach 200 000 t

Present local production of cold rolled sheet and coil used extensively for manufacture of catering equipment, wine tanks cutlery and other utensils, as well as in the light chemical industry, is only 4 800 t, meaning that the bulk has to be imported By Hall's calculation, foreign exchange savings on imports and export earnings should be in the region of R76m when the extended capacity comes on stream at the end of 1981

Michael Prior consultant to Sassda, says a lot of time in market development was devoted to expelling myths that existed about stainless steel "A lot of potential users regarded it as something new — it is not — and were put off by costs " He points out that while initial outlay may be high, after true cost evaluation, taking maintenance inspection and downtime involved with other metal structures and surfaces, stainless steel more often than not works out less expensive

He adds, however, that there are some applications where the mistake of overspecifying can occur "Take a car exhaust that corrodes within 18 months to three years Stainless steel will last a lifetime, but then who's going to keep a car that long?"

As discretionary spending of lower income groups rises, Prior foresees increased expenditure and demand for stainless steel in household items, appliances and the like, while demand in food processing industries should also increase "It's part of market development strategies, and people will realise the worth of spending more on items that last longer "

Higher local content by weight in the automotive industry will also prompt a move to stainless steel because of its strength (and hence thinness), although this could be offset by the move to plastics within automobile manufacture

Possessing some 80% of the West's chrome reserves, SA's stainless steel (defined as having a chrome content of 12% or higher) industry is certainly in a strong position But with only one manufacturer, is there not the chance that another fabricator could move in, especially if Rhodesia, with its high grade chrome, stabilises after the coming elections?

Hall doesn't think so "At this point in time in the southern African market it's doubtful whether a grassroots operation will get off the ground"

WHO USES IT

Consumption of Stainless Steel by sector	%
Food and beverage	13,1
Construction	17,3
Domestic and commercial equipment	21,5
Mining and metallurgy	13,1
Oil, gas and chemical	14,1
Pulp and paper	4,2
Other	16,7

Source: Sassda

He says that it would cost about R250m for a plant, and there's plenty of spare capacity in Europe and the US

But with SA's highly developed ferrochromium infrastructure, cheap coal-based energy and relatively inexpensive labour, as well as easy access from SA's mini-Ruhr around Witbank to ports like Maputo and Richards Bay, it could be tempting for another manufacturer to move in, especially as the investment climate improves

Stainless steel utensils . . . bread and butter issues

~~238~~

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Diamond workers 'disgusted'

ARGUS 8/2/80

DIAMOND cutters laid off with the closure of the Diamond Processing Company in Salt River last week said today they were 'disgusted' that management did not give them some warning of the shut-down.

About 300 workers from the firm and the Electronic Diamond Processing Company on the same premises collected money owing to them and their unemployment insurance cards today.

Operators waiting outside the factory this morning said the manager, Mr Ivan Klein, had told them about two weeks ago there was no truth in rumours that the factory would close

'He told us diamonds are forever,' one of the workers said

PAYMENTS

Others said they had recently bought houses or cars and were now faced with payments they would not be able to meet

In January, management had filled in a form for one operator who took a house in Mitchell's Plain saying his job was permanent

Workers said they could have spent the holiday from December 14 to January 14 looking for alternative employment if they had been given some warning.

There were no jobs in Cape Town or Kimberley for cutters, and prospects in Johannesburg were doubtful

'We will have to change jobs and start all over again,' they said

'Management must tell us the reasons for closing down'

Most of the employees at the factory were given one week's notice One angry woman diamond polisher said she had worked nine years 'for nothing — a week's notice.'

One of the fully-qualified, monthly-paid cutters said the company manager had also been paid off today

Mr Klein was not available for comment He has persistently refused to speak to the Press since the factory closed last Friday

CONVICTED

○ In 1977, Mr Bernard Rudnicki, then manager of the company, claimed he had been robbed of diamonds worth nearly R4 million by masked men who threw acid in his face.

He was convicted in the Supreme Court, Cape Town, in February 1978 of defrauding the police and an insurance company He was sentenced to six years' imprisonment

The managing director of the Diamond Processing Company, Mr Banjamin Weissberg, is to appear in the Supreme Court, Cape Town, on May 6 on an allegation of fraud He is on bail of R250 000.

184 53

Workers in row over late shift

EAST LONDON — Six employees at the Hoover electrical appliance factory here have claimed their services were terminated this week after they had refused to work an afternoon shift

But management said they walked out on their jobs after they had been told they had to work the shift because the company was losing money in energy if they worked an earlier shift

The six employees are Mr W Mlisa, Mr L Matebeni, Miss C Bacela, Mr L Moyeni, Miss M Xakushe and Miss L Mzini

They said they had worked an afternoon shift in the factory's paint shop during 1979 At the beginning of this year they worked a straight day shift which they welcomed They did not see any reason why they had to work a late shift as they were the only employees working in that department

"On Monday we were told by our supervisor that we were going to revert to the afternoon shift," Mr Matebeni said

"We told him we did not want to work the shift as it was inconvenient for us, especially getting home late at night

"What's more we were not relieving anyone on the shift so the work we did in the afternoon and evening could be done during the morning "

They appealed to the production manager, Mr Noel Nell, who told them they had to work a late shift because of energy problems

"He told us we could leave the company and he would get other people to do the work if we were not prepared to work the late shift," Mr Matebeni said

He said they were then told they would be fired if they did not want to work on that shift

Mr Nell said the workers had not been fired They had walked out on their jobs

"On Monday they were in my office and I explained the whole position to them," he said.

"They have to work the late shift because of energy problems and the only reason why they worked the early shift from the beginning of the year was that we were training them on a new system — changing from wet paint to powder paint "

He said the training period was now over and the company had been losing a lot of money because of the distribution of power when the paint shop worked an early shift

"When they left my office on Monday I thought they would understand the position and work on the shift but they all failed to turn up for work on Tuesday and the entire factory almost came to a standstill

"I could have sent 150 workers home for the day but I chose to employ other people who are still being trained in the paint shop," Mr Nell said

He said what hurt him was that one man was behind all the trouble He would have been prepared to move them, if they had asked for transfers, to departments in which they could work on the early shift

All were getting top wages and it was sad they did not realise every plant had job specifications to be met and employees had to fit in or find other jobs

"There is a lady in the group (Miss Bacela) who was due to get a ten year service badge in a few months' time", Mr Nell said —DDR

Four of the six workers who have lost their jobs at the Hoover factory (from left): Mr L. Moyeni, Mr L. Matebeni, Miss C. Bacela and Mr W. Mlisa.

Business

Output to double

The production capacity ... which manufacture ... for 17 steel ... from steel scrap, would be doubled, ...

... middle of 198? Provision is made for the ... of the ... small ... extension ... to supply the Western Cape market for reinforcing steel over the next decade, after which the second step will follow to ... the end of the century.

RIKE

ela abasebenzi abangama - 88 bakwa Fattis & Monis efektri mbo. Into ebangele ukuba bagwayimbe kukugxothwa kwaba- enza nabo. Bathi unobangela wokugxothwa kwaba basebenzi lungu eTrades Unions Le union, be izama ukwenza uphando kunyuswe imali ibeyi - R40 ngeveki yay kusetyenzwe Umphathi wefektri leyo uthe ezizinto bazifunayo zinga- kwenza uqhushululu efemini.

weUnion onamalungu ayi 10 000 (amawaka alishumi) obizwa ing Workers Union bathi abo bagxothiweyo bebesayinile igunya lokuba benze uthethwathethwano ngemeko ezibetele hantsi kwazo. Ifektri leyo ilalile oluthethwathethwano a into yokuba omatshini ekusetyenzwa ngabo bathethe indawo nzeleke ukuba kuphungulwe abasebenzi,

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abazibanakanyi leyo nabasebenzi abagwayimbelileyo. Kwenye sa abasebenzi kwive-i ephelileyo kubekho abafundi base egi ababafundi kwe - 500. Ababafundi bavela kwezi zikolo l Technical College, Peninsula Training College. Ababafundi hinde baqeshwe kungenjalo yonke imveliso yakwe Fattis & Monis

rovince Traders Association uthe uza kuxelela onke amalungu imveliso yaleFektri de bavume uthethwathethwano.

Umbutho oyi South African Council of Sports SACOS ucele onke amalungu awo nazo zonke izikolo ezinonxibelelwano kunye nabo ukuba zixhase abo bagxothiweyo de ba- phinde baqeshwe. Yaye akufuneki bayithenge imveliso yale fektri.

Abanfundi base U.C.T. bayenzile eyabo intlanganiso bebonakalisa ubunye nabasebenzi. Bacele ukuba imveliso zakwe Fattis & Monis zingathengwa okanye zingasetyenziswa.

UFattis & Monis uphikele ukuthi akukho ngxabano nakungevani kulefektri. Kodwa ke lowa ungumphathi wefem le uthi, ukhathazekile xa kusithiwa imveliso yabo mayinga- thengwa ngabaNtsundu njengoko inkxaso enkulu ivela kwabo baNtsundu. Abaphati bale Fem baqashe abasebenzi abangabanye ukuba basebenze endaweni yabo bagwayimbileyo ukuze kubekho imveliso, kodwa imveliso yehlile.

Ngubani uFattis & Monis? UFattis & Monis yifektri enezimvaliso zilandelayo: Record - self raising flour, Cake flour, Bread flour, Sifted flour, Unsifted flour, Wheatie Treat flour; Philadelphia flour; Koeberg Mille packed mealie meal; Fattis & Monis icecream cones, cake cups and wafers; Fattis & Monis macaroni, spagetti, shells, ribbons, rings, dilatines; Princess, Pick 'n Pay, Pot o' Gold, Checkers and Roma - macaroni, spagetti, shells, ribbons, rings, dilatines; Wrench Town Bakery in Observatory; Ultra Bakery in Somerset West; Good Hope Bakery in Elsies River.

"CAPE TIMES 9/2/80

Outlook bad for sacked workers

189

338

Staff Reporter

ONLY six of the 450 skilled diamond sorters, polishers and clerical workers sacked by Electronic Diamond Processing (Pty) Ltd last week have found other jobs

Among those fired are a number of married couples who face severe problems finding alternative employment in an industry which already has an unemployment problem

The other Cape factories, in Cape Town and Kimberley, have no vacancies and prospects in Johannesburg are also dim

A senior sorter, who asked to be identified as "Shorty", said yesterday he had travelled to Johannesburg to investigate the situation and found there were no vacancies

There were already about 20 diamond workers registered as unemployed with the industry's union, the Diamond Workers Union, and they had to be employed first when vacancies arose, he said

The 450 workers fired last week were not union members and would have to pay about R150 each to join the union

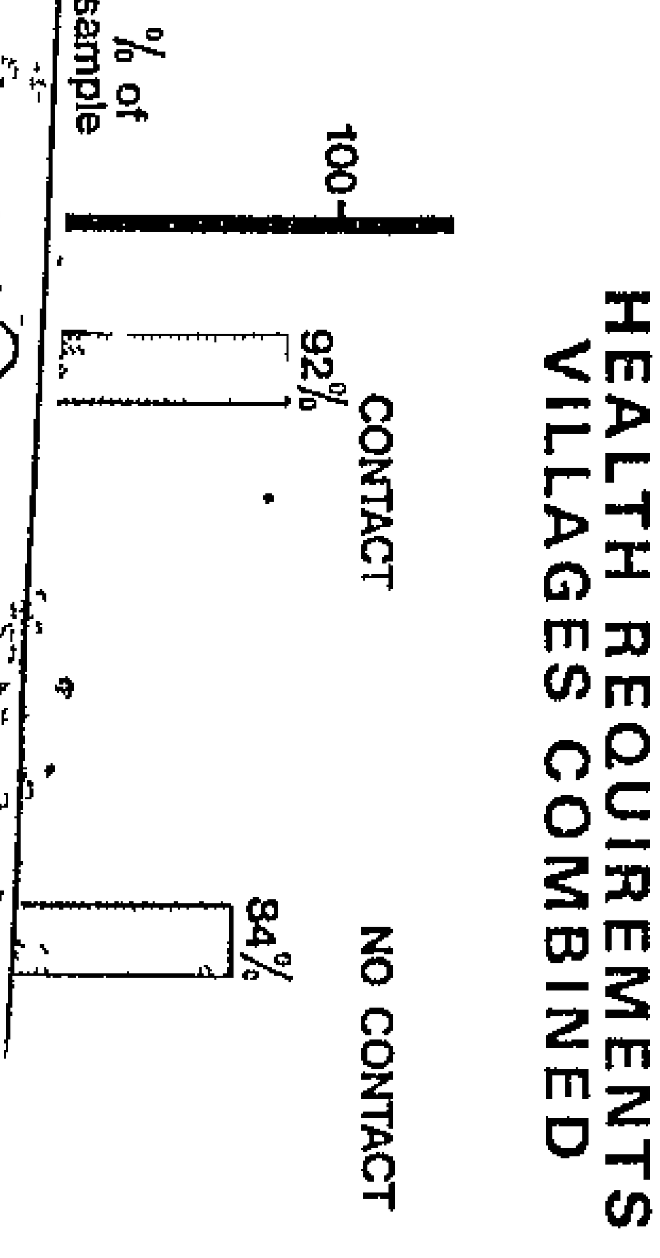
● Mr Ivan Klein, the company's manager, had caused "endless problems" by reassuring the workers that the company had no problems

As a result of his reassurances, many families had spent freely on holidays over Christmas and bought houses and cars which now had to be paid off

Mrs Ollieta d'Oliveira said she had been with the firm for ten years and had two children and no husband

'What do I do now? I can't live on unemployment How am I going to feed my children," she asked

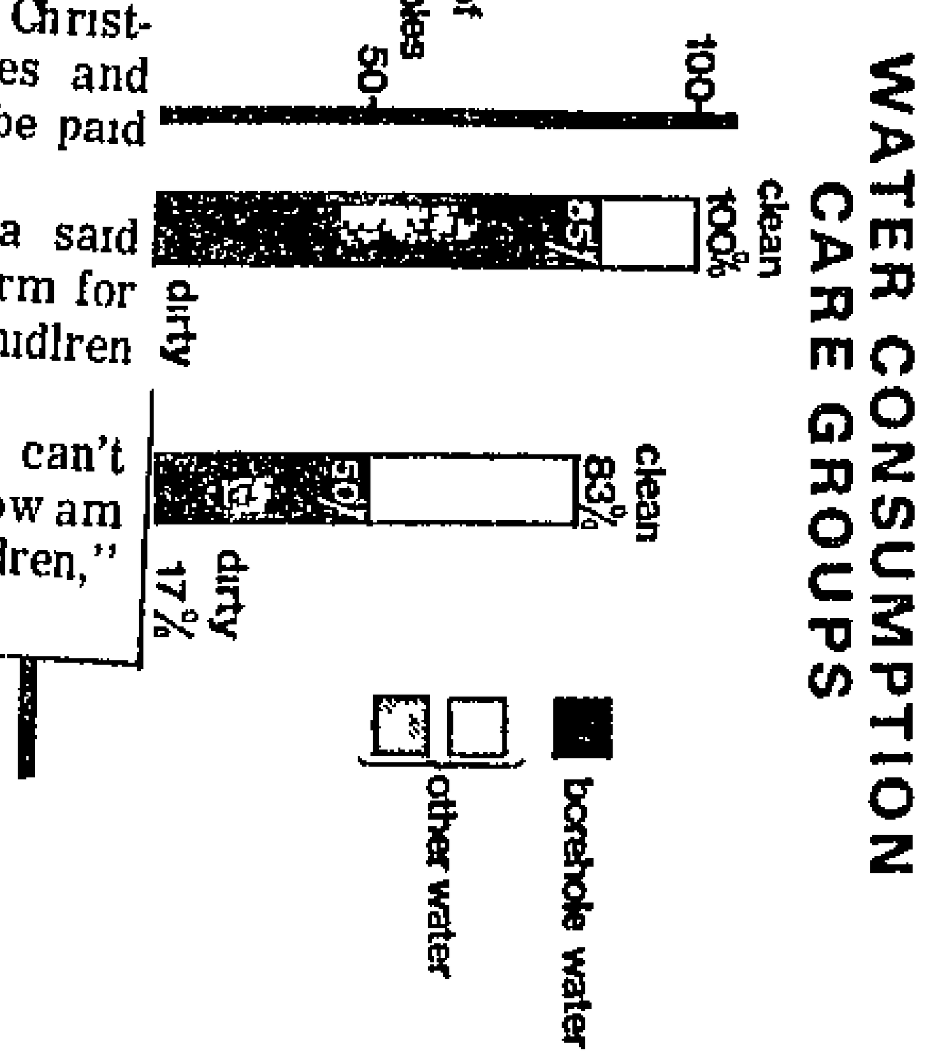
HEALTH REQUIREMENTS VILLAGES COMBINED

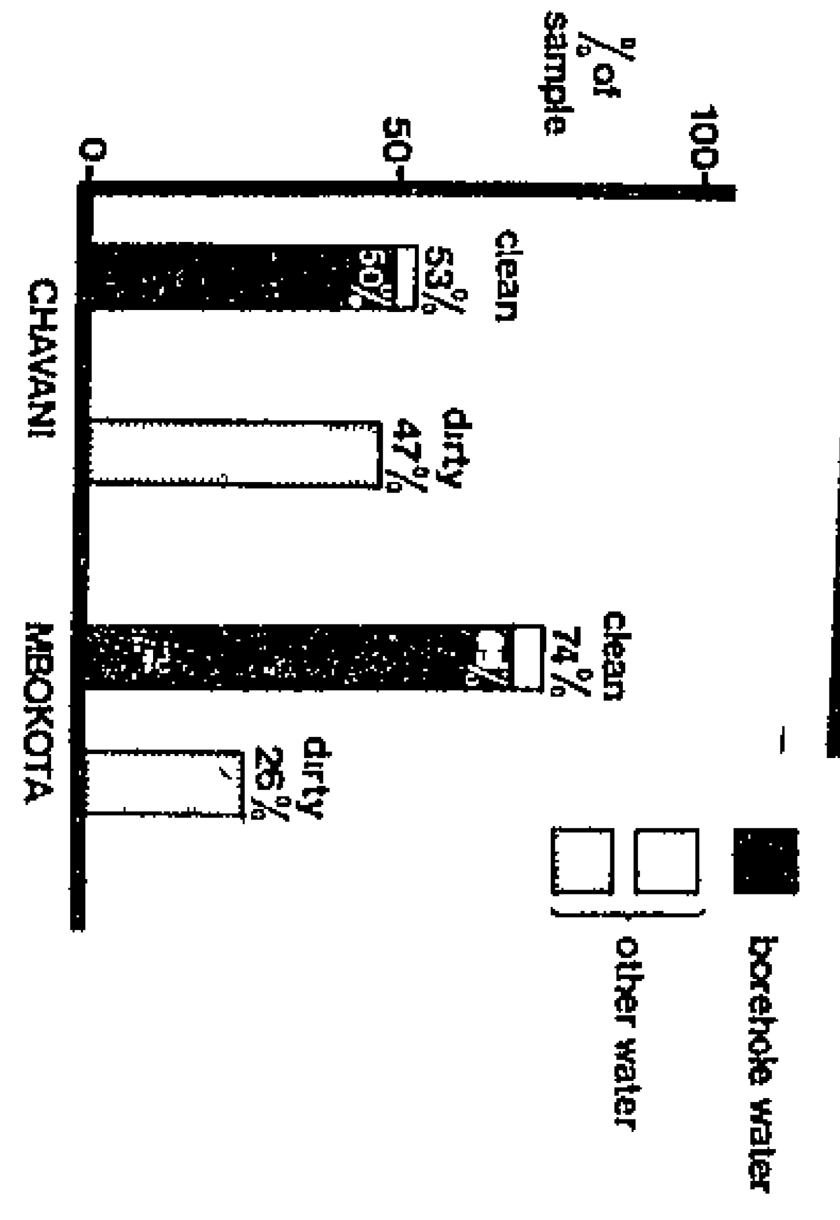


POSSESSION OF HEALTH REQUIREMENTS

	CHAVANI care-group (%)	CHAVANI non care group (%)	MBOKOTA care-group (%)	MBOKOTA non care-group (%)
SOAP	100	85	100	89
WASHCLOTHS	100	38	92	33
PIT LATRINES	60	18	33	16
VEGETABLE GARDENS	90	32	58	17

WATER CONSUMPTION CARE GROUPS





450 diamond cutters paid off

Cape Times
9/2/80

189

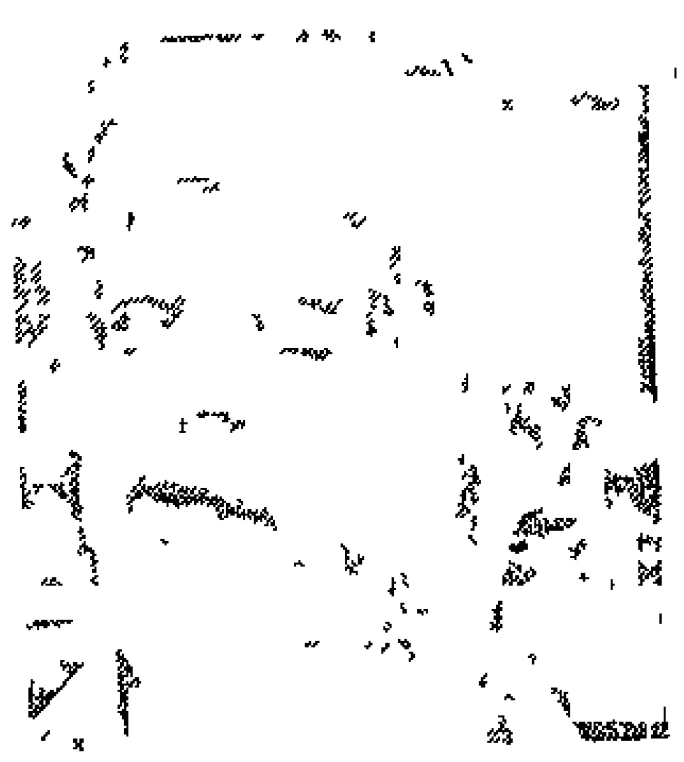
335

By LEON BEKKER

A TOTAL of 450 diamond cutters who have been summarily dismissed by a Salt River company, Electronic Diamond Processing (Pty) Ltd, were paid off yesterday

Last week they received letters signed by the firm's manager, Mr Ivan Klein, that "due to unforeseen circumstances" their services were no longer required

The cutters received their final pay-cheques and unemployment cards yesterday, handed out by a foreman identified only as Andre



Mr John Smith, summarily dismissed

Three hundred of the cutters gathered outside the company's premises yesterday, but there were no incidents

Spokesmen expressed dissatisfaction at the sackings Mr John B Smith, a polisher with the company for 10 years, said he was "very angry"

"Where are these people going to get jobs? There are none in Cape Town and we will have to go to Johannesburg, where things are tight anyway,"

When rumours that the firm might close began circulating a few weeks before the end of last year, Mr Klein had reassured workers that this was not so "He pleaded with us to stay, and now we're on the street", said one polisher

Many said they were angry that the company's managing director, Mr Benjamin Weissberg, who lives in Belgium, had stayed away and left Mr Klein to "carry the can"

Outlook bad for workers, page 2

FATTIS & MONIS STRIKE

Inyanga ngoku sele izakuphela abasebenzi abangama - 88 bakwa Fattis & Monis efektri eBellville South benogwayimbo. Into ebangele ukuba bagwayimbe kukugxothwa kwabasebenzi abahlanu ebebesebenza nabo. Bathi unobangela wokugxothwa kwaba basebenzi bahlanu, kukuba bebengamalungu eTrades Unions Le union be izama ukwenza uphando nonthehtwathethwano lokuba kunyuswe imali ibeyi - R40 ngeveki yay kusetyenzwe iyure ezisi - 8 ngemini. Umphathi weFektri leyo uthe ezizinto bazifunayo zingaphezu kwamandla yaye ziya kwenza uqhushululu efemini.

Abasemagunyeni kumbutho weUnion onan
ngokuba yi Food and Canning Workers
amaphepha anika Union igunya lokub
ekunokuthi kusetyenzwe phantsi kwazo
ne Union. Ifektri ibalula into yokub
yabantu yiyo lento kunyanze leke ukub

Nangona aba bagxothiwyo ingabantu be
abantu abamnyama. Nangona bathe bagn
basebenzi bamnyama bame bemi kwicala
Ngosuku lokuqala logwayimbo indoda e
Bala kubantu abamnyama xa bebemengap
omnye wabo uthe "Silapha sonke yaye

Ayanda amanani abantu abazibanakanyi
yeentlanganiso zokuxhasa abasebenzi
University nakwano Kolegi ababafundi
U.W.C., Hewat, Bellvill Technical Co
bathe abasebenzi mabaphinde baqeshwe
ingathengwa

Umbutho oyi Western Province Traders
awo ukuba angayithengi imveliso yale

Umbutho oyi South African Council of
zonke izikolo ezinonxibelelwano kunye
phinde baqeshwe. Yaye akufuneki bayit

Abanfundi base U.C.T. bayenzile eyabo
Bacele ukuba imveliso zakwe Fattis &

UFattis & Monis uphikele ukuthi akukh
lowa ungumphathi wefem le uthi ukhat
thengwa ngabamNyama njengoko inkxaso
Fem baqashe abasebenzi abangabanye uk
ukuze kubekho imveliso kodwa imvelis

Ngubani uFattis & Monis? UFattis & Mo
Record - self raising flour, Cake flo
Wheatie Treat flour; Philadelphia fl
Fattis & Monis icecream cones, cake c
spagetti, shells, ribbons, rings, dil
Checkers and Roma - macaroni, spagett
Vrench Town Bakery in Observatory; Ul
in Elsies River.

Engineering brain drain hits varsities

By Andre van der Merwe

Attractive salaries offered by the engineering industry are luring more and more university lecturers back into the private sector, leaving vacancies which are hard to fill.

Engineering faculties at four of South Africa's leading universities have vacancies which have been advertised for more than two years without success.

At least two deans of engineering faculties have described the situation as "alarming".

They say if swift action is not taken the situation could become critical in the next few years.

The dean of the engineering faculty at the University of Pretoria, Professor W J Schoeman, said this week that in the 10 engineering departments of his faculty there was at least one vacancy in each department.

"It has become very difficult — in some cases almost impossible — to replace lecturers who leave the university to join a private practice or other sectors in industry.

"Universities cannot compete with salaries.

"Engineering lecturers are lured away by attractive salaries to private practice where they can more than double their income."

The dean of the engineering faculty at the University of the Witwatersrand, Prof H E Hanrahan, said the problem was of serious concern, specially in the case of senior lecturers.

"All eight of my departments have vacancies, and I am finding it very difficult to find suitable people to fill them."

The problem had not yet reached critical proportions, but if the present tendency persisted the standard of lecturers was sure to be affected.

Prof Hanrahan who also blamed the private sector for luring lecturers away with higher salaries" said the only solution was to update salaries paid to university lecturers.

The salary structure of engineering lecturers has been [illegible] certain proposals have been made to the [illegible].

Spokesmen at the University of Cape Town and Stellenbosch yesterday predicted a shortage of engineering lecturers [illegible] something drastic was [illegible] done to improve lecturers' salaries.

Six of the men who allege they were fired for refusing to ride in an open truck during a rain storm.

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Sacked for refusing ride in storm on open truck

By JOE THLOLOE 14/2/80 Post

SEVEN men yesterday alleged they were fired from Reliable Production Company in Steeldale for refusing to ride in an open truck during Tuesday night's rain storm.

The man said they were at the usual meeting point — a shop near Jeppe Station — when the truck came to fetch them for night duty.

"We asked the white driver to wait until the storm had subsided, but he refused and drove back to the factory," one of the men said.

Nine of them had been waiting for the truck. Two climbed onto the truck when the driver refused to wait and seven were left at the shop.

"There was water on the floor of the truck and the few sacks we were told to use to cover our heads were wet," the men alleged.

"When we went to the factory in the morning to find out why we had been left behind, we were sacked and told to fetch our pay at noon," one said.

The manager of the company, manufacturers of bolts, screws and nuts, a Mr Simon, was not available for comment yesterday afternoon.

POST was told by sources in the company that the seven had been replaced by men who were fetched from the labour bureau in the morning.

OVERTIME

The seven worked a 9.30 pm to 7 am shift. They are all from Soweto, aged between 21 and 38 and have been working at Reliable Production for between three weeks and eight months. They are, Paulus Mdlalose, Ebenezer Monageng, Abraham Moloi, Oupa Leeto, Leslie Chapo, Jacob Mokatsanyane and Mahlomola Monageng.

"The manager told us the company had lost production because we had not turned up for work," the men said. "We said we could make up for it with overtime, but he said he would not pay for the overtime."

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expenditure in each programme.

2.2 Programme Evaluation

Haggie thumps forecasts

Rom 14-2-80

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By HOWARD PREECE

HAGGIE, the wire and wire-rope maker, has produced exceptional profit figures for 1979 — well above the prospectus forecasts last August when it announced it was seeking a stock exchange listing for the ordinary shares

The group, in which Union Corporation has a 27% stake, boosted net taxed profit last year from R10 446 000 to R18 890 000

A final dividend of 26c has been declared, giving a total of 36c against the forecast of 30c and 20c paid in 1978

Earnings a share were 103c — 84c in the prospectus and 57c the previous year

Samuel Osborn became a subsidiary in January 1979, but although this accounted for about half the rise in turnover — from R97-million to nearly R156-million — it has not such a major impact on profits

Samos made R1 790 000 after tax last year

Haggie's chief executive, Mr Richard Savage, says exports now account for around 32% of output

Considering that that puts an export tag of around R50-million on Haggie it makes it one of South Africa's largest exporters of manufactured engineering products

Mr Savage is concerned that if the rand shows any significant appreciation against the dollar (and other currencies generally) this could hurt the export business

Against this he is confident that the upturn in the South African economy will continue to show accelerating benefits for Haggie as in the second half of 1979

COMMENT: Haggie shares opened at 570c when they were listed last September and have since moved up to 660c. Historically they yield 15,6% on earnings and 5,45% on dividend

Although Haggie was a low profile company until the listing of the ordinary shares, it can claim a definite measure of blue-chip status. The compound growth in profits in the last 10 years has been 25%.

The market capitalisation is now around R120-million. Shareholders' funds are a bulging R70-million so the group has no financing problems.

In any case Mr Savage says that existing capacity could broadly cope with 10 years expansion.

Those who think that the industrial share market still has some useful growth potential may find Haggie interesting Those who are looking for genuine long-term investments may find it even more so.

...expenditure on preventive medicine constitutes approximately 2% of all expenditure on health,[11] it may be felt that the benefits from this kind of provision warrant an increase in the share of the budget allocated to it.

Unfortunately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

A very large proportion of decisions are now taken with no further analysis than this. Any further steps involve a way of systematically valuing the benefits of different programmes to render them comparable to one another.

...Informal Method for Setting Objectives

...ing method for guiding the choice of priorities has been ...by John Bryant.[12] It has been used by medical and nursing ...n Thailand, and one of its advantages is that it can be used ...umerical data is available. It, therefore, lends itself to ..., to draw on the experience of a group of people.

...health problems are first listed, and then given a score (from ...r pluses) under each of four headings:

A method of ranking health problems

	Prevalence	Severity	Community concern	Vulnerability to management	Total
...rly ...lies	++++	++++	+++	++	96
...Ante-natal & obstetric care	++++	++	++	+++	48
Malnutrition	+++	+++	++	++	36
Need for medical care	++	++	++++	++	32
Specific diseases:					
V.D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

Iscor is to double its Cape capacity

(189) ~~260~~ S Times (Business

17/2/80

By ANDREW MCNULTY

ISCOR is to spend R15-million on almost doubling the capacity of its subsidiary, Cape Town Iron and Steel Company (CISCO) which manufactures reinforcing steel mainly from scrap

An Iscor spokesman tells Business Times the additional revenue forecast is R5-million in the first year rising to R8-million to R9-million from the third year

The additional tonnage from CISCO will be aimed at meeting the growing needs of the Western Cape.

The first step of the extension will be to increase CISCO's steel-making capacity from 56 000 tons a year to 95 000 tons and is expected to be completed by the middle of 1982

This is planned to meet the needs of the Western Cape for the next decade.

Provision has also been made for a further doubling of output later at a relatively small capital investment, which should meet market growth until the end of the century

The rolling capacity of the plant will be increased, and the product range is to be broadened to cover all the standard reinforcing bar diameters from 8 mm to 40 mm

CISCO uses a reclaimable waste raw material — steel scrap — which arises in any case in the Western Cape, particularly from dockyards, and would otherwise have to be railed to the Transvaal for processing

A procedure has been evolved in the framework of the scrap pool which will enable CISCO to bid for ship scrap arising in its area

The expansion is expected to have a significant ripple effect in creating new employment opportunities

FINANCE

18/2/80
Argus
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ISCOR TO EXPAND CITY SUBSIDIARY

ISCOR has decided to extend at a cost of R10-million the production capacity of its wholly-owned subsidiary, Cape Town Iron and Steel Company (Pty) Limited (Cisco), at Kuils River, which manufactures reinforcing steel mainly from steel scrap.

The first step of the extension will be to increase Cisco's steel melting capacity from 56 000 tons to 95 000 tons a year, and is expected to be completed by the middle of 1982.

Provision is made for the possible doubling later of the tonnage, at a relatively small further capital investment.

The rolling capacity of the plant is to be increased and the product range broadened to cover all the standard reinforcing bar diameters from 8 to 40-mm.

This first step of the extension will enable Cisco to supply the Western Cape market with reinforcing steel over the next decade, after which the second step will follow to satisfy the market up to the end of the century.

Cisco uses a reclaimable waste raw material steel scrap

After the extension Cisco will play an even more important role as a source or employment in the Western Cape.

The location of Cisco within the Cape Town metropolitan area has the added advantage that steel scrap arising in the Western Cape does not first have to be railed 1 500 km to the Transvaal to be processes into reinforcing steel, only to be railed back all the way for use in the Western Cape.

Ship scrap arising in or near the ports of Cape Town and Saldanha Bay, such as obsolete fishing trawlers, coasters, tugs and naval vessels, as well as wrecks of larger ships are sunk or towed to an overseas dockyard to be scrapped, thus being lost to local industry.

A procedure has now been evolved by which Cisco may, within the framework of the scrap pool, bid for ship scrap arising in its area. Cisco lies in the most favourable location for the purchase and processing of such scrap.

DIGNITY WATCH

189 Post 18.2.80

Worker is told to learn fast or quit

Mr Dubazana . . forced to resign

By IKE MOTSAPI

MR MOSES Dubazana was new in his job, but he felt this was no reason to accept insults from his supervisor at Haggie Rand. He wrote a memorandum to management objecting about the insults.

Management told him Choose between learning to operate a new machine within a week or resign

"I told management that I would find it difficult to learn to operate a machine within two weeks," Mr Dubazana of 89 Mnisi Section, Katlehong, said.

"I then resigned as I had no alternative"

Mr Dubazana was employed as a trainee machine operator on January 25

"During my first week of training, the coloured supervisor said I am stupid and that my education made me mad," he said.

"I ignored these remarks — kept my cool — as I wanted him to teach me how to operate the machine.

"On the Thursday a week ago, the supervisor found me trying to pull out a wire from inside the machine. He told me not to sleep on my job or else I would see my mother

"I felt insulted because my mother had nothing to do with my job I wrote a letter to management objecting to the insults"

Last week he was given the choice of learning to operate the machine within a week or resigning

"When I asked about the insults, I was in turn asked why nobody else had complained about the supervisor," Mr Dubazana said

The managing director of the company, a Mr Milburn, told Dignity Watch that he had received Mr Dubazana's letter, but added that Mr Dubazana had also said the job he was doing was too difficult.

"When he said the job was too difficult for him there was no alternative but to ask him to resign," Mr Milburn said "The company employed him to do that job"

Fired soon after injury

GENERAL Erection Company in Brakpan says it no longer has work for Mr Michael Moleko of Springs

But Mr Moleko is still wondering why he was sacked so shortly after injuring his ~~hand while~~ on duty. 131 133

He told Dignity Watch that he was injured on November 20 last year and was admitted to hospital He was discharged on December 7

He was advised not to go to work until he was declared fit to do so Post 18.2.80

On December 16 the doctor told him he could go back to work Four weeks later he was fired.

Mr Moleko said when he tried to ask why he was sacked he was told to shut up and "clock out"

He said "I was so disappointed that I felt like crying"

A Mr Smith of General Erection told Dignity Watch that Mr Moleko was fired because there was no longer work for him with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated

With the exception of Neoplastic Diseases and Diseases of the Circulatory System in men, the 'coloured' community stand to gain most from measures directed at the control of any of the selected diseases included in Fig.6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently amenable to the implementation of relatively simple methods of prevention.

ACKNOWLEDGEMENT

The writers wish to thank the Board of the Colonial Mutual Life Assurance Society for their generous financial assistance.

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* * *

Iscor set for big turnaround

The steel giant, Iscor, is set to make a dramatic turnabout and register its first profit in six years

This was announced by the general manager of Iscor, Mr K R Rumelin

He predicted that Iscor would turn last year's deficit of R38,5m into a profit of about R76m.

This will be the first time in six years that Iscor has shown a profit during which time the corporation has come under fire for poor management and productivity

Speaking at a function at Iscor headquarters in Pretoria to mark the presentation of the Productivity Improvement Programme awards to members of the management staff, Mr Rumelin said much criticism had been levelled at the corporation

However, productivity at Iscor compared well with the so-called private sector

Mr Rumelin said the dramatic turnabout in Iscor's fortunes was due in part to managerial skills, increased productivity and the cost saving scheme which had been launched in 1968

Since then Iscor employees had put forward suggestions which had resulted in the corporation effecting savings totalling R725m through the PIP programme in 11 years

In the last three years PIP had resulted in productivity increasing by an average of 4,3 per cent

Fourteen certificates were presented to individual employees and groups for cost-saving ideas which amounted to more than R18m

The highest individual cost-saving scheme, for a suggestion from two members of the Vanderbijlpark works, will save Iscor about R3,9m a year to come and shear once woolshotts paid by all their employers had been spent, and

2) that although ... farmer ... appoint...

...ame rates, some ...e or after the

They also ... need for the ... season advan... break the ...

... f the farmer's ...en to him as the ... or threaten to ... would be paid more.

The farmers ...

None of the f... these problem... they were not ... generally als... fetch the tea... from Aberdeen ... demand, had ... shearers had ...

... an agent reported ... ogramme, making sure ... season, and would ... mers would then ... towns. The team ... arently in great ... employing the ... for their transport.

This team had ... to 15c a shee... to come into ...

...se of 5c, from 10c ...s which were about 12c a sheep.

3. The Workers

All the work... (dagsmanne) ... Of the 18 wo...

two were ... ten were ... six were ...

...shearers and 3 ...ly) from Middelburg.

Big export coup for Macsteel

Sun Times 24/2/80

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By VERA BELJAKOVA

IN A multi-million rand coup, Iscor, Macsteel and Unicorn have opened up the west coast of South America for the South African export market

Some 90 000 tons of steel, worth about R30 million, was shipped by Macsteel to Ecquador, Colombia, Bolivia, Chile and Peru during 1979

The 1980 steel export tonnage is likely to reach 100 000, says Eric Samson, 41-year-old chairman of Macsteel — a 70-year-old company with a R150-million turnover in 1979

Iscor's gentlemanly agreement has allocated Macsteel one of SA's largest steel merchants and stockholders, the west coast of South America as opposed to the east coast — territory ceded to Protea (see Business Times, January 20)

Macsteel's powerful export drive since late 1977 has paid off

The company now keeps a network of agents in each of the west coast countries

Steel is shipped in hot and cold rolled in sheets and coils, galvanised in sheets and coil, reinforcing bars, profiles in sections, and wire rod

Although the steel is almost exclusively from Iscor, Macsteel also represents other Southern African mills General Mining's Dunswart and Anglo's Scaw are those which have finally gained a toehold on the Latin continent

The west coast is a relatively new venture for Iscor, yet profit margins remain slim

"Competition in Latin America is very keen," explains Sheldon Smuts, Macsteel's 38-year old international managing director

"We are quoting against the Koreans, Japanese, Taiwanese and US mills. The Koreans are particularly active in the area and the Americans have recently started to spearhead their own export programme"

Moreover, freight rates are high, accounting for about 15% of the steel selling price

"Increases in shipping costs are astronomical — they have almost doubled in the past 12 months," bemoans Mr Smuts

Latin America uses SA steel for its construction and wire industries and in the manufacture of their electrical white goods and equipment industries

But Macsteel is not putting all its steel eggs in one basket. It is actively developing new markets especially in sensitive Asian and African countries, which at present account for a further R30 million or 50% of Macsteel's exports

To service the world market, Macsteel maintains offices in London, Houston and Hong Kong. The latter office services the Far East where Macsteel has been active for the last three years

With an air of optimism, Macsteel projects a 50% growth on group turnover for 1980 with anticipated sales of R225-million for next year

One worker was 74 years old. He had been shearing for 40 years and had never done any other work. He said he would have liked to retire but would find it difficult to live on a state old age pension.

Civil engineering upturn continues

Good news [illegible] that the civil engineering industry [illegible] continuing the [illegible] upturn which started in the last part of 1983, following the recession of 1976 onwards.

But skilled labour [illegible] becoming a problem after the large scale retrenchment of the [illegible] period and this could severely restrict the industry's performance.

In its latest review of conditions in the industry, Seifsa points out that over the years effective training [illegible] have been set up in civil engineering and these will be stepped up to satisfy the need for semi-skilled labour during the upturn.

A feature of the industry is that it employs relatively [illegible] [illegible] and [illegible]

But according to [illegible] [illegible] order book [illegible] [illegible] well filled.

However [illegible] expected [illegible] months. But [illegible] [illegible] was to [illegible]

Economic conditions and the need for more infrastructure facilities should prove the budget [illegible] for civil engineering.

Add this to civil work connected with the [illegible] of the [illegible] and increased investment in the [illegible] sector, the [illegible] looking forward to a period of [illegible] expansion.

al workers (with the roots of this
ical rights), such a development is
n rural society, and the direction of
nto industrial employment. It is not
absorb such displaced groups adequately,
to South Africa's agrarian problems

ing agriculture as an activity comparable
onomies of scale, specialisation of
emerged in Soviet agriculture have
ricultural production on industrial
f land-extensive and capital-intensive
nerated similar problems in South
Africa.

A.W. Stadler
Department of Political Studies
University of the Witwatersrand

Berzack profit jumps, but divs sluggish

(189) RDM 26/2/80

By ELIZABETH ROUSE

BERZACK Brothers (Holdings) is a remarkable company — because of its excellent profit growth record and, on the negative side, because of its parsimonious dividends.

Admittedly, the industrial sewing machine group with interests in cables, plastics and furniture, is in the midst of a capital expansion programme, but its interim dividend of 6c (up from the 1978 half-year's 4,5c) is 19,5 times covered by earnings of 117c (up 79,4% from 65,2c)

Cover was already a hefty 7,9 in 1975 and was increased to 14,7 in both 1978 and 1979.

Berzack bought two nearby properties last year to cope with increased demand and established a new engineering works

Chairman Mr Maurice Berzack warned shareholders that the group would continue to use retained funds to finance expansion and keep up with expensive technological advances

He said in the last report that "this reinvestment of funds is not only creating a strong asset base for your company, but is paving the way for solid future growth to the ultimate benefit of shareholders"

The niggardly dividends have put Berzack on a bluest of blue chip yields of about 3% The point is that blue chips are highly negotiable shares, which tightly held Berzack is not

However, shareholders cannot quibble about the group's performance Attributable taxed profit shot up to R1 397 000 in the six month to December last from the 1978 half-year's R778 000

The holding company, Berzack-Illman Investment Corporation (Bivec), reflects Berzack prosperity. Its dividend has been raised to 1,3c from 1c on 77% higher earnings of 20,7%

Interim taxed profit amounted to R730 000 against the 1978 half-year's R413 000

Haggie sees further growth

(189)

RDM 28/2/80

By HAROLD FRIDJHON

AFTER Haggie's 60% increase in turnover and 80% jump in attributable profit last year, the chairman, Mr I S Haggie, forecasts a further increase in sales and profits in the current year "in view of the improved state of trading in the Republic and our continuing efforts in export markets".

He says exports are a firmly established part of the business The directors' report reveals that export earnings last year were R26-million against R17-million in 1978, and Mr Haggie comments that a 34% improvement in export trade had been budgeted for (The actual improvement was 52%)

Haggie Rand, the operating subsidiary, processed record tonnages of steel, largely as a result of the increased export trade The South African market, although improved, is still 23% down on its peak of 1975

Mr Haggie says the group has budgeted for increased sales in real terms for 1980, but the improvement will be "much less dramatic than in 1979".

Of the other subsidiaries, Samuel Osborn (SA) performed according to expectations Increased sales of crushing, screening and mineral processing equipment are planned, as well as improved sales for Somta Tools

Wire Industries had a record sales turnover of R32-million against R25-million in 1978 and "continues to expand its activities", Mr Haggie observes

"Productivity is in general still lagging behind that of many industrialised nations While productivity in our group has improved significantly it is necessary that we measure our performance against these countries in order to compete effectively on an international basis

"It is only through training, education and manpower development that we can achieve the required efficiencies," says Mr Haggie in drawing attention to the fact that the group's training programmes have been expanded and improved for all levels of skills.

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CT 28/2/80

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Quick share guide

MOST ACTIVE SHARES (VALUE)

	Volume (000s)	Value (R000)	Deals	Prev price	Price +/−%
FS Saai	79	523	26	620	+6,5
Blyvoor	23	340	44	1395	+2,5
Harmony	14	308	28	1980	+4,0
Grootvl	32	275	44	805	+5 0
Barlows	24	243	42	950	+3,7
Anglos	16	228	36	1335	+1,1
Liberty	10	205	12	1950	+2,6
P Brand	5	202	12	3975	+0,6
Elsburg	33	187	38	540	+2,8
Stilftn	10	183	22	1640	+5,2
Debeers	16	181	29	1110	−0,5
Easdrie	6	175	13	2550	+1,0
Un Corp	12	174	14	1425	—
Ergo	19	163	23	810	+2,5
Freguls	2	146	9	5800	+0,9
Blucirc	34	146	15	425	—
W Area	17	142	20	815	+3,1
Unisel	13	139	17	1040	+1,0
Amcoal	5	138	4	2350	—
Mitcott	43	130	13	300	—

LARGEST PRICE GAINS

	Prev price	Cents	%	Div Yield%	P/E ratio	Div cover
Bester	82	13	15,9	—	7,7	—
Lonrho	210	30	14,3	7,2	6,1	2,26
Satmar	125	15	12,0	28,0	312,5	0,01
Doorns	1350	120	8,9	4,4	5,6	4,04
Rd Lease	130	10	7,7	—	—	—
DRG	220B	15	6,8	7,3	6,3	2,18
Un Steel	105	7	6,7	7,6	3,4	3,91
FS Saai	620	40	6,5	—	5 8	—
Powtech	100	6	6,0	—	28,6	—
Natven	85	5	5,9	—	6,8	—
Sovaal	2175	125	5,7	6,4	14,4	1,07
Panafic	90	5	5,6	6,7	5,0	2,98
ET Cons	900	50	5,6	8,3	6,6	1,83
Stilftn	1640	85	5,6	8,2	8,6	1,40
Grootvl	805	40	5,2	11,4	7,0	1,25
Tedelex	240	10	5,0	6,7	4,7	3,18
Kinross	1200	50	4,2	6,2	10,9	1,49
Bivec	120	5	4 2	3,7	2 0	13 19
Harmoney	1980	80	4,0	7,0	6,9	2,09
Barlows	950	35	3,7	4,0	8,1	3,09

LARGEST PRICE DECLINES

	Prev price	Cents	%	Div Yield%	P/E ratio	Div cover
Mertons Npl	10	5	50,0	—	—	—
Dunswat Opt	160	30	18,8	—	—	—
Bertram	50A	5	10 0	—	17 2	—
Scottstr	220	20	9,1	—	—	—
Trio Rand	115	10	8,7	7,0	3,6	3,96
Autolec	190	15	7,9	5,8	3,4	5,05
Crookes	700	50	7,1	4,5	11,8	1,88
GF Prop	295	20	6,8	2,0	20,2	2,43
Hanhill	150	10	6,7	2,7	20,3	1,85
Hamers	85	5	5,9	—	—	—
ICS	340	20	5,9	4,4	6,8	3,31
Wm Hunt	175	10	5,7	5,7	6,2	2,84
Huletts	740	40	5,4	5,4	14,3	1,29
Elmar	95	5	5,3	2,6	59,4	0,64
ZCI	100	5	5,0	—	333,3	—
Metje & Z	105	5	4,8	6,7	3,6	4,11
Lambert	335	15	4,5	8,4	4,8	2,48
Chemhol	440	20	4,5	4,8	8,3	2,51
Dunswat	230	10	4,3	4,3	13,7	1,68
Morlite	120	5	4,2	—	—	—

Exchange rates

Standard

Bank rates TT buying air buying surf buying TT selling limit equivalent R10 000 buying and selling quotations on basis foreign currency per R1

USA 1 2400 1 2469 1 2603 1 2340

Rhodesia 0 8105 — 0 8135 0 8025

limit equivalent r2 000 buying and selling quotation s on basis rand per 100 pounds

UK 183 5080 182 5904 181 5995 185 4538

Ireland 169 1129 168 2673 167 3541 171 2318 quotations on basis foreign curren cy per r1

Australia 1 1330 1 1407 1 1546 1 1187

Austria 15 70 — —, 15 42

Belgium 35 59 35 79 36 01 35 11

Botswana 0 9780 — 0 9815 0 9725

Canada 1 4322 1 4401 1 4556 1 4166

Denmark 6 8240 6 8620 6 9050 6 7490

West Germany 2 1893 2 2014 2 2152 2 1662

Netherlands 2,4118 2,4251 2 4403 2 3855

Fiji Refer all purchases 1 0326

France 5 1374 5 1657 5 1981 5 0834

Hong Kong 6 1630 — — 6 0920

India Refer all purchases 9 8325

Italy 1013 44 1019 02 1025 40 1002 27

Japan 309 23 311 34 315 11 305,26

Malawi 1 0088 — 1 0121 0 9797

Malagasy Refer all purchases 254 18

New Zealand 1 2797 1 2884 1 3041 1 2636

Norway 6 0930 6 1270 6 1650 6 0260

Pakistan Refer all purchases 12 05

Portugal 59 67 60 00 60 38 58 71

Seychelles Refer all purchases 7 7350

Spain Refer all purchases 82,16

Sri Lanka Refer all purchases 18 9250

Sweden 5 2211 5 2499 5 2827 5 1636

Switzerland 2 0733 2 0847 2 0978 2 0502

Zambia Refer all purchases 0 9606 —

Sapa

Hf Ca (15.9) POST Tuesday, March 4 1980

Workers sign agreement

By JOE THLOLOE

THE unregistered Engineering and Allied Workers' Union yesterday signed an agreement with a Springs company, Fargesta Steels — the first agreement since the union was formed in 1963

This brings the number of agreements between managements and unregistered unions affiliated to the Federation of South African Trade Unions (Fosatu) to four

Yesterday's agreement was a preliminary one and will be the basis of further agreements to be negotiated over grievances dismissals, negotiating procedures and other matters

The agreement, according to a statement from Engineering and Allied Workers' Union, provides for access to company premises once a week as well as office and canteen facilities at other times when required by the union for union purposes

The agreement also recognises the union's responsibilities to work for improved conditions of employment" the union says

'The most important part of the agreement is the recognition of shop stewards who will represent the members to the company'

The union membership is more than 60 percent of the 235 black work force

The president of the Engineering and Allied Workers Union, Mr Mcebisi Mqhayi said 'We heartily salute the Fargesta workers for their history-making achievement because it was hard work to make this agreement a reality

"More hard work is now demanded from the union as a whole to give meaning to the giant step Here is hope for similar agreements within the engineering industry and from other industries as well'

The managing director of Fargesta, Mr T E Lundberg and the personnel manager Mr G During, were yesterday not available for comment

Steel unions ask for changes

RDM 4/3/80. (189) ~~(137)~~ ? ~~(135)~~ ?

Labour Reporter

REGISTERED steel and engineering unions are demanding changes to controversial black labour guidelines drawn up by the Steel and Engineering Industries Federation

The guidelines were sharply attacked by unionists when they were released last year by Seifsa, the largest employer federation outside the mines Its members employ about 500 000 people

Seifsa was accused at the time of trying to obstruct the unionisation of black workers.

The Confederation of Metal and Building Unions, which represents most registered unions in the industry, recently sent Seifsa a document complaining about certain of the guidelines.

According to CMBU unionist Mr Ike van der Watt, the unions are particularly worried about a provision which says that only unions which are both registered and members of the industry's industrial council can have union dues deducted by employers

"This means that if any of us start to organise black workers without registration, we will be denied an important union facility," he said

He added that "it also means that they will only give us facilities when they absolutely have to".

The unions are due to meet Seifsa's full board soon to discuss their complaints

Seifsa's director, Dr Errol Drummond, confirmed yesterday that a meeting with all registered steel and engineering unions will take place

He also confirmed that suggestions for change to the guidelines were discussed at a recent Seifsa board meeting, but stressed that no decisions were taken

Steel is set for output, profit surge

189

S TMR 7/3/80

~~249~~

By Michael Chester, Financial Editor

South African steel producers are poised to hit new record with both production and profit levels in 1980 according to the Standard Bank in an economic survey released today. But steel prices may hit new records too.

The bank says price increases of at least 10 percent may be announced at midyear to compensate for rising costs.

Total raw steel output, provisionally estimated at 8,8m tons in 1979 could climb by 6,8 percent to a record peak of 9,4m tons this year — with [illegible] increase [illegible] on the domestic market [illegible] the economy gains speed.

Iscor which alone accounts for 73 percent of local [illegible] forecasts [illegible] percent [illegible] tons [illegible] domestic sales of finished steel products in the [illegible] month to June.

Higher demand for steel is expected from the railways, motor industry, agriculture, the mines and building and construction companies.

Demand on the home market may cause producers to cut back on exports. The tonnage shipped by Iscor will be lower. And Highveld Steel, the second largest producer, expects exports to account for less than a third of sales in 1980 compared with over 40 percent in the 12 months to June 1979.

COMPETITION

But it is good news for profits to find a bigger home market with better prices than to tussle with cut-throat competition abroad.

Iscor [illegible] an example quoted [illegible] the bank calculates that the 3,8m [illegible] Iscor export in 1978/79 would have earned R58m had the [illegible] sold on the domestic market.

It is the swing to bigger local orders that is behind projections of bigger profits. After suffering heavy losses for six years on the run Iscor has been in the black since mid-1979 and can now be confident of a sizeable profit.

Similarly, says the Standard Bank, profits among the private steel producers will be considerably higher than last year.

On the steel price increase forecast, the survey points out there have already been 11 rises in the past decade — amounting to 252 percent.

However, apart from the need to compensate for cost escalation [illegible] reason why the industry [illegible] to [illegible] double-digit percentage is to provide [illegible] for future expansion projects.

Iscor plans to invest between R500m and R600m over the next five years on improvement and expansion. Highveld Steel has a R120m [illegible] programme to boost capacity from 750 000 tons to 900 000 tons.

STEEL SEMIS PLANT (149)

Welcome back

FM 7/3/80

High liquidity in the domestic economy and the ease with which the capital market is riding new issues appears to have been at least partly responsible for renewed interest in establishing a steel semis facility at Saldanha Bay

Industries Minister Schalk van der Merwe has told parliament that revival of the project has, in fact, gone beyond the stage of "interest" and several proposals are being studied by his and other departments

According to sources in the Department of Industries, the sponsors of the project revival are not the same as those who made up the 1974-1975 consortium led by Iscor, but do include "foreign interests and local parties"

A senior official said disclosure of their identity could be "embarrassing at this sensitive stage", but allowed himself some scepticism about the chances of a project getting off the ground

Unlike Sasol and related projects with their obvious investment attractions a semis plant calls for risk capital would clearly involve a 8 to 10-year lead time before yielding a dividend and would be extremely sensitive to conditions in international steel markets, most of which are heading for trouble ahead of deepening recession

In 1975 a R1 300m scheme sponsored by Iscor with Austrian German Dutch and Italian partners fell down because of funding problems in domestic and foreign capital markets

This after then Economic Affairs Minister Chris Heunis had given the consortium the green light and accorded the project "high national priority" Industries Minister Schalk van der Merwe is equally keen on the project, stating that it is just the right medicine for depressed regional GDP in the western Cape

The original Iscor scheme envisaged a plant of 3 Mt a year with foreign earnings of R350m at 1975 prices although as much as 40% of coking coal input would have had to be imported

The big advantage of the scheme in the view of government at the time was that Iscor, having just returned a R35m loss would have been required to put up no more than about 3,3% of capital required

Share capital of the control vehicle, Saldanha Steel Corporation, was to be R100m, in which Iscor would have 51% The remainder was to have been raised in loans by partners "in their particular areas" according to draw-off share of production

Iscor planned to take 100 000 t a year, giving it a 3,3% loan finance obligation, or about R100m The balance was to have been raised by Voest-Alpine of Austria, Klockner of Germany, Estel (the German-Dutch group) and Italsider of Italy There was talk of US partners coming into the deal at a later stage

Interest rates

What chances are there of reviving the project under present conditions? Interest rates in OECD countries are sky-high, growth expectations are low and steel fabricators are wallowing in a trough of gloom

In SA interest rates are at historic lows, the economy awash with money, but the big difference is that Horwood is no Diederichs Economic management is tight and capital investment priorities of state institutions are heavily weighted towards self-reliance in energy

Iscor's horns have been clipped and it seems it is not even part of the sponsoring group which has submitted new proposals to Van der Merwe and Horwood

HAGGIE

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Undergeared

FM 7/3/80

Activities: *Steel wire and wire rope producer, with interests in the manufacture of screening and milling plants and cutting tools through a 75,3% stake in Samuel Osborn Haggie indirectly owns 45,2% in Aluminium Systems, and 38,4% in Gardner Engines*
Chairman: *I S Haggie, deputy chairman L C A Newnham, managing director J A Sully*
Capital structure: *18,4m ordinaries of 20c Market capitalisation R125,1m*
Financial: *Year to December 31 1979 Borrowings long- and medium-term, R15,6m Net cash R3,0m Debt equity ratio 28,1% Current ratio 2,2 Group cash flow R24,0m Capital commitments R4,6m*
Share market: *Price 680c (1979-80 high, 700c, low, 560c, trading volume last quarter, 105 000 shares) Yields 14,9% on earnings, 5,3% on dividend Cover 2,8 PE ratio 6,7*

	'78	'79
Return on cap %	19,9	29,5
Turnover (Rm)	97,0	155,6
Pre-tax profit (Rm)	15,1	28,1
Gross margin %	18 3	19 2
Earnings (c)	57,8	101 5
Dividends (c)	20	36
Net asset value (c)	312	391

Paradoxically, since Haggie announced an 81,8% improvement in gross profit to R30,0m (R16,5m), achieved from 60,3% higher sales, its market rating has nose-dived Prior to the results, when investors were expecting the group to earn around 84c — in line with the directors R15 5m taxed profit forecast — the share traded up to 660c This gave an expected 7 9 earnings multiple At its current price the share is on a historic 6 7 PE ratio and prospects appear favourable for another strong growth year

Last year's growth far outperformed the directors' forecast, with attributable profit up 78,6% at R18,7m (R10,4m) Also the dividend was lifted to 36c — 6c higher than predicted

While chairman Ian Haggie does not quantify his forecast for this year, indicating only further growth, the profit improvement is unlikely to match that of last year

Haggie's wire interest contributed a reduced 86% (98%) of group pre-tax profit, indicating the degree of diversification with the Samuel Osborn takeover The directors point out that demand for steel wire rose 25% last year and that export sales accounted for most of this improvement

Earnings from exports rose to R26m (R17m) and a further increase is in the offing The wire division plans to develop capacity to produce sophisticated wire products specially for the export market Up to now the group has been exporting high volumes of low priced wire products and the latest move should improve margins

The group gave attention to establishing reliable outlets for its products abroad and this should lead to further advances in exports this year However, the US comprises the major export market and the directors warn that any adverse economic changes could affect group performance With many expecting the US to slide into recession this year, their warning should be heeded

Locally, sales could show very strong growth this year Already an improved distribution network has been established which was instrumental in boosting last year's sales Already, SA appears to be entering the second stage of the upward trend in the business cycle

The contribution from 50%-owned Wire Industries increased to R475 000 with a final dividend still to come Though Wire Industries is managed by Haggie, the associate's results are not consolidated Only dividends are brought to account

It was only towards the end of the year that Samuel Osborn's major market showed an improvement So, activity was at a low level last year Profit growth was further inhibited by the costs involved in moving to new premises Had subsidiaries, including Somta Tools, not improved their contributions substantially, Samos would have shown a profit decline

So, Haggie's growth was largely due to its wire exports, which were achieved without heavy capex, suggesting that local production facilities took up the slack, utilising spare capacity According to the directors the factories at Germiston and Jupiter achieved record production levels last year The extent of the rise is reflected in the improvement in return on capital to 29,5% (19,9%)

Could Haggie be set for further takeovers? The balance sheet suggests it is The accounts are sound with a relatively low debt equity ratio This is compounded by a high level of cash on hand which amounted to R8,8m (R14,5m) at the balance sheet date

Prospects indicate that 140c earnings could be achieved from which a 2,8 times covered 50c could be paid At 680c the share, on a 7,3% prospective yield, does not appear to fully discount the group's potential

Peter Pittendrigh

Record ahead for steel

(189) RDM 7/3/80.

THE SOUTH AFRICAN steel industry is looking to a record year both in terms of production and profitability. However, a double-digit price increase may be announced at mid-year to compensate for rising costs, according to Standard Bank's economic review.

It says that South Africa's total raw steel output, provisionally estimated at 8 800 000 tons in 1979, could reach a Record 9 400 000 tons this year — a rise of 6,8% This increase is likely to be easily absorbed by rising domestic consumption, which should reach roughly the same level in 19_0 as it was at the peak of the previous business upswing in 1975

The growth in sales volume is expected to come close to the 13,5% increase recorded in 1979 Iscor, which accounts for about 73% of domestic sales, forecasts a 17% rise to 3 500 000 tons in finished steel products for the 12 months to June 1980

Demand for steel rose particularly rapidly when big investment programmes started last year, and sales in the second half of 1980 may not expand as fast as they did in the last six months of 1979 For this technical reason, the growth rate of domestic consumption for the 1980 calendar year may not be quite as high as last year's

With consumption and investment activity picking up in most sectors of the economy, most of the steel industry's major South African customers can be expected to place substantially larger orders this year

These include the railways, the motor and packaging industries, agriculture, the mines, building and construction companies The increase in demand is expected to concentrate both on flat products, such as sheets (used mainly by consumer industries), and profile products, which are supplied mainly to construction and engineering contractors

The emergence of rapidly rising domestic demand is beginning to force producers to cut back on exports Iscor expects its export volume in the year to June 1980 to total roughly 1 800 000 tons, about the same volume sold abroad in the previous 12 months

However, that tonnage would constitute only 34% of total 1979/80 sales, as against over 37% in 1978-79

Similarly, the second-largest producer and exporter, Highveld Steel, expects exports to account for less than a third of sales this year compared with over 40% in the year to June 1979

The enforced diversion of production from foreign to domestic markets has come at a convenient time World steel consumption reached a peak of 755-million tons last year World demand in 1980 is forecast to be at roughly the same level, but a reduction is expected in offtake by the industrialised countries which have been the most significant buyers of South African steel, particularly from the private producers

Apart from sluggish demand, the profitability of South African steel exports has been adversely affected by the steady appreciation of the rand against the dollar over the past year So far this appreciation has amounted to over 7%

Its effect is particularly serious in the steel market, in which most sales are denominated in dollars Moreover, freight rates have risen by up to 60% over the past nine months thereby reducing free on board returns to South African exporters who are distant from their major markets

Giant shipyard plan advancing

ARGUS 11/3/80

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Argus Bureau

PORT ELIZABETH — The developers of a R230-million ship repair yard in Algoa Bay have drawn up a framework for its implementation and say they have been assured of financial backing.

The managing director of Algoa Dockyard Development Company, Mr Henry Combe, said all the indications were that the money would be raised.

SHAREHOLDERS

The final financial arrangements would ideally be on a 51 percent South African and 49 percent overseas shareholding basis.

The package would have to involve as many countries as possible to make the shipyard an international venture and assure support for it.

Mr Combe said the yard in Algoa Bay would not adversely affect Cape Town's dry dock as he believed some people feared. On the contrary it would boost the Cape Town dry dock because South Africa would be established as a ship repair country.

More productivity is Asea's aim

STAR 11/3/80

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By Jean Moon

The Asea group, which is engaged in various apsects of the electrical engineering industry, intends to strive for greater productivity this year, especially as regards the heavy investment in the past few years Asea should be poised to resume the pattern of growth in earnings which has been established since 1974

Following collaboration during 1978 with the Industrial Development Corporation (IDC) to establish a major project for the manufacture of power capacitors and a new generation of distribution transformers whereby Aseatac held 60 percent of the shares and IDC 40 percent, it has been decided to make Aseatac a wholly-owned subsidiary

NAME CHANGE

Therefore, Asea purchased IDC's 40 percent interest for R2m Seco Pty was acquired during 1979 as a wholly-owned subsidiary of Astra Condensers To rationalise activities, Astra acquired all the assets of Seco and the name was changed to African Capacitors

The large amount of expenditure undertaken has absorbed the company's surplus funds and resulted in a temporary higher rate of borrowings Current liabilities have risen from R16m in the previous year to R22,6m with short-term loans up from nil to R5m

Asea took advantage of the favourable conditions on the local capital market to increase long and medium-term loan capital by R6m and equity capital by R2,5m

Though Asea has reduced the amount of overseas borrowings, these facilities are still available and it will utilise them on a temporary basis to the extent required

	Percentage pre-tax sales	Net profit (Rm)	Earnings (cents)	Dividend (cents)
1979	10,3	5,2	48	16,0
1978	14,5	4,5	42	11,0*
1977	11,3	3,5	33	8,2*

*Adjusted for increased capital

Upswing joy for Seifsa

(189)

RDM 14/3/80

THE UPSWING, which gained momentum in the fourth quarter last year, was sustained in the metal and engineering industries in January, according to the Steel and Engineering Industries Federation of South Africa.

Seifsa says pointers to improved activity throughout 1980 "at this early stage are seen in a sustaining of the satisfactory 1979 export levels of the basic iron and steel industries, a continuing upswing in domestic steel consumption, and a quickening tempo of import substitution"

Expansion and modernisation programmes now taking place in the iron, steel and non-ferrous foundry industry are also expected to result in an increased export performance of foundry products in 1980

In addition, the building industry supply sector, light metal and sheet metal manufacturers report further stimulus from the upturn in building and construction activity

"The Seifsa group of industries, however, continue cautious about the real strength of these upward trends Factors which continue to cause concern are increasing inflationary pressures, shortages of certain categories of skilled and semi-skilled labour, and mounting wage costs in the metal and engineering industries" — Sapa

THE DAY DEATH AND DESTRUCTION BLEW IN ON A SILVER SPRAY

Big blast rain link is probed

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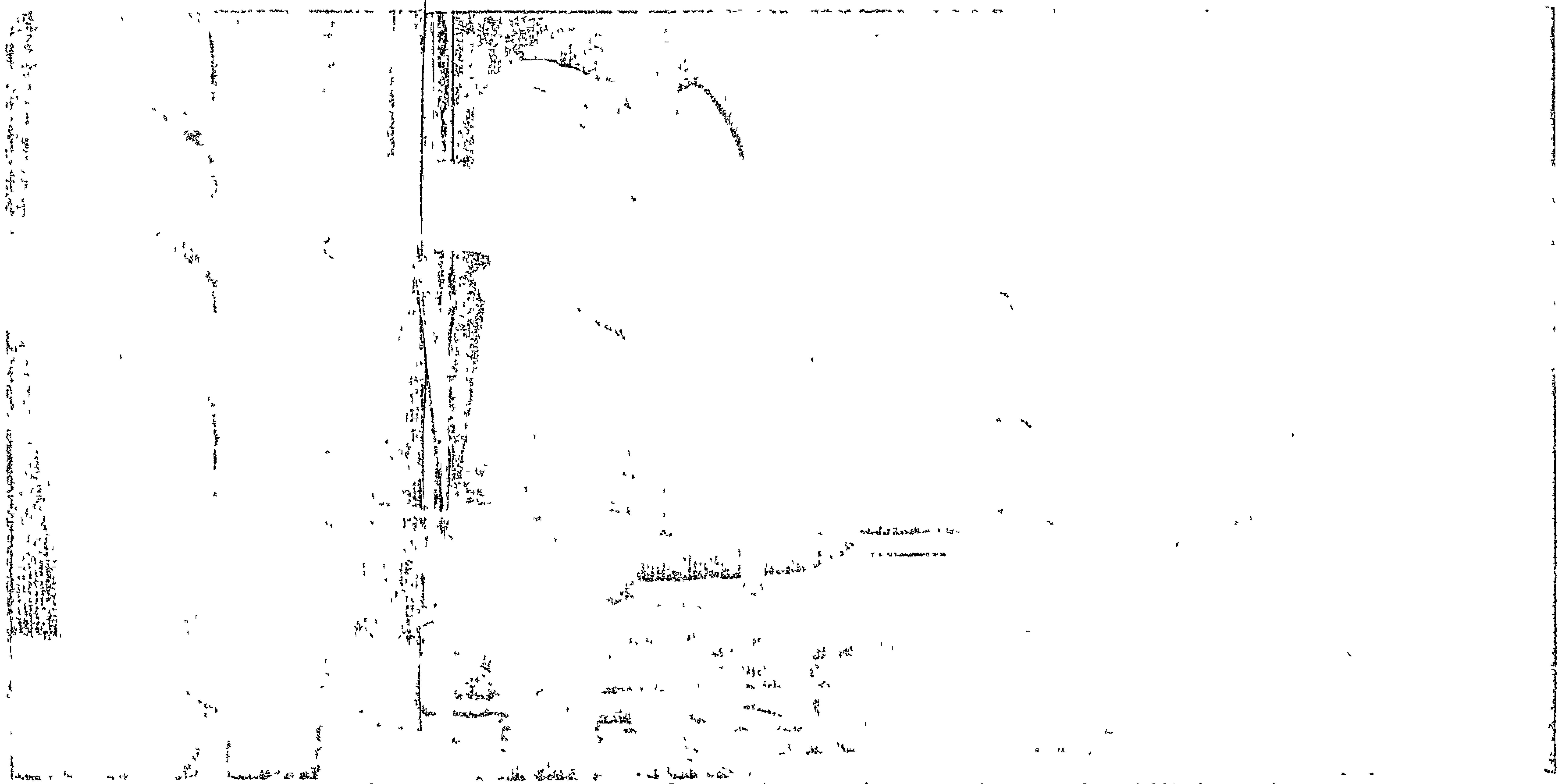
RDM 18/3/80



A policeman covers the body of one of the victims of yesterday's explosion at Supreme Metal Works in Industria, Johannesburg, which claimed six lives. The bodies were coated in aluminium dust and in most cases their clothes had been ripped off by the blast.

WATER dripping on silver aluminium dust probably sparked the horror blast that ripped through a Johannesburg factory yesterday, killing eight people and injuring 23 others — many of them seriously.

The explosion wrecked the aluminium processing plant at Supreme Metal Works, in Bunsen Road, Industria West. All the victims were blacks.

By TONY STIRLING
Chief Reporter

Sabotage was ruled out — and the firm's technical director, Mr R Scherzinger, said later the cause was probably a chemical reaction involving aluminium dust and water.

He was working on a theory that the blast was caused by a build up of hydrogen gas produced in this way.

The company, factories inspectors and police have launched a joint investigation into the cause of the explosion.

Brigadier P N "Kapples" van Zyl, the Divisional CID Officer for the Witwatersrand, who was called to the scene, said that investigations had already ruled out sabotage as a possibility.

By late yesterday no-one had been able to identify any of the dead or injured.

Identification was hampered because apparently many of the 65 black employees fled after the blast.

Late yesterday a Supreme Metal Works official was trying to compile a list of victims.

Five of the injured were discharged from hospital after treatment.

The Rand Daily Mail learnt the plant producing aluminium dust — which in this form can be highly explosive under certain conditions — was at a standstill when the explosion occurred.

The plant was undergoing its weekly cleanout — thus ruling out any possibility that the blast was caused by production processes.

The explosion happened shortly before 9am.

From about 7am, heavy rain had been falling in the area. One line of investigation is whether the roof gutters, which are regularly inspected, may have been unable to carry the downpour or became blocked.

"We are trying to ascertain how it was possible for moisture to build up in the plant which produced aluminium dust," one source told the "Mail".

It is understood that the authorities have already been told that ignition of hydrogen gas by furnaces in the area has been advanced as the most likely cause.

A works manager from a nearby factory told the "Mail" he ran to the scene to help.

"I saw about half a dozen naked victims running around. Their skin had been blasted off," he said.

Workers from other factories described how a terrific explosion shook the whole area, spraying debris on to nearby premises. According to witnesses, a huge white sheet of flame, about 15m high, erupted over the stricken building.

It ripped up the corrugated iron roof, buckling the [illegible] although most of the [illegible] walls remained intact.

Inside the blast zone, plant was damaged and parts of inner walls collapsed.

Mr Elias [illegible], a machine minder, was one of the first on the scene — and ran into the inferno immediately, dragging out a terribly-burnt man.

• Blast hero's story
— Page 9

Blast hero's mercy dash into inferno

(189) RDM 18/3/80.

By TONY STIRLING
Chief Reporter

A WORKER told last night of the horrific scene which confronted him when he risked his own life in a dash into the devastated plant immediately after yesterday's factory blast in Industria, to drag out a badly-burnt man.

Mr Elias Mahlaba, a machine minder, was one of the first to arrive at the scene of the explosion in the aluminium processing section of Supreme Metal Works, in which six people died and many more were injured

He told the Rand Daily Mail· "I heard a terrific blast and ran into the affected section

"I dragged out one man Most of his skin was burnt off

"I do not know who he was and I do not believe I will see him again He was scarcely living

"There were dead and injured people lying all around. I cannot tell how many, but I think about 30

"I only took the one man out before the rescue teams arrived," Mr Mahlaba said

A security guard, Mr Rubin Ratsoema, said he was sitting in an office on the far side of the factory in Bunsen Road when an explosion shook the whole building

"I ran into the factory There were just bodies lying all over the place Some of them were trapped under bricks which had fallen in from the walls," he said

A Rand Daily Mail reporter saw bodies being removed

In some cases all the clothes had been blasted off victims

The dead and many of the injured were silvered by aluminium dust

Fragments of bodies were recovered and removed under blankets by the Johannesburg mortuary, ambulance and emergency units which went to the disaster area

Speaking at the scene, Johannesburg's Fire Chief, Mr G de Beer, said he could not pinpoint the cause of the disaster yet

There were up to 10 possible causes for the explosion

But he confirmed it involved an "explosion" of aluminium dust

He said one specially-equipped fire engine dealt with the conflagration, using a dry-powder fire-fighting chemical to bring the blaze under control

Three fire-fighting pumps had been on standby.

A number of firemen at present on a training course had been sent with the team to give them a "live" test

To prevent the risk of further explosions, the remaining exposed aluminium powder on the premises was being gradually submerged in water and the resultant hydrogen gas was being burnt off.

This was likely to result in a series of relatively minor, controlled explosions:

"There is no need for the use of further dry powder, and there is no danger of another major explosion," Mr De Beer said

He explained that on contact with water, aluminium dust produces highly inflammable hydrogen

But he would not commit himself on the possibility that the explosion had been caused by a build-up of the gas after contact with water

Mr De Beer said the explosion could have exposed the victims to temperatures of up to 1 000C

About 200 bystanders who gathered outside the factory were removed by police when the Fire Department decided to "defuse" the remaining aluminium dust

Scores of emergency vehicles were concentrated in the area, which was cordoned off to ordinary traffic

After being ordered off the premises, reporters were allowed to remain in the vicinity and were later given a statement by the managing director of the firm, Mr S F Malan.

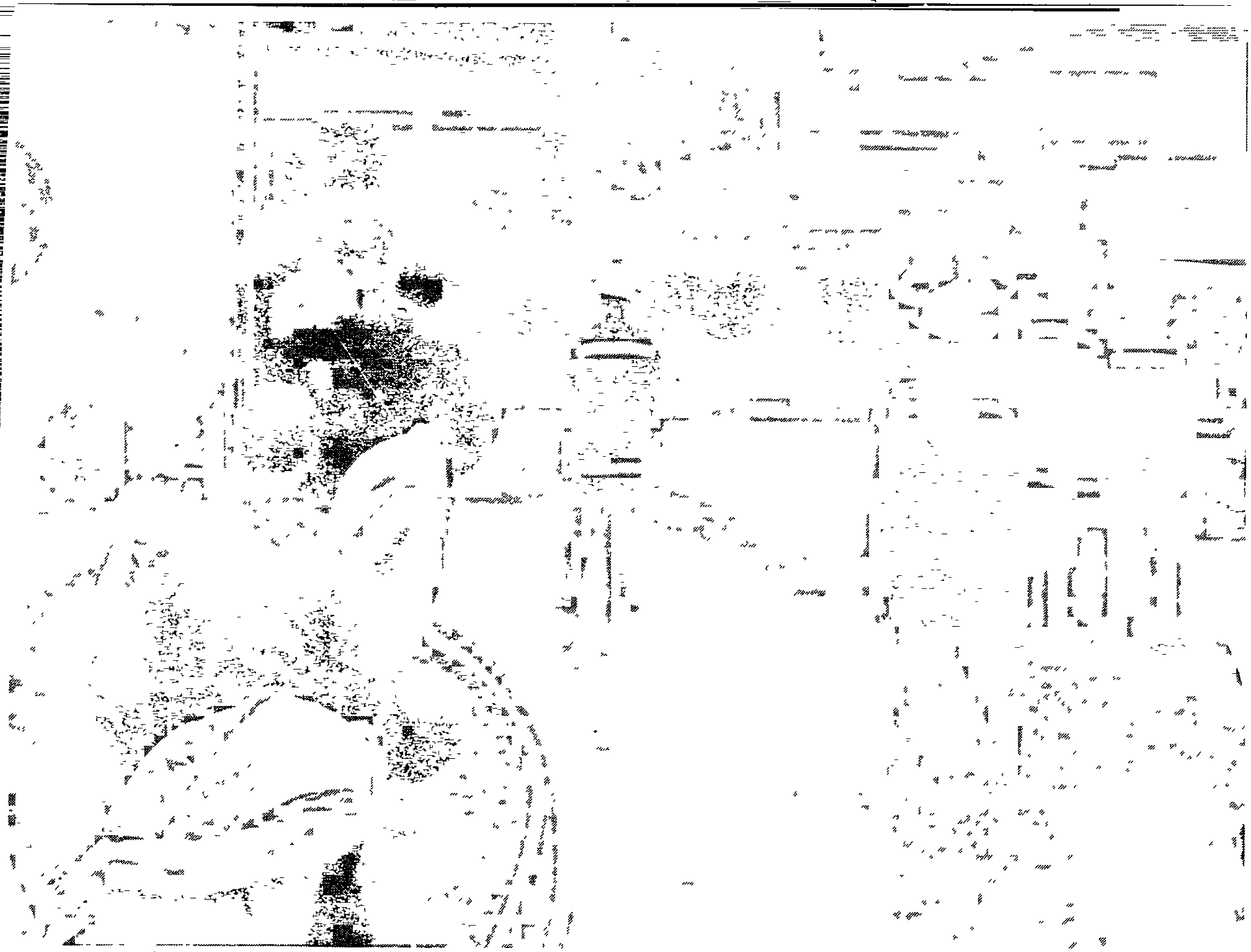
He said it was the first accident of its kind to occur in the plant's 18 years of operations "It is a terrible tragedy," he said

He said that in addition to investigations by the authorities, the firm would conduct its own investigation to determine the cause

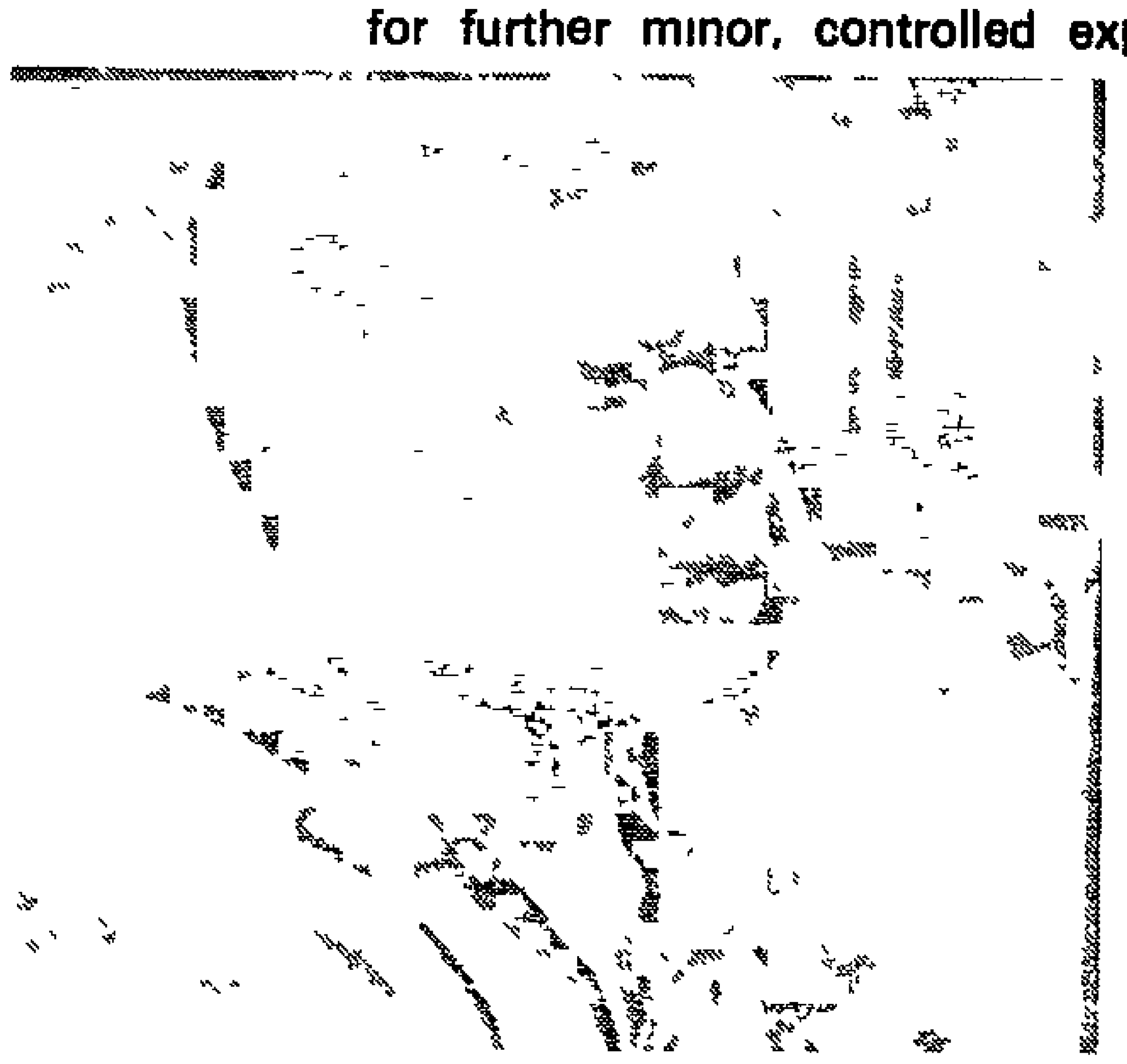
He ascribed the cause of the explosion to "aluminium dust", but declined to elaborate

THE INDUSTRIA BLAST

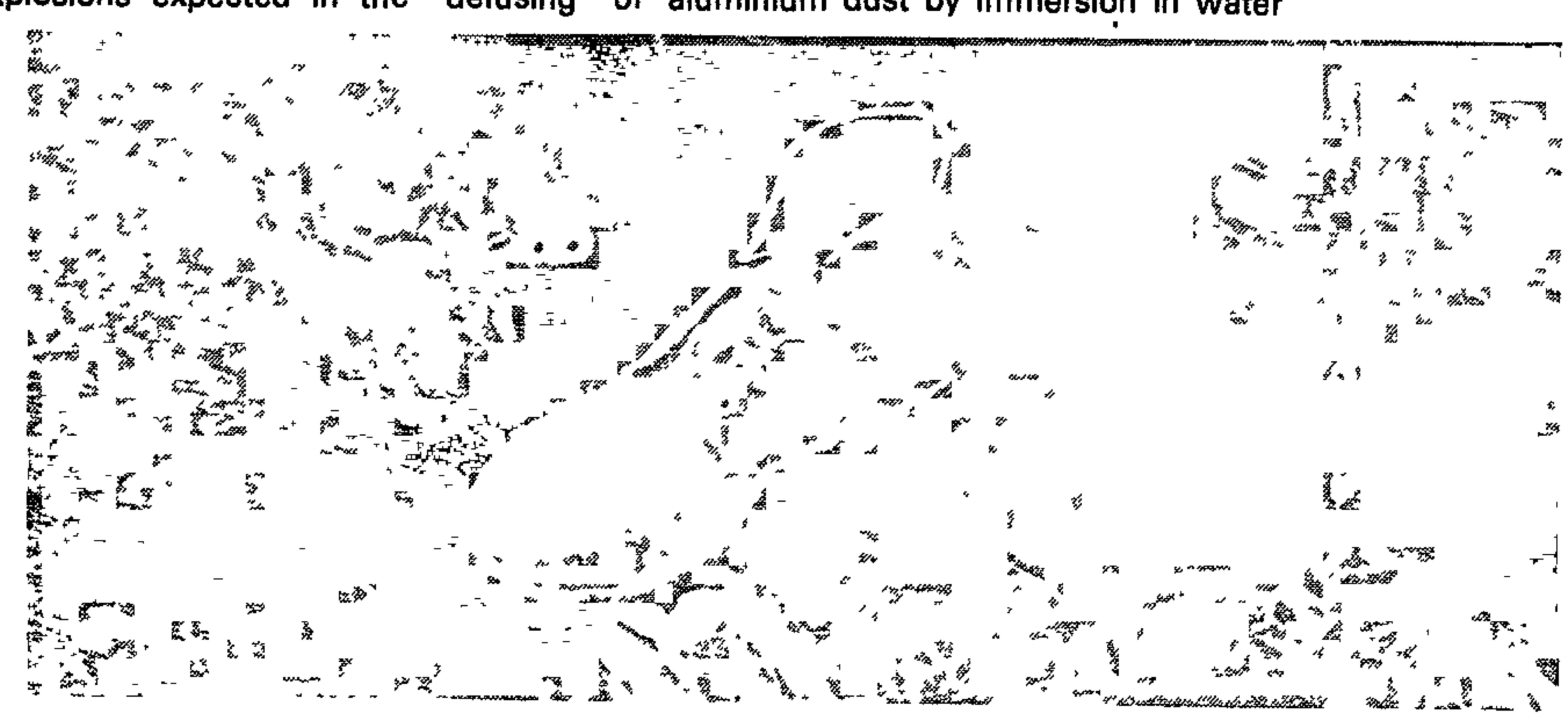
Total devastation — part of the aluminium processing section of Supreme Metal Works after yesterday's explosion in which six people died The roof was buckled upwards plant was damaged and partial collapses of inner walls added to the injuries caused by the blast and fire



In an aftermath of shock and suspense at the Supreme Metal Works blast scene, workers and firemen wait outside the devastated aluminium pla for further minor, controlled explosions expected in the "defusing" of aluminium dust by immersion in water



Blast hero Mr Elias Mahlaba is grim-faced as he recalls the terrible sight which met him when he dragged one of the injured from the inferno



At the entrance to the factory premises, the scorched remnants of a blast victim's boots are mu testimony to the fate of their owner

Pictures DANIE COETZER

life expectancy
rasts with the

It's computers for all

189
9/3/80
Business Times

Prices fall as IBM push in mini market

By BILL CAIN

MULTI-NATIONAL giant IBM, is planning over-the-counter sales in the mushrooming mini and micro computer markets.

A major policy shift by New York top management is bound to shake-up the South African industry as the traditional market leader brings the wonder machines down to street retail level

Steadily falling prices are likely to tumble even faster

IBM is broaching the popular end of the local computer market with its 5120 small business model at a basic R10 234 — peanuts for a major supplier aggregating domestic and international sales of R18 289-million last year

And there are indications that even cheaper units are planned

A year ago a comparable model cost R21 500 and in September R17 500

Included in the supplier's marketing revamp are plans for

- Telephone canvassing
- Direct mail
- Radio advertising
- Retail stores sales
- Walk-in demonstration centres

TV advertising, costly in the US for such a specialised product, is not ruled out for the South African market, in which some 40 much smaller import companies and agencies are already supplying a market eagerly snapping up units as costs fall

The unrelenting erosion of prices is confirmed by Philips' data systems director Horst Bergmeier

He says "It all goes back to the moonshots and micro-processor What cost R30 0[illegible] three years ago comes at R10 [illegible]0 today This could even drop to R4 000 in two years

"Companies in the popular end of the market will have to change their selling process Customers will have to come to them when prices go so low that outside salesmen are too costly

Anker Data Systems (ADS) chairman, Gerhard Kopatz, who has just bought Protea Computers and expects sales of R25-million in 1983, says "Micros and minis are a totally new sector and will not take business away from the upper end of the business

In a five to 10 years every greengrocer will have one. The new cake is big enough for everyone"

He warns, however "Computers are like cars The less you pay, the less you get This is where the public is being totally bamboozled over costs As the price of machines falls 20%-30%, the cost of software goes up at roughly the same rate"

ADS, like Philips, is not planning to go into the popular and hobbyist end of the market

The downward push by IBM looks like the initial thrust of several big suppliers to husband old and potential customers into their folds

Local IBM management declines to comment on marketing strategy in SA even though its New York-based parent company virtually spells out everything but timing in its latest annual report

Chairman, Frank Cary and president, John Opel promise unprecedented expansion, even by IBM standards, and new products tailored for shop window sales

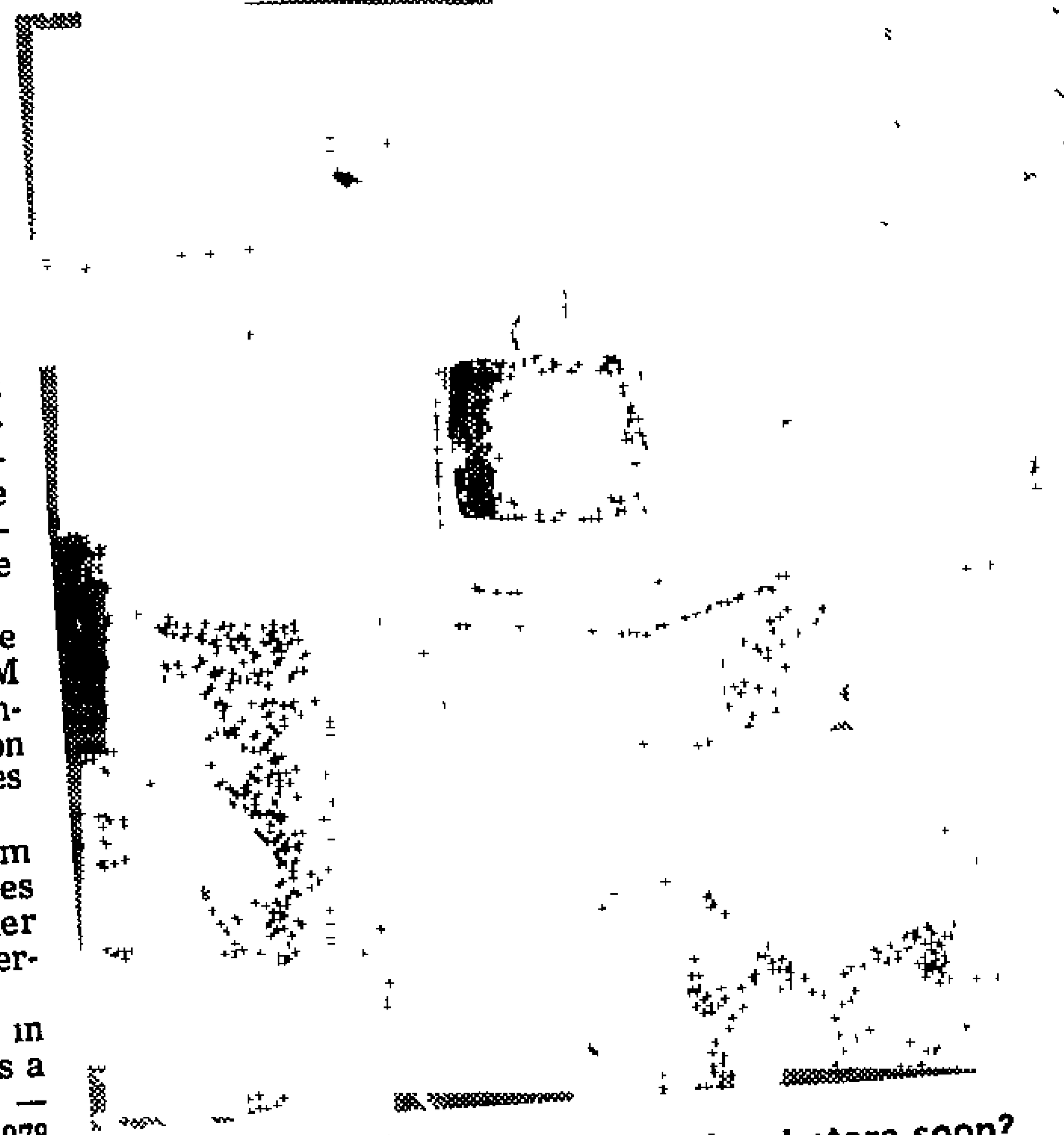
Customers will get round-the-clock advice on programming and problems from telephone centres when the US parent's plans spill over into foreign subsidiaries

They are also likely to get what IBM calls software support centres — open continuously seven days a week for the small business user and professional man working from home or consulting rooms

To help meet worldwide growth expectations, IBM raised R2 400-million in December This followed R800-million in October, with a debentures issue

These funds are apart from R1 250-million credit facilities with US banks and another R640-million available to overseas subsidiaries

IBM turnover worldwide in the year to December 31 was a staggering R18 289-million — up from R16 860-million in 1978 — although net profit was marginally down on R2 408-million



The small computer: in your local store soon?

Life Tables
Africa
cil, Pretoria.

es of
ress, New York

in Seminars

The explosion which claimed five lives wrecked this building at Supreme Metal Works in Industria, Johannesburg, today.

STAR 17/3/88 131 189

6 die, 23 hurt as blast rips through city factory

By Michael Crooks, Josie Brouard and Elizabeth Wilson

Six people died and 23 are in hospital with serious burns after a violent explosion blasted a Johannesburg metal factory today

And the death toll could rise because many of the injured are seriously burnt

The names of the victims have not yet been released They are all believed to be black

A fleet of ambulances ferried the dead and injured from the scene of the death blast

The factory, Supreme Metals, in Bunsen Road, Industria, was rocked by an explosion in the aluminium processing section about 9 am

Mr L Tseteng told of the horror of seeing two men with their clothing ablaze running from the building

Mr H Smuts, a boiler-maker said "I was in the reduction plant when I heard the explosion

"I ran out Everybody was running

"I tried to help the men and told the office to call ambulances

"Some men were very badly burnt

"They looked very bad

"I tried to help cover them

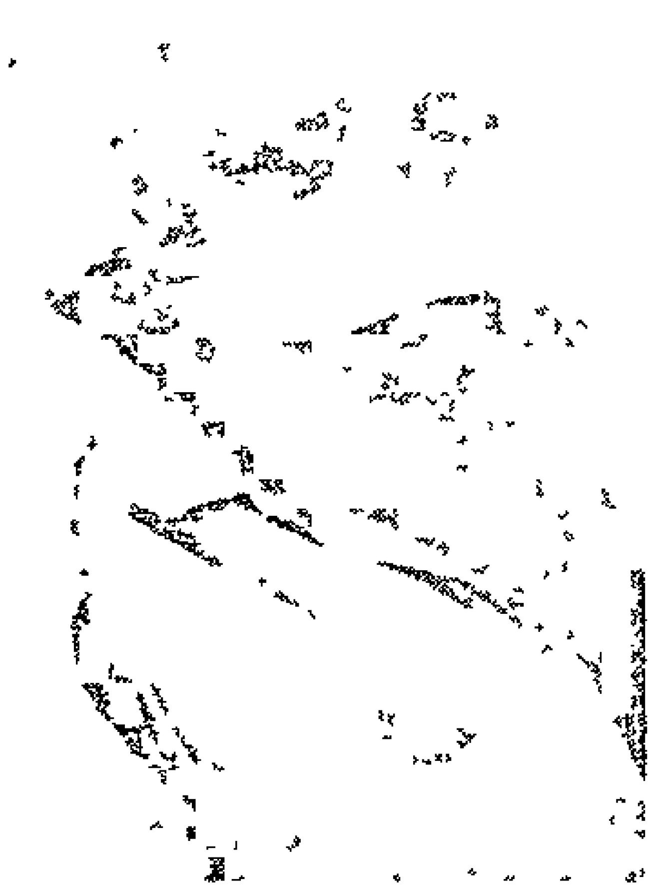
More than five fire engines, a dozen police vehicles and several ambulances jammed the cordoned-off area

Mr T M Leff, Chief Inspector of Machinery of the Department of Manpower Utilisation, arrived shortly after the explosion for a preliminary investigation into the cause of the accident, which is not yet known

Mr S F Malan, managing director of Supreme Metals, said the accident was a "terrible tragedy"

It was the first time there had been any problems with the process which had been in operation for 18 years, he said

Edward Mokgadinyane of Mapetla . . . 100 percent burns.



Mr Joseph Mbongeni

John Raigai . . . 95 percent burns.

Six killed in blast

~~124~~ 189

Post 15/3/80

SIX men were killed and 24 severely burnt when an explosion ripped through a metal works at Industria, Johannesburg, yesterday.

By PHIL MTIMKULU

Five people were killed instantly in the explosion at Supreme Metal Works, Bunsen Street

The sixth person died in Coronation Hospital where 14 of the injured workers were taken

The names of those who died at the firm and were taken to the mortuary could not be obtained

And the deputy superintendent of Coronation Hospital, Dr A Broekeman, said he could not disclose the name of the person who died there or the names of those being treated

He said the condition of three of them was serious Five were tranferred to St John Eye Hospital, Soweto

Some of the seriously burnt men were taken to the General Hospital, Johannesburg

Two of those POST was allowed to interview were in bad shape Edward Mokgadinyane had 100 percent burns The burns of John Raigai were only about five percent less

The men were in such pain that it was an ordeal for them to explain what happened

They all either had skin peeling off from their bodies or were charred all over their bodies without hair, eyelashes and eyelids Those without eyelashes could not keep their eyes open

In a brief Press statement Mr S F Malan, managing director of the company which processes aluminium said the explosion was a terrible tragedy They did not know what the cause of the explosion was and would make their own investigation

Camouflaged police arrived soon after the fire brigade had extinguished the fire and cleared the debris But they soon left

Enos Marokane who had burns all over the body said that while he was working he heard a loud explosion

"There was fire all over the place I stumbled through the fire to safety"

Mr Joseph Mbongeni who had a fractured left elbow and lacerations to his left foot said he heard an explosion and saw people burning

Edward Mokgadinyane who is in the General Hospital with 100 percent burns, said he had to stumble through a ball of fire

"I could not see where I was going I shielded my eyes from the heat Somebody came to my rescue and I was taken to hospital"

A man who was lucky to have escaped the inferno is Walter Mtshali (27) He had gone to the toilet when the explosion occurred

Even two hours after the explosion his mouth was still quavering and his whole body shaking

"I saw burning people with skin peeling from their bodies running away to safety" he said

Women workers at a nearby factory said the explosion was so tremendous that a ball of fire swept over their factory while the ground shook

See Page 3

Worker tells of killer blast

Post 18/3/80 184

By LEN KALANE

A HORRIFIED labourer who handled the apparatus that allegedly caused the explosion at the Supreme Metal Works in Industria told yesterday how he crawled from the billowing fire for dear life.

"I can't just tell what went wrong I regard myself the luckiest man alive today," said Mr Joseph Masina (25), of Mofolo North, Soweto. He works at the firm as a "blower"

Mr Masina is among the 24 labourers who were injured when the explosion went off at the Industria metal firm Six people died and others were rushed to Coronation and General Hospitals for treatment.

Five others, including Mr Masina, were later taken to the St John Eye Hospital.

Those taken to St John for observation are Mr Masina, Mr Eric Ntamo (21), of Dobsonville, Mr Peter Thoba (27), of Klipspruit, Mr Jackson Mabaso (61), of Diepkloof and Mr Dingaan Lekoa (50) of Central Western Jabavu They have since been discharged.

Mr Masina said he was handling the apparatus that allegedly caused the explosion. He was "blowing" the powder that is used to make the allumimium metal when it suddenly "blew" in his direction forming a cloud, he said The powder is hot

"There was a sudden fire and I was knocked down by the impact I was blinded and crawled away for safety leaving behind other labourers who were trapped inside," he said.

He was burned on the neck, head and the right foot

Joseph Masina . . . lucky to be alive.

"I'm confused and can't say what really happened I only thank God that I am still alive I can't believe it," Mr Masina said

Another labourer, Mr Peter Thoba, who survived with minor eye injuries, said he heard a blast and saw the wall and roof collapsing There were labourers inside the bilding

"I was standing 50 metres away and watched helplessly as my colleagues were trapped in the dark cloud of flame I later helped to take out some of the injured The whole place was still on fire," Mr Thoba said

The labourers said the whole drama lasted for about four minutes There was a deafening thunder-like bang and everything started falling down.

"It was a narrow escape for us," they said yesterday.

Turnaround for Group 5

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RDM 19/3/80

By ELIZABETH ROUSE

GROUP Five Engineering is firmly on the path to greater profitability and increased growth, says the chairman, Mr J J A McLaren, who is retiring in June.

The group is budgeting for a substantial recovery in earnings, hence the delaration of a 5c dividend for 1979, although the payment is not justified by the profit earned (R862 000)

The Botswana contracts, which caused losses of R2 793 000 last year, are almost complete, all other contracts outside South Africa are going acccording to plan and there has been an upturn in work in South Africa

Mr McLaren warns that the nature of the work is essentially long term Certain of the contracts were obtained under severely competitive conditions and profit margins are slim

However, if the present trend persists, the quality of the order book should improve

Cost of plant and equipment has risen at a rapid rate and the problem has been compounded by the withdrawal of tax incentives about the middle of last year Group Five companies have started rebuilding plant and initial indications are that this policy is proving to be successful

Because of the savings in foreign exchange, this practice should be encouraged by the State, says Mr McLaren

All three civil construction companies are operating on profitable contracts in Malawi The group has been awarded a P9 500 000 civil works contract at Jwaneng diamond mine in Botswana

Sasol 3 has been has been a plentiful source of work McLaren & Eger with Dura Foundation Company is working on the largest piling contract ever awarded in Southern Africa

CMGM has been awarded a R6 200 000 contract for a portion of the effluent plant and Basil Read has several contracts worth R6 500 000

STU13-9 EXAMINATION RESULTS IN FACULTY A

13010 BACHELOR OF ARTS YEAR : 1

STUD NO	SURNAME	FIRST NAMES						
~~162004?~~	~~BURNE~~	~~SUZANNE ELIZABETH~~						
158955C	CARO	SALLY-ANN						
162195Z	CHAIT	CHERYL						
~~153945D~~	~~CLARKE~~	~~PENELOPE JILL~~	~~105702~~	~~SOCIAL ANTHRO~~				
157789K	COHEN	DAVID	104101 110101	ARCHAEOLOGY I HISTORY I				
156503M	COLLIER	LINDSEY JEANNE	911101 916103	MATHEMATICS I ANIMAL BIOLOG				
~~153999D~~	~~COLLINS~~	~~BEVERLEY RHYADA~~	~~116120~~	~~DRAMA I~~				
153621E	COUCHER	ROBERT GEORGE RENESON	004101	PSYCHOLOGY I				
~~138572X~~	~~COURTENAY~~	~~COLETTE~~	~~107101~~	~~ENGLISH I (PR~~				
153796V	DAVIS	CASSANDRA ELAINE	107101	ENGLISH I (PR				
~~140457~~	~~DELAHUNTY~~	~~ANNA TERESA~~	~~904101~~	~~GEOGRAPHY I~~				
162384E	DOMAN	MICHAEL EDWARD	106102	ECONOMIC HISTORY I	F	(8)	1	162384E
~~155931D~~	~~DU PLESSIS~~	~~MARCIA ELIZABETH~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3~~	~~(57)~~	~~1~~	~~155931D~~
158919N	DUNCAN	ANDREW SYMON	005101 004101	SOCIOLOGY I PSYCHOLOGY I	F F	(49) (49)	7	158919N
156415R	ERASMUS	ARNO JACQUES ERASMUS	601101 910106	COMMERCIAL LAW A STATISTICS IC(HALF CRSE)	F F	(35) (48)	1	156415R
~~162310Z~~	~~EVANS~~	~~GAVIN MARK READ~~	~~101103~~	~~AFR LANG INTENSIVE (XHOSA)~~	~~3~~	~~(57)~~	~~1~~	~~162310Z~~
161480X	FAFAK	GIULIETTA	107101	ENGLISH I (PRE-1980)	3NX		1	161480X
~~153363T~~	~~FARQUHAR~~	~~GILLIAN DEBORAH~~	~~115101~~	~~FRENCH I~~	~~UP~~	~~(57)~~	~~1~~	~~153363T~~
152866J	FARRELL	MICHAEL BRUCE	004101	PSYCHOLOGY I	UP	(55)	1	152866J
~~157359T~~	~~FINLAY~~	~~PAMELA JOAN~~	~~104104~~ 115102 115103	~~ECONOMICS I6~~ FRENCH INTENSIVE ITALIAN INTENSIVE	UP UP UP	(52) (58) (54)	1	157359T
~~159744K~~	~~FIORAVANTI~~	~~LUIGINA~~	~~214102~~	~~PHYSICS I~~	~~UP~~	~~(58)~~	~~1~~	~~159744K~~

Names of 6 blast dead are known

SIX of the 11 people who died in the Industria explosion on Monday have been identified but their names will not be released until names of the remaining four have also been made known

The managing director of Supreme Metal Works where the explosion occurred said relatives were at the mortuary trying to identify the dead

Mr S F Malan said as soon as they have been identified their names will be released He said the company will assist in burying the blast victims

Two of the victims whose pictures appeared in POST yesterday are among those who have died They are Edward Mokgadinyane, who had 100 percent burns and John Raigai whose burns were 95 percent.

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The men at the hospital were in bad shape on Monday and were writhing in pain with most of their skin having peeled off.

Post 19/3/80

Three people were taken to the General Hospital after the explosion. One died on arrival while the other two, Mokgadinyane and Raigai were admitted. But they subsequently died.

Three died at Coronation Hospital where most of the injured were taken to. Three are still in a critical condition.

The explosion and deaths have shocked the people of Soweto. They were deeply touched and all expressed their deepfelt sympathy.

Mrs Lucy Mvubelo of the National Union of Clothing Workers said: "To the families of the deceased, we express our condolences. We hope that all benefits due to the workers will be paid accordingly"

STL13-5 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 2

13020 BACHELOR OF ARTS YEAR : 2

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~133849N~~	~~PEARCE~~	~~CAREY SUSAN~~	~~114101~~	~~RELIGIOUS STUDIES I~~	~~3~~	~~(51)~~	~~1~~	~~133849N~~
140634U	PETERSEN	BERTRAND SYDNEY	102201 110201	AFRIKAANS EN NEDERLANDS II F AFRICAN HISTORY I F			1	140639U
133499H	PLAATJIES	NANCY	101105	AFRICAN LANG INTENSIVE (SOT2-		(66)	1	133499H
137501H	PLAGIS	JOHN ACHILLES	601305	COMPANY LAW	ABS		1	137501H
	REIMAN	BARRY GEORGE	105104	LATIN I	F	(36)	1	139271G
			105302	SOCIAL ANTHROPOLOGY II(PRE	2-	(60)	1	052892R
				HISTORY II	2-	(60)		
					3	(53)	1	121461Y
				80)	3	(57)	1	133333C
					3NX		1	153034C
				I	F	(44)	1	137998Y
					3	(58)	1	134302F
				GY II(PRE	2- ABS	(63)	1	135878U
				E (XHOSA) 80)	2- 2- F	(25) (60) (61)	1	111532F
					ABS		3	121723H
	HENRIETTA ANNE				3	(52)	1	102168C

TOTAL NUMBER OF STUDENTS 57

REGISTRAR (ACADEMIC)

Post (189) 20/3/80

Blast names

SUPREME METALS WORKS has released the names of the 11 people who died when there was an explosion on Monday

In addition the company has also released the names of nine injured

The dead were Mr Samuel Mabasa, Mr Julius Yalezo, Mr Alson Mbatha, Mr Charles Mahlatsi, Mr Philemon Nkutha, Mr Samson Xulu, Mr Koos Manamela, Mr Edward Mokhadinyane, Mr John Gaegatwe, Mr Edward Ndlovu and Mr Petrus Matsoga

Mr Enos Marokane and Mr Lucas Matome are still on the critical list Mr John Maimela and Mr Daniel Kekana are out of danger

Those with minor injuries and discharged from hospital Mr Dingaan Lekoa, Mr Jackson Mabasa, Mr Joseph Masina, Mr Eric Mtamo and Mr Peter Lethoba

A company spokesman said there were no plans for a mass funeral for the blast victims Some of the relatives he had seen had expressed a desire to bury their own dead

The Diepkloof Civic Association (DCA) will hold a memorial service for the victims next Tuesday at the AME Church

The service will be conducted by Father J Moselane It will start at 6,30 pm

The DCA has made available R150 for families of victims

Two of the victims will be buried next weekend

Mr Charles Mingus Mahlatsi (21) of Mofolo North, will be buried at Avalon cemetery on March 30 A service will start at 12,30 pm and the cortege will leave for the cemetery at 2 pm

The funeral of Mr Julius Yalezo (52) of 1316 Mofolo North, has not been fully detailed

Mr Yalezo, was father of nine His widow Mrs M Yalezo, is unemployed

Four of her children live elsewhere, one attending school in Transkei

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS

13020 BACHELOR OF ARTS YEAR : 2

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIP				
~~1342047~~	~~ADAMS~~	~~FADLUNESSA~~	~~110242~~	~~HISTORY I~~				
137452E	ALLIX	MARK LORAINE	104101	ARCHAELOLOG				
~~140748K~~	~~BORAINE~~	~~ANDREW MICHALL~~	~~107201~~	~~ENGLISH II~~				
120414K	CONRADIE	ELSABE-MARIE	003301 117201	SOCIOLOGY POLITICAL				
138497Q	DE VILLIERS	JEANINE KAREN	113104	PHILOSOPHY				
136110W	ESAU	FAIKA	103302	SOCIAL ANTH				
136962X	ESSMANN	SONJA BRIGITTE	101103	AFR LANG IN				
~~114207C~~	~~FELLOWS-SMITH~~	~~ELIZABETH ANN~~						
113763F	FIELD	MAUREEN DAWN						
137811V	GARSON	CATHERINE MARY						
~~113790K~~	~~GRAZIANI~~	~~MARIO GUIDO~~						
113526Y	HARPUR	COLIN ANDREW LINDSA						
134419H	HAY-WHITTON	ALEXANDER MARK						
098717B	HORWITZ	ROXANNE ALETHEA						098717B
139706E	HOUGH	COLLEEN DESIREE	[illegible]	MATHEMATICS IIA M204	2-	(68)	1	139706E
133266E	KOSCIUCH	KAROL FRANCISZEK	107201	ENGLISH II	3	(55)	1	133266E
114692Q	MAVROS	SUZANNE DOROTHY	107201 114201 115201	ENGLISH II RELIGIOUS STUDIES II FRENCH II	2- 2+ 2-	(63) (72) (63)	1	114692Q
139615F	MAZEL	ABRAHAM	117101	POLITICAL SCIENCE I	F	(47)	1	139615F
132628D	MEYER	LEONARD HENRY	106202	ECONOMICS II	3	(50)	1	132828D
133615J	MILLER	DARLENE RUTH	101103	AFR LANG INTENSIVE (XHOSA)	F	(38)	1	133615J
133140T	OLIVA DAY	DIANA EMMA	107101	ENGLISH I (PRE-1980)	3NX		1	133140T
133546J	UMAR	ABDUL RASHIED	106202	ECONOMICS II	3	(52)	1	133546J

DUNSWART 232 159 FM 21/3/80

Earnings dilution ahead

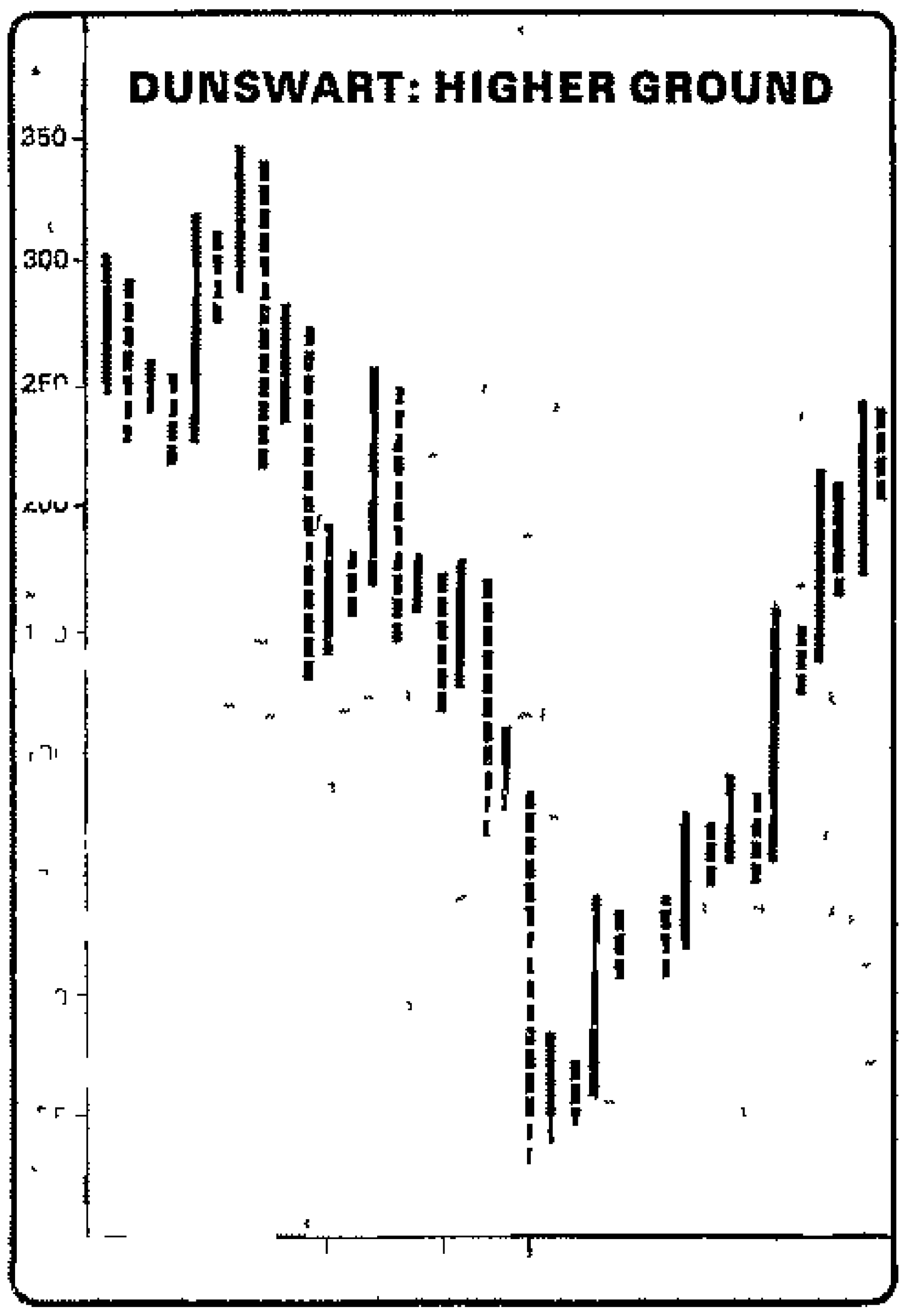
Activities. *Steel and sponge iron producer Genmin owns 46,6% of the equity and Sanlam 10%*
Chairman *G Clark, managing director K T Brightman*
Capital structure *4,8m ordinaries of 50c, 100 000 6% cum prefs of R2, 300 000 6,0% second red cum prefs of R2 and 200 000 10,5% red cum prefs of R1 Market capitalisation R10,6m*
Financial *Year to December 31 1979 Borrowings long and medium-term, R14,7m Net cash R1,6m Debt equity ratio 71,7% Current ratio 1,9 Net cash flow R6,0m Capital commitments R7,9m*
Share market *Price 220c (1979-80 high, 270c, low, 78c, trading volume last quarter, 269 000 shares) Yields 35,1% on earnings, 4,5% on dividend Cover 7,7 PE ratio 2,8*

	'76	'77	'78	'79
Return on cap %	16 9	—	8 0	15 1
Turnover (Rm)	41 6	38 9	54 8	68 6
Pre tax profit/loss (Rm)	1 5	(2 0)	0 5	3 4
Gross margin %	10 8	—	5 4	8 4
Earnings (c)	47 5	(4 5)	8 3	77 2
Dividends (c)	20	—	—	10
Net asset value (c)	427	338	357	439

On the back of a 522% increased pre-tax profit, achieved from 25,2% higher sales, Dunswart's share price has moved out of the doldrums However, investors may have overdone the run up to the profit announcement, when they pushed the price up to 270c — more than three times higher than 1979's low of 78c But, following the profit announcement, the share slipped down to 220c, probably in anticipation of an earnings dilution following this year's two option dates

Dunswart issued 6,3m options to subscribe to ords with its R12,6m 14% deb issue On March 31 and September 30 this year and next year debenture holders may swop half of their debs for ords or purchase at R1 in cash one ord for each two debs held With only 4,8m ords currently in issue, the share capital could be more than doubled in the next two years Obviously, this could reduce earnings by more than half

Due to an assessed loss of R5,9m, which resulted in the company paying no tax, the profit growth was translated into an 830% earnings rise to 77,2c (8,3c) Though shareholders may have been disappointed in the low 10c payout, the high retentions were necessary to bring balance sheet ratios down to respectable levels For example, the R2,8m transfer of retained income to distributable reserves — helping to increase the shareholders' fund to



R21,2m (R17 2m) — and reducing borrowings by R2,8m to R15,8m, resulted in a decline in the debt equity ratio to 77,2% (102,6%)

The net effect was to increase capital employed to R38,0m (R36,8m) Dunswart also managed to increase its cash holding to R2,7m despite a rise in stocks to R9 8m (R7,6m) as this was largely financed by the rise in creditors to R9,5m (R6,6m) Depending on how many options are exercised, the balance sheet may be vastly different by the year end

Last year's growth reflects the gearing effect of a small increase in turnover when a plant has ample spare capacity to cope with increased demand without needing large capital investment The 353 000 t liquid steel production was below the forecast 380 000 t capacity but this year, the directors say, an all-out effort will be made to achieve full utilisation This should be helped by the installation of a R2,4m fume cleaning plant which should improve working conditions considerably

Success with the sponge iron plant, which, by contrast, was closed down in 1978 due to a surplus of scrap metal on the market, was helped last year by scrap shortages There is now a possibility that other steel companies will purchase sponge iron from Dunswart

Certainly, Dunswart found the sponge iron suitable for steel production, and other manufacturers, who took some 9 000 t for experimental purposes, tended to confirm these results Sponge iron obviates the use of coking coal in producing steel

As part of a five-year plan, Dunswart is now looking into the possibility of installing a second sponge iron kiln For rolled sections, the target capacity is for 270 000 t by 1981 Last year the production target was for 240 000 t and the division came close with 236 000 t

Dunswart hopes eventually to expand into more sophisticated product ranges — following the example of Union Steel — which will require heavier capex Meantime capital commitments at the year-end amounted to R7,9m (R6,3m) This could be financed from Dunswart's own resources Depreciation amounted to R2,9m and taxed profit could be at last year's level, with tax likely to take a slice of this year's profit

So, with the R2,7m in cash under its belt, the group could finance this capex without the need to resort to loan capital As the economy has probably entered the second stage of the upward trend in the business cycle, prospects for growth augur well for steel producers Indeed, the directors forecast earnings growth, though they are not sure of the extent of the possible rise due to the company's reliance on the Price Controller for steel price hikes

Nevertheless, Dunswart intends concentrating on the local market, where buoyant conditions are likely to prevail this year and to restrict export tonnages to markets where reasonable prices are attainable However, shareholders should not expect too much in the way of dividends as the group plans heavy capex in the next five years

Obviously, this will require high retentions Even so, the director's immediate objective is to broaden the earnings base by bringing all sections into play to the fullest possible extent This year a pre-tax profit of R4,0m is possible, but, after tax offsets, attributable profits will probably be of the same order as last year's R3,3m

However, dividend cover could be lowered to, say, three times and a 25c payout is possible if no options are exercised, putting the share on an attractive 13,6% prospective yield But perhaps this is expecting too much Given the share's patchy record, investors are probably justified in being cautious *Peter Pittendrigh* x 2

189 232 260

FM 21/3/80

STEEL

Up the independents

Firming local demand for steel has sparked off a major round of new capital investment by the country's half-dozen independent steel producers. Expenditure of some R350m is under way or in the planning stages at present, including Southern Cross' R127m stainless steel expansion programme.

Biggest of the independents is Anglo American Corporation's Highveld Steel & Vanadium, which produced 750 000 t of liquid steel last year. Highveld's R18m ninth kiln is currently under construction and scheduled to be commissioned around mid-year, while its tenth kiln should come on stream in 18 months' time.

This will complete the first iron plant and already the feasibility of a second iron plant is being investigated. A decision on that investment — involving something like R100m for one furnace and three kilns — is expected to be taken this year.

Highveld at present has spare capacity at the steel mills but none in iron-making, so the expansion would eventually lift its overall capacity by 25%, without any need for new mills. Some scrap metal is also used, though this accounts for only 5%-10% of raw material input.

Last year, exports took up 43% of Highveld's output, though the revival of domestic demand has seen this fall below 40% this year, where it's likely to stay for a while.

Dunswart Iron & Steel, which has virtually completed a R16m modernisation and expansion programme, has called for tenders for a second sponge iron kiln which would cost around R20m, says MD Ken Brightman.

HOW THEY STACK UP

Iscor v private steelmakers

Producer	Liquid steel production tons
Highveld	750 000
Dunswart	380 000
Scaw	350 000
Usco	270 000
Davsteel	*150 000
McWillaw	*100 000
Total private sector	**2 000 000**
Iscor	**6 468 000**

*** Plant just commissioned**

"This would raise our sponge iron capacity from 120 000 t a year to 300 000 t," he says. "At the same time, we are conducting feasibility studies for new steel making facilities, which would need consideration of a new electric arc furnace and continuous casting plant.

"This would lift our total liquid steel capacity from 380 000 t a year to 500 000 t."

Dunswart is the country's only producer of sponge iron (next to scrap, the cheapest raw material for steel production). At present, sponge iron provides 120 000 t a year of the raw material input, with the rest coming from scrap metal and small quantities of cast iron and pig iron. However, despite the planned near-tripling of sponge iron capacity, no reduction in the quantity of scrap used is envisaged because of the expansion of steel-making capacity.

Exports have accounted for as much as 30% of Dunswart's output in recent years, but strengthening domestic demand will bring this figure down this year.

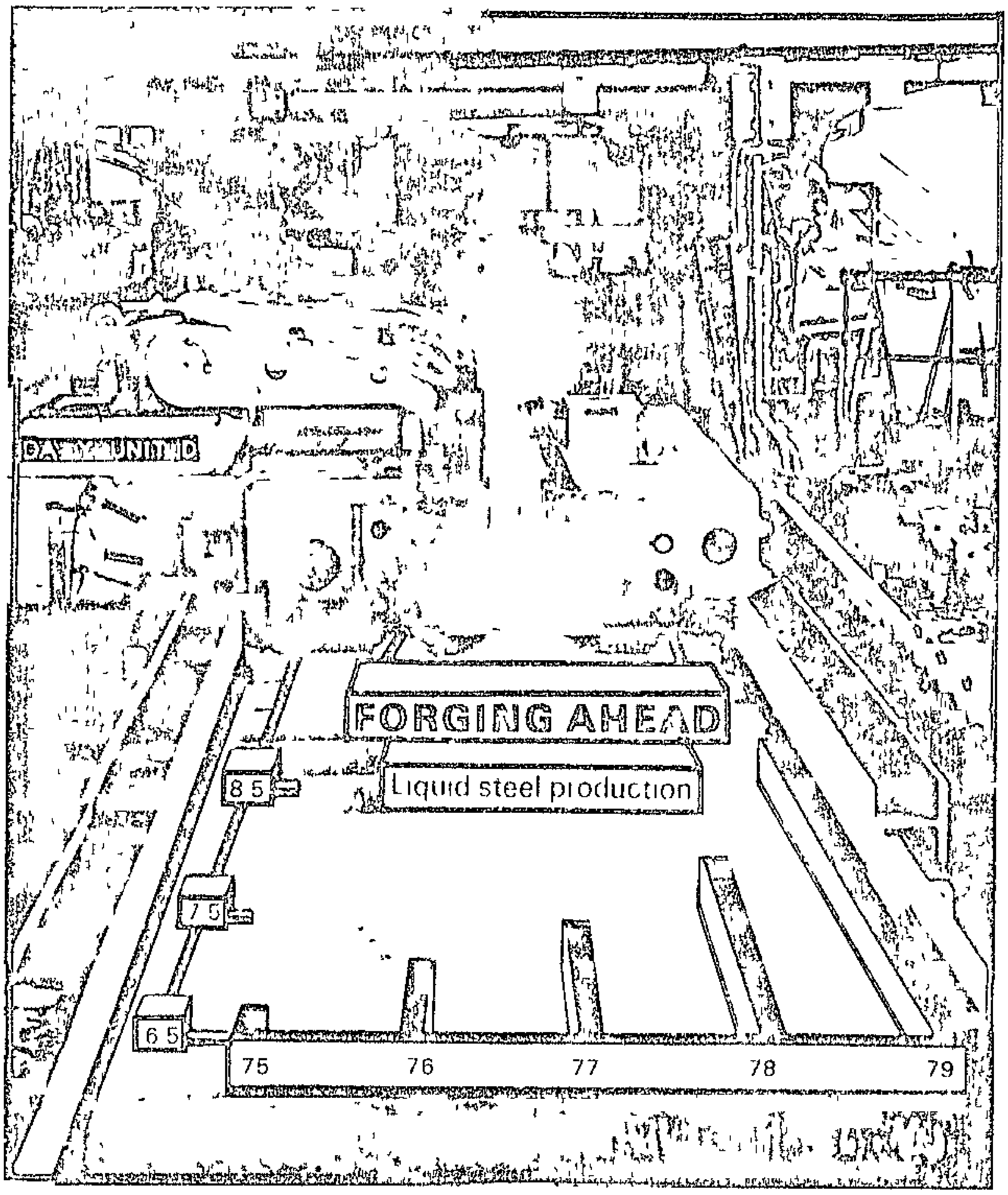
"We intend to maintain an export presence," says Brightman. "But we also aim to increase our domestic market share and over the long-term, exports will probably not exceed 20%-25% of our production."

Union Steel (Usco) MD Jan de Waal is cagey about his plans, though the FM understands a fairly substantial investment is likely there over the next five years.

"We are ironing out bottlenecks in our existing plant and we are also planning, but there is nothing concrete at this stage," says de Waal.

At its present output of 270 000 t a year, Usco is operating at full capacity, but debottlenecking could raise the capacity without major capital investment.

"In 1973 we put in a new mill which we are now altering so that we will be able to



7

utilise the capacity more effectively over a wider area of the market,' avers De Waal

"We are still trying to convert to speciality steels which increases the profit potential without raising the liquid steel capacity"

Usco's entire raw material input is scrap but some experimentation is being done with direct reduction

The market, says De Waal, is "very lively" but predicting how long it will remain in the ascendancy is difficult

"The steel industry normally moves in four-year phases," he adds "We are approaching the crest of the wave at the moment and the steel industry in Europe is in a down phase So our market could start to turn down next year"

Scaw Metals, a wholly owned subsidiary of Anglo American Industrial Corporation is scrapping its two bar and section rolling mills and replacing them with a single R25m mill with a capacity of 200 000 t a year

Modernisation

This will raise total capacity of finished products from 240 000 t a year to around 400 000 t Liquid steel production is 350 000 t a year Scrap accounts for 63% of Scaw's raw material for rolled steel production

The minnows in the steel industry are also expanding Durban-based McWillaw Iron & Steel, owned by Leo Raphaely & Son has just completed a R3m modernisation programme which will increase liquid steel capacity from 62 500 t a year to 100 000 t within two years

McWillaw caters to the coastal trade supplying reinforcing steel to the Durban and Port Elizabeth markets and has not yet experienced a significant upturn in demand

"There is a healthier tone in the market," says MD Lew Evans "But we are tied completely to the construction industry, and so there is a six-month lag in demand"

However, as a subsidiary of Leo Raphaely, the country's leading steel exporter, McWillaw is well placed to find export markets when local demand is insufficient

New melt shop

Davsteel, a small family-owned steelmaker, has just commissioned a new melt shop with a production capacity of 150 000 t a year

"Capacity will eventually move to 200 000 t" says chairman Mendel Kaplan "Up to now we have been manufacturing reinforcing bars and wire rods from billets bought out Now we are making our own billets in our own melt shop" Kaplan won't disclose the cost of the project

The state steel corporation, Iscor is still far and away the dominant force in the industry, producing 75% of the country's output But with a huge cushion in the form of exports which can be diverted to the local market as demand picks up, Iscor is not in a capacity expansion phase just now

Probe into Industria blast

LABOUR inspectors this week held an inquiry into the blast at an Industria West steel factory on Monday.

The managing director of Supreme Metal Works, Mr S F Malan said that the investigating team was led by a magistrate, but would not give further details, Sunday Post, March 23, 1980

Escape from hell

MAN TELLS HOW HE CRAWLED BLINDED OUT OF INDUSTRIA INFERNO

THE man who operated the furnace which exploded in an Industria factory this week killing 11 people has told of his miraculous escape from death

When the first explosion took place Mr Joseph Masina (25) was operating the furnace and the force of the blast threw him about five metres

Momentarily blinded, Mr Masina could feel the searing heat as fire engulfed the factory

As he crawled away from the heat he heard the other furnaces exploding like bombs "I could hear the screams of my workmates trapped in the fire," said Mr Masina

"There was no chance for anyone to be rescued from that blazing inferno"

Mr Masina said he did not know what caused the first explosion He disclosed, however, that a few minutes before the explosion the furnace stopped functioning and the maintainance team was called in to look at it

Before the men could look into the problem the furnace started working again and they left without inspecting it

"About 20 minutes after their departure the furnace exploded"

Mr Masina said this was the second time in a week that the furnace had stopped working The first time was when he was on night shift on the Wednesday prior to the day of the explosion On that night a senior employee attended to the furnace

The plant manager, Mr H Arensmeier, said the furnace had automatic switch gears and once the temperature was too high they switched themselves off

He said investigators were still puzzled about the cause of the explo-

'I could hear the screams of my friends'

By DERRICK [illegible]

A spokesman for the firm said the company had undertaken to pay the funeral expenses of all the dead men

One of the victims, Mr Phlemon Kaizer Nkutha, was the childhood friend and neighbour of Mr Masina He had been working at the firm since last year December

Breadwinner

His mother Mrs Ester Nkutha, said her son was the sole breadwinner of the family "Now that he is dead, we do not know where the next meal will come from and who is going to pay the rent," said Mrs Nkutha

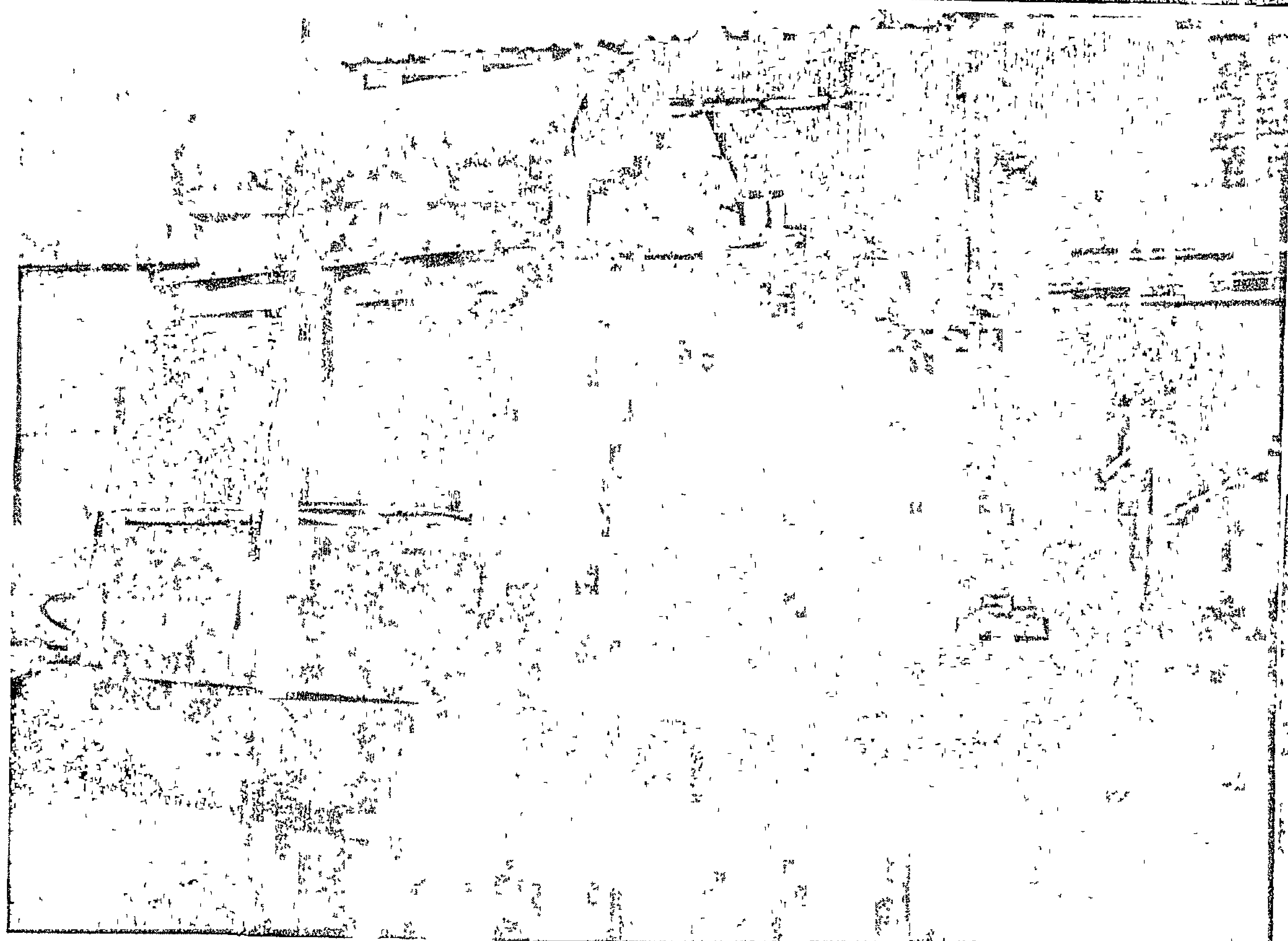
The other victims were Mr Samuel Mabasa, Mr Petros Matsoga, Mr Alson Mbatha, Mr John Kaigatoe Mr Julius Yalezo, Mr Charles Mahlaki Mr Samson Xulu, Mr Edward

The plea by the police was that the perforation on Mrs Montwedi's ear was presumably caus-

Xulu, Mr Edward Mokgadiyane and Mr Koos Manamela

Most of them were to be buried at the Avalon Cemetery this weekend Two of them, who were hostel inmates, may be buried in the homelands

The injured men are being treated at the Coronation Hospital and the Johannesburg Non-... Hospital for



The furnace operated by Mr Joseph Masina in which the first explosion took place.

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R6,6m electronics stake for Amic

~~231~~ 189

Financial Reporter RDM 26/3/80.

AMIC has entered the electronics field by buying 80% of Control Logic (Pty) for R6 666 000.

Control Logic makes and markets electronic control systems and electronic equipment, including annunciators and autotonic products, such as cruise controls

Profits have risen strongly in recent years and prospects for steady growth are sound, says Amic

Amic directors believe electronics offers an important investment opportunity for the group and that this investment will provide a sound base from which to expand in this sector.

Amic will acquire the shareholding through a wholly owned subsidiary whose name will be changed to reflect more accurately the nature of its new business

Funds required for this purchase will be obtained on a short-term basis and will be repaid out of earnings

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

14149 B.A./~~B.SC.~~ YEAR : 4 14149

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL		
102531	BURROW	ROSEMARY KATHERINE	102101	AFRIKAANS	UP	(-50) 4	102531X

* TOTAL NUMBER OF STUDENTS 1

DEAN

REGISTRAR (ACADEMIC)

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

17000 BACHELOR OF ARTS (HONOURS) YEAR : N/A 17000

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL		
~~101795X~~	~~FERATER~~	~~SHEILA JOSEPHINE HOWARD~~	~~105703~~	~~LATIN HONOURS~~	~~2+ (70)~~	~~4~~	~~101795X~~
120776D	RUBIN	VIVIENNE	109701	HEBREW HONOURS	3	4	120776D

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

(1) BRADFORD, H J

UCT

Metal men press for more pay

STAR 27/3/80 (187)

By Elizabeth Wilson
Labour Reporter

About 500 000 workers in South Africa's metal industry could get a 20 percent pay increase — if union leaders have their way

The demand was tabled at a meeting of the executive committee of the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries

Among demands are calls for

- The minimum rate to be raised by 20 percent, and this to include a guaranteed across-the-board increase of about 15 percent on current rate to offset inflation
- A holiday bonus equivalent to a month's pay
- Overtime rates to be restored to the previous level of time and-a-half

The unions are understood to be raising the issue of a reduced working week again, with the aim of a 40 hour week, to be introduced over five years

ASSOCIATED ORE

Assmang benefits

(189) FM 28/3/80.

Associated Ore, which holds some 37,9% of Assmang, reported a 65,3% earnings increase in the six months to end-December and declared a 50% higher interim dividend of 60c (40c) The improved profit figure results largely from a doubling in the Assmang final dividend for the year to end-December, as well as higher fees and commissions

In December 1979, Assmang declared a 150c (75c) final dividend which would have meant income for Assore of R2m (R1m) The holding in Assmang thus comprises 72,6% (46,9%) of Assore's pre-tax profit, which advanced 31,2% to R2,8m (R2,1m) The balance of Assore's income is derived from other investments, direct mining sources, manufacturing and technical and administration fees and commissions.

Other sources of investment income were Assore's holdings in Anglovaal and Union Steel, both of which have declared higher dividends In the six months to end-December, Assore would have received a higher 120c (90c) final from Anglovaal And for the second half of Assore's financial year, it will receive the 50c (30c) Anglovaal interim plus the 8c (5,5c) Union Steel payment

Assore gives its turnover increase for the first half at 49%, reflecting the higher investment income and fees and commissions In the previous financial year turnover rose 16%.

Assore's Rustenburg Minerals company moved into the black in 1979 after railings of chrome ore began in February The lower 15,6% (25,4%) tax rate, effective in the first six months, reflects previous taxed losses at Rustenburg as well as the higher dividend income received Capex for Rustenburg during the first half was R1,8m (R1,4m) and a further R592 000 (R251 000) is committed for the second six months

At 2 400c, the Assore share price is on a 15-month high — reflecting the huge increase in Assmang's dividend — and yielding 4,6% on the annualised dividend The current share price appears to have discounted any good news on the world steel industry and ferrochrome market in the near term

Des Kilalea

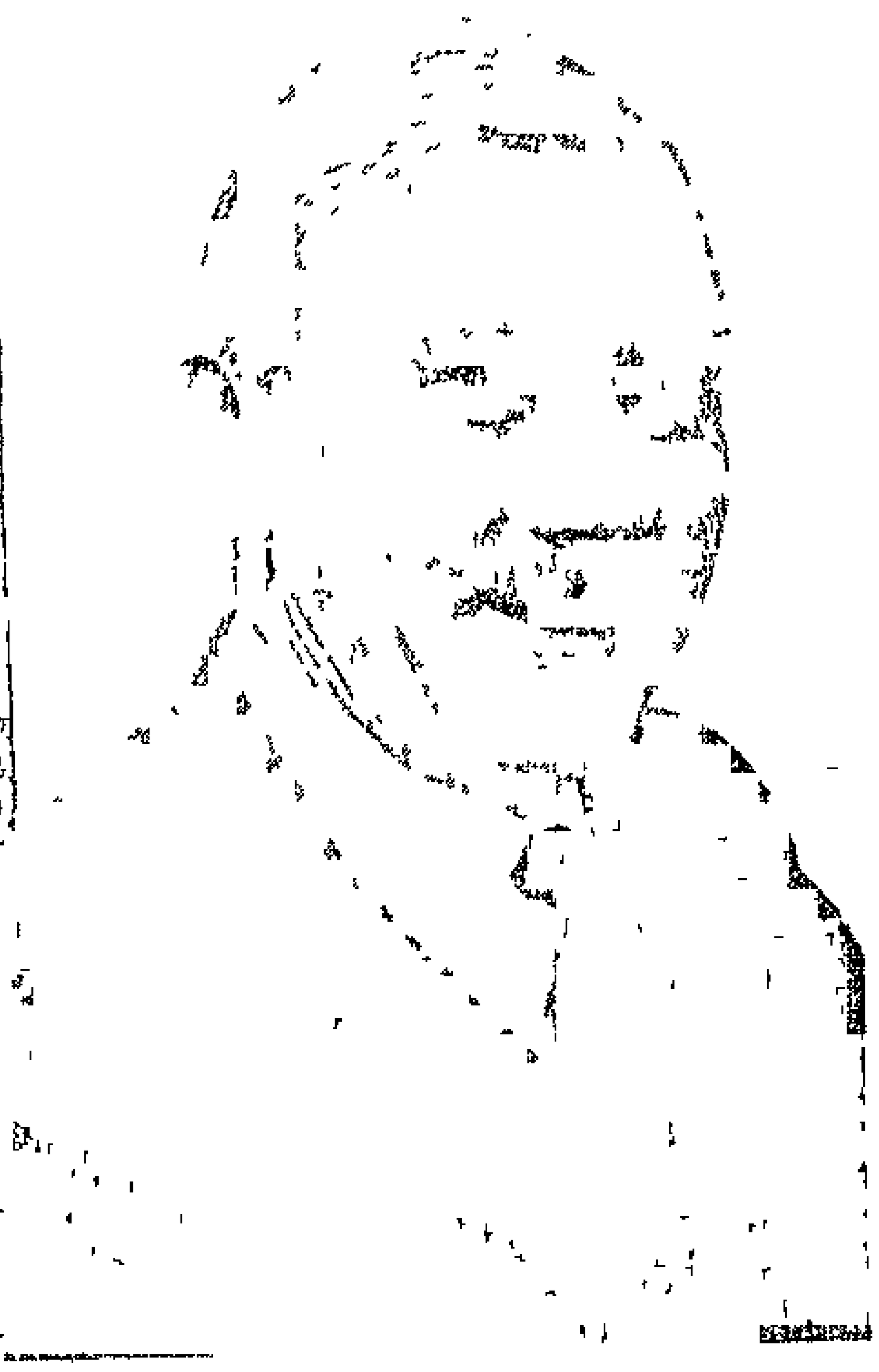
1331

AMIC/HAGGIE RAND

Amic buys in

FM 25/3/80 (189)

In a R60m deal, the controlling shareholding in Haggie Rand has been re-arranged to leave Amic and Union Corp with joint control. Previously, Union Corp and UK-listed company Bridon controlled Haggie.



Haggie's Haggie .. something to smile about

Bridon has sold 30,95% in Haggie to Amic for R30,7m — an effective price of 780c per Haggie share — while Union Corp bought the balance to boost its stake to the same as Amic's. This Anglo/Genmin arrangement is not as peculiar as it seems in view of the existing joint ventures in Coalequip and Union Carriage.

Bridon obtained its shareholding in Haggie when its SA operation Rand Ropes merged with Haggie in 1952. The sale of this investment to Amic and Union Corp is apparently an effort by Bridon to solve its own financial problems after large contracting losses in a fairly recently acquired UK subsidiary.

Market sources suggest that Union Corp would have been interested in buying the whole Bridon stake, but that it was thought prudent to include Amic in view of Anglo group being a large Haggie customer. Additionally, Amic subsidiary Scaw Metals, through which the Haggie stake is being acquired, was fairly far advanced in setting up its own rope operation.

Amic's stake in Haggie was acquired at a 7,6% premium on the JSE price of 725c and a huge 99% premium on Haggie end-December net worth of 391c. However, Anglo notes that Haggie's plant is worth much more on a replacement value basis, and one industry source reckons the real figure is probably over 700c.

Had Haggie been included for the year to end-December, Amic's earnings would have risen 16c to 333c — a 5% increase. The proceeds of the sale of Bridon's stake will be remitted in the form of a R12m special dividend from Haggie which will be funded by Amic and Union Corp, while the balance will go out through the financial rand. Amic will finance its share from cash flow and short-term borrowings.

In another acquisition, Amic has acquired 80% of Control Logic, an electronics company, for R6,7m. The deal includes the purchase of 50% in Control Logic from an Anglo subsidiary.

This acquisition marks the entry of Amic to the lucrative electronics industry and will be the base from which further expansion will be directed. Conlog has contracts at Sasol and control systems including "Speedocruise" controls.

Des Kilalea

COMPUTER INDUSTRY 189

Programmed victory

FM 28/3/80

SA's computer firms can breathe more easily after the settlement of the pending Supreme Court case between the QPac group and Anthony Pain on terms favourable to the inventors and developers of computer programmes

Q Packaged Programs (Pty) Ltd and its associates, the Warren-Gers Group (comprising Ron Warren and Des Gers), had built up a lucrative business in "software" systems available to their clients for the administration of payrolls, especially in large concerns The systems developed — essentially computer programmes — were compatible with a wide variety of "hardware" or actual computers accessible to the local business community

Then an event feared by all software firms occurred — a senior employee, Pain, hived off to operate independently He offered software systems for other commercial applications under the style of Advanced Computer Application Packages (Pty) Ltd (Apco) QPac concluded that Pain was copying portions of its programmes and manuals, and using confidential information in designing payroll and other packages It accordingly instituted legal action

As there is something of a "grey area" in the application of copyright law to computer programmes, action was instituted on two alternative bases The first was use of confidential information and the second was breach of copyright Both parties geared themselves up for an extended (and expensive) battle in the Witwatersrand Local Division of the Supreme Court A decision by the Court would have been of great value to the local computer industry, as it would have established a legal precedent on these two crucial issues

The settlement was, nevertheless, of some value in this respect A scrutiny of its terms makes pretty clear that Gers and Warren achieved a substantive vindication of their claim to ownership of the intellectual property at issue

Most significantly, Pain is restrained from further use of his Apco Payroll System, the related Employee Transfer programme, Payroll Master Listing programme, and of any confidential information from the QPac System used in the creation of the software components of his systems

More generally, he is restrained from reproducing, publishing, selling or hiring any notation of the QPac System, or making any adaptation of QPac for these purposes Nor may he infringe any of the copyright of the QPac group in its systems But he may continue to use the Apco Asset Control System

Pain is also obliged to deliver to the plaintiffs, for immediate destruction, all documents on which his computer notations are recorded and submit his tapes of this type of material for deletion at an accredited computer installation

He is also restrained from operating independently as a developer of payroll packages for a period of six years in SA and in many other countries, and must pay R10 000 towards the plaintiffs' costs On the other hand, he may still be employed by QPac's customers or act as their consultant, provided that the services rendered are for the exclusive use of the customer

A proviso of the settlement permits Premier Milling, Fidelity Guards and Computer Sciences to continue to use the modifications of (previously supplied) QPac systems introduced by Pain in the course of his independent operations, subject to guarantees as to confidentiality to be given to QPac

The only pity of the outcome of the case is that a legally binding precedent was not enunciated by the Court But the significance of the settlement should not be lost on any computer employee contemplating a similar course of action

It's all been said

Turning back through the *FM's* files . . .

20 years ago (April 1) . . .
Three-quarters of the Bantu areas must still be planned — at the present rate of progress the Department of Bantu Agriculture hopes to finish the job in 1980 How much of the plans will have been covered by then is another matter

10 years ago (March 26) . . .
The higher an executive's cash income from his company, whether in the form of salary or fee, the more fringe benefits, or "perks," he is likely to receive disproportionately so

The latest Greenwood Glasgow-UAL salaries survey, which looked at the situation of tens of thousands of executives in South Africa, shows that as a man's salary increases, so it becomes a smaller proportion of his total real income

Five years ago (March 27) . . .
The birth of the Foreign Affairs Association has yet to meet with a warm reception

Nor will it deserve one until the FAA shows it intends doing more than simply duplicating the selling South Africa efforts and diverting the fund-raising potential of the SA Foundation

On the face of it, the two look distinctly similar Both realise the importance of educating South Africans about world opinion — a function being vigorously pursued by the Foundation under Jan Marais' presidency Like the Foundation, the FAA sees itself as "an independent clearing house for information on SA's contact with the outside world"

Rapport 30/3/80

270 269

Spoorverhogings kos Yskor R36m.

189

YSKOR, Suid-Afrika se grootste staalprodusent, sal vanjaar vir die eerste keer in ses jaar 'n wins toon. Die onlangse verhoging in spoortariewe kan die korporasie se wins egter baie nadelig beïnvloed, tensy 'n groot deel daarvan uit verhogings van staalpryse verhaal kan word.

In 'n onderhoud wat Sake-Rapport vandeesweek met senior bestuurslede van Yskor gevoer het, blyk dit duidelik dat die toekomstige winspotensiaal baie nadelig geraak kan word indien daar nie 'n oplossing vir die nypende tekort aan opgeleide werkers gevind word nie.

Die aangewese hoofbestuurder van Yskor, mnr F P Kotzee, het gesê die onlangse verhoging in spoortariewe sal Yskor jaarliks sowat R36 miljoen uit die sak jaag. Dit is amper gelykstaande aan die wins wat Yskor in die eerste ses maande van vanjaar getoon het.

Hoewel hy hom nie daaroor wou uitlaat nie, is dit feitlik 'n uitgemaakte saak dat hierdie bedrag van die verbruiker in die vorm van hoër pryse verhaal sal word indien daar nie 'n ander oplossing gevind kan word nie.

Mnr Kotzee het gesê danksy die uitbreidingsprogramme wat vroeër by die korporasie onderneem is, sal hy in staat wees om in die volgende tien jaar in die toenemende vraag na staal, veral plaaslik, voorsien sonder dat nuwe werke aangepak hoef te word.

Die korporasie sal egter in die volgende vyf jaar sowat R1 400 miljoen bestee op verbeterings by bestaande werke. Laasgenoemde sal hoofsaaklik daarop gemik wees om produksie te verbeter en ook om tred te hou met nuwe tegnologie.

Hy het gesê hierdie verbeterings sal tot gevolg hê dat die produksievermoë met gemiddeld sowat 15 persent per jaar uitgebrei sal kan word. Dit is gelykstaande aan sowat 1 miljoen ton staal per jaar.

Wat die vooruitsigte betref, is daar ook baie optimisme. Die afdelingshoofbestuurder, staalbemarking, mnr P A Olivier, sê Yskor se plaaslike afset van staal behoort in die huidige boekjaar, wat op 30 Junie ten einde loop, 'n verbetering van sowat 17 persent te toon. In die vorige boekjaar was daar 'n verbetering van 15 persent in die plaaslike mark.

Dit is juis hierdie mark wat die winsgewendste is en hierdie verhoging behoort baie tot winsverbetering by te dra.

Wat die uitvoermark betref, verwag hy daar sal vanjaar 'n effense afplatting intree. Na verwagting sal die uitvoer van verlede jaar se 1,79 miljoen ton tot 1,77 miljoen daal en sal uitvoer van staal vergeleke met die totale afset van 38 persent tot 34 persent afneem. Hoewel die uitvoer van staal nie so winsgewend is nie, is dit 'n baie groot verdiener van buitelandse valuta.

Mnr Olivier sê Yskor verdien op die oomblik sowat R350 miljoen aan buitelandse valuta uit staal. Wanneer die uitvoer van ertse hierby gevoeg word, styg die syfer tot R530 miljoen. Daarby verdien hy ook vir die land jaarliks sowat R130 miljoen aan buitelandse valuta met die uitvoer van ander produkte.

Mnr Kotzee sê Yskor se skuldverhouding verbeter steeds. Die skuldverhouding is op die oomblik sowat 53 persent en na verwagting sal dit teen die einde van die boekjaar nog beter wees. Hy sê op die oomblik ondervind Yskor ook géén kontant vloeiprobleme nie, danksy die beleid om bates vinniger as normaalweg af te skryf. Daar bestaan by sommige mense die wanindruk dat die geld wat die staat in die verlede aan Yskor gegee het gebruik was om verliese goed te maak.

Dit is egter nie die geval nie. Hierdie geld was gebruik om die finansiële struktuur van Yskor te versterk.

Mnr Kotzee sê die arbeidtoestand sover dit opgeleide mense aanbetref, raak nou onrusbarend. Iets sal baie vinnig daaraan gedoen moet word anders kan dit die land se groeikoers baie skade berokken.

Yskor doen sy bes om mense op te lei, maar verloor jaarliks groot getalle werkers wat deur ander nywerhede met hoër salarisse weggerokkel word. Daar bestaan op die oomblik die behoefte om aan 'n nasionale strategie te dink sover dit Suid-Afrika se tekort aan opgeleide werkers betref.

Die afdelingshoofbestuurder, mynbou, mnr M J Deats, sê Yskor is op die oomblik met grootskaalse ondersoeke besig om van diesel-aangedrewe na elektries-aangedrewe voertuie by veral sy dagboumyne oor te skakel. Elke miljoene liters diesel is reeds hierdeur bespaar en nog aansienlike besparings word in die vooruitsig gestel.

— **Daan de Kock**

INDUSTRIA HORROR BLAST DEATH TOLL NOW 12

By DERRICK LUTHAYI

THE death toll of the blast victims at the Industria metal firm has increased by one, bringing the total to 12.

Mr Lucas Matome died on Tuesday at the Coronation Hospital, eight days after he was admitted.

Two of the victims, Mr Alson Mbatha and Mr Samson Xulu, were buried on March 22 at Nquthu and Mahlabathini respectively

Four others were buried yesterday Mr Samuel Mabasa was buried in Louis Trichardt, while Mr Koos Manamela was buried at Potgietersrus

The others, buried at the Avalon Cemetery, were Mr John Kaigatoe and Mr Edward Mokgadinnane.

Today three men, Mr Julius Yalezo, Mr Charles Mahlatsi and Mr Philemon Nkutha, will be buried at Avalon. A spokesman for the metals firm said that though the company was paying for the funeral expenses, there would not be mass funerals, even though some of the men were being buried on the same day.

He said the decision to bury the men separately was taken by their families, who were against the idea of a mass funeral.

The men died of serious burns on March 17 while on duty at the metal firm One of the furnaces exploded and a sheet of flame enveloped the men.

Mr Joseph Masina, who was operating the furnace which exploded first, said the force of the blast threw him five metres away and he crawled to safety.

He left behind men screaming in pain trapped in the fire. He could do nothing to save them because he was blinded.

The injured were rushed to the Coronation and the Johannesburg Non-European hospitals. Some died on the way, while others died in hospital.

Blast victims buried

Sowetan 30/3/82
(137)

TWO VICTIMS of the blast at an Industria metal firm last week were buried at the Avalon Cemetery yesterday

They were Mr Edward Mokgadinyane of Mapetla and Mr John Kaigatoe of Naledi

Another two victims, Mr Edward Mabasa and Mr Koos Manamela, were buried at Sibasa and Potgietersrus respectively

The funerals in Soweto were attended by more than 1 000. people

Three other victims, Mr Julius Yalezo, Mr Charles Mahlatsi and Mr Philemon Nkutha, are to be buried today at Avalon They were all from Mofolo North

See Page 7.

Workers sacked after pay dispute

189

By KINGDOM LOLWANE

TWENTY-ONE workers at the African Gate and Fence Works Limited in Elandsfontein were sacked yesterday following a pay dispute.

The men, who were originally employed in the company's steel wreck department, were sacked yesterday after the company allegedly refused to increase their wages.

They claimed that their department, which had 45 workers in all, had on Monday last week made representations to management for an increase

Management had replied they would get a rise at different times during the year.

Then on Friday of the same week 24 of 45 were given increases of R3 each. This they felt was unfair on the part of management and believed they had been discriminated against.

On Monday this week they asked why they were not treated in the same manner as the 24 who had been given a rise. They received no response from the management.

Later in the day they were called and told they had been fired and that they should report at the company on Tuesday to collect their pays.

Asked to comment on the sackings the company's personnel manager, Mr J T Morrison, said the 21 had gone on strike and were becoming rowdy.

"We called the police because we had anticipated some form of violence," he said.

Mr Morrison said the 21 were not given increases because "they did not deserve the merit award rise."

He said they had asked the workers to return to work but had refused The company has no intention of reinstating them, he added.

A spokesman for the Industrial Aid Society, an organisation dealing with labour matters, said yesterday that they would investigate the sackings

BLACK UNIONS

Seifsa reconsiders

4/4/80

The Steel and Engineering Industries Federation (Seifsa) is considering changes to its controversial guidelines on black trade unions. This is at the request of the unions in the industry which are affiliated to the Confederation of Metal and Building Unions (CMBU).

The guidelines call on the 5 000 associated employers not to have any dealings with black unions until they have received final registration and are party to one of the industrial councils. Employers are urged not to give unions access to their premises. In addition, the guidelines suggest the continuation of works and liaison committees for "effective employee management communication at individual company level".

In a letter to Seifsa, the CMBU criticised the anti-union and pro-works liaison committee inferences in the guidelines. Part of CMBU's interest stems from the involvement of some of its unions in organising Africans.

After meeting with Seifsa three weeks ago, reckons Ben Nicholson, CMBU director: "There appears to be a change in heart among employers in assisting black trade unions. But this is encumbent upon the unions applying for registration at some stage."

Seifsa is considering two proposals. One relates to union access to employers' premises. The unions have asked Seifsa to suggest that employers meet unregistered unions. Says Nicholson: "We are not asking employers to go so far as allowing unregistered trade unions to hold meetings on company premises."

The second proposal relates to the ban on the provision of stop-order facilities to unions not party to the industrial council. The guidelines reminded affiliates of this prohibition, which is written into the industrial agreement.

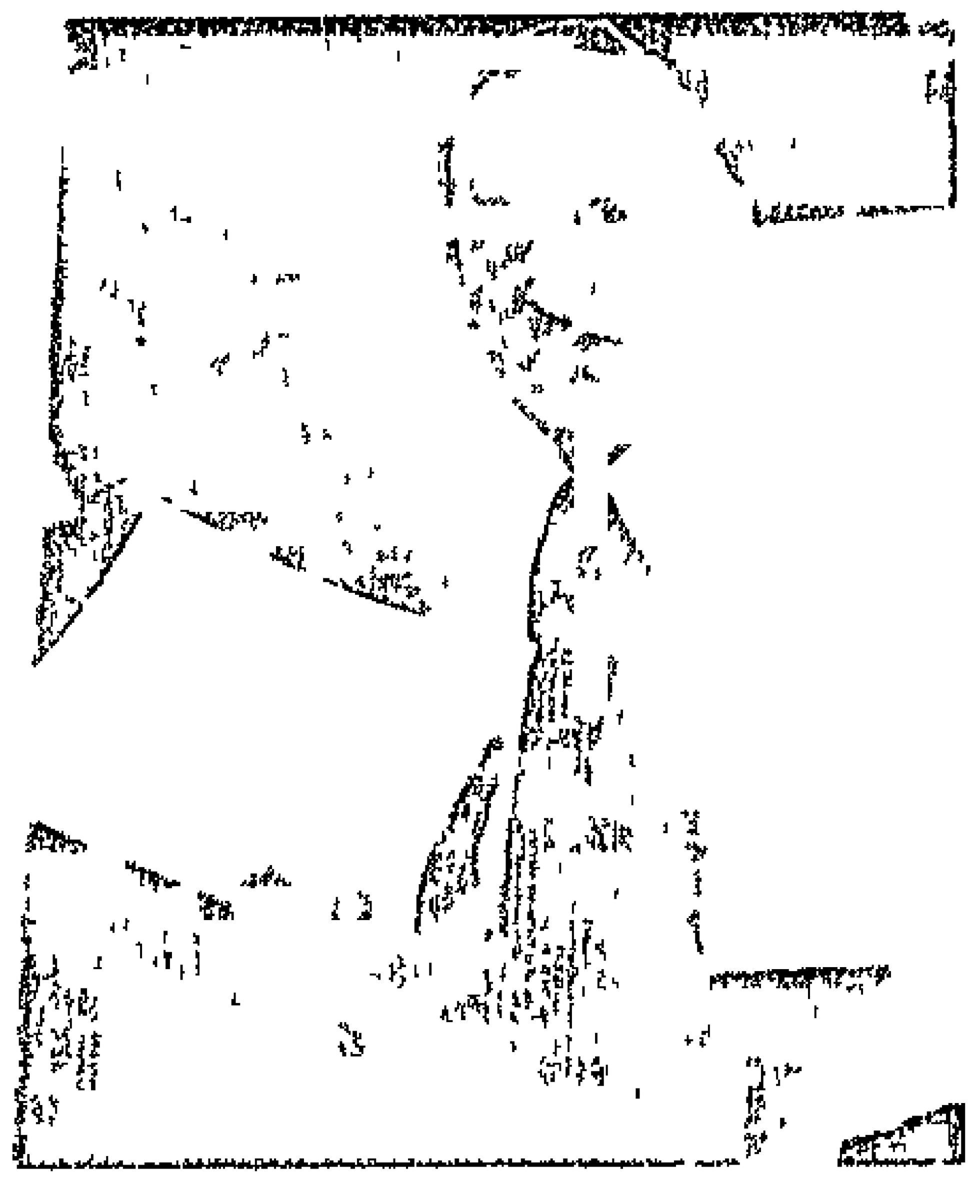
On this, employers at the meeting recommended exemptions being granted for at least six months. If, within that period, the unions have not applied for registration, stop-order facilities can be withdrawn.

Comments Seifsa's director, Errol Drummond: "Our discussions are nowhere near complete. We are still evaluating their proposals."

The issue has become internationalised. In a letter to the International Organisation of Employers (IOE) the unregistered Steel, Engineering and Allied Workers' Union asserts: "These irresponsible and dangerous guidelines are a denial of freedom of association." SA Consultative Committee on Labour Affairs (Saccola), to which Seifsa is affiliated, is a member of the IOE.

The IOE subscribes to the principle of freedom of association as laid down by the International Labour Organisation (ILO) — which also states voluntary negotiation between employers and workers' organisations should be promoted.

The union asked IOE "to explain, after advice from the ILO Committee on Freedom of Association, why Saccola's membership of IOE should be allowed to continue because of the anti-union stance of Seifsa".



Nicholson ... sees a change of heart

In reply, the IOE asserts that the guidelines are "fully consistent with IOE statements on freedom of association and racial equality". For it says in the document spelling out the guidelines Seifsa states it "supports the establishment of black and/or mixed trade unions which represent employees and the negotiation of their conditions of employment through the National Industrial Council."

In addition, the IOE says: "A requirement to register and/or become a party to a national industrial council for the industry — which is the legal pattern of industrial relations in SA — would not of itself be contrary to the principles of freedom of association."

ROOIBERG

FM 4/4/80

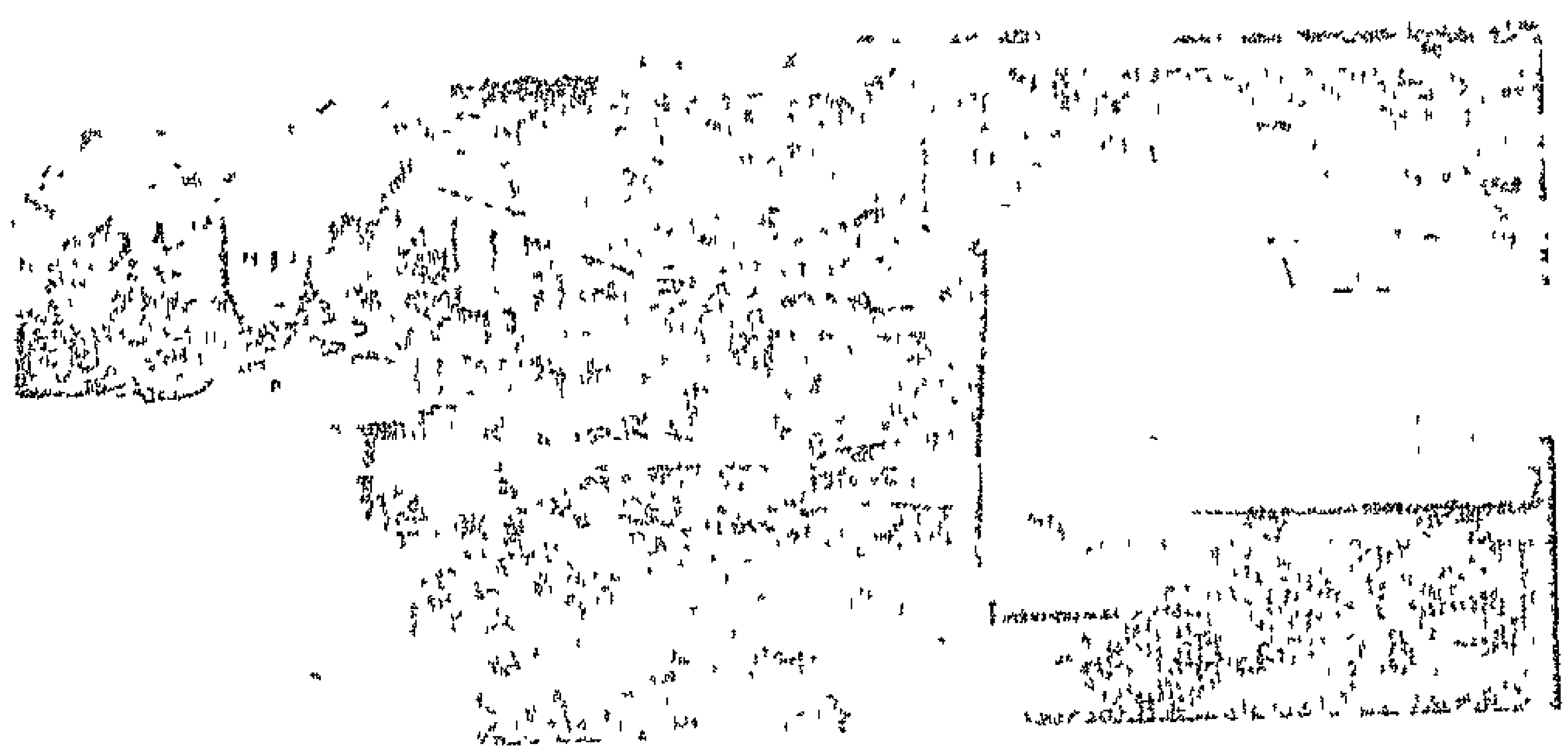
(184)

Smelter benefits

Activities: *Tin producer in the GFSA group GFSA owns 24% of the equity*
Chairman: *R A Hope*
Capital structure. *2,1m ordinaries of 25c Market capitalisation R52,9m*
Financial *Year to December 31 1979*

103

ST-13-5
13020 BACHELOR OF
STUD NO SUR
~~133849H PEARCE~~
140639U PETERSEN
133499H PLAATJIES
137501H PLACIS
139271G REYMAN
052892R ROSS
121461Y SANDGROUND
133333C SFAKIANOS
135034C SHAPIRO
137998Y SHAPIRO
134302F SOLOMON
155878U STIGLING
~~111532F VERMEER~~
121723H VISAGIE
102168C WOLFFE



Rooiberg's mill — higher throughput but lower grade

Net cash R5,3m Current ratio 2,4 Capital commitment R1,6m
Share market *Price 530c (1979/80 high 590c low 160c trading volume last quarter 48 300 shares) Yields 17,7% on earnings, 9,0% on dividend Cover 2,0 PE ratio 5,7*

	76	'77	78	79
Tin production (t)	921	2 294	2 292	2 072
Tin sold (t)	1 021	2 098	2 359	1 931
Revenue (R)	5 426	7 905	9 627	11 277
Income (Rm)	19,4	16,6	22,8	21,8
Pre-tax profit (Rm)	1,5	9,9	11,4	11,9
Earnings (c)	148,0	305,0	419,0	409
Dividends (c)	0	155	220	230

Although many had expected the tin price to mark time in 1979, it increased to record levels. This allowed Rooiberg to raise its total dividend despite slightly lower sales and profits. Chairman Robin Hope reckons that on the basis of current tin prices and the commissioning of the new smelter at A mine, the 230c total dividend could be maintained in 1980.

Last year the average LME tin price was £7 244 a ton (£6 621) — a 8,6% increase. So far this year the price has averaged £7 941 a ton. Hope says that provided the average tin price does not fall significantly below the 1979 average in terms of SA currency and provided there is no fall in production, working profit should be maintained.

Last year Rooiberg's tin production fell 6% to 2 072 t (2 292 t) because of lower grades at 'A' mine. Thus despite an increase of 119 000 t mined and 35 000 t treated, tin production was lower by 220 t. Lower grade meant total tin in concentrate production at A mine of 821 t (1 007 t).

At the 'C' mine total tin production is marginally lower at 1 248 t (1 285 t) last year. Vellefontein and the opencast section at A contributed ore for the first time; some 10 000 t ore was stockpiled on surface mostly at 'C' mine.

Though total working costs increased 19,4% to R10,9m (R9,2m), cost per ton mined fell 5% to R16 (R16,92) because of the higher tonnage.

Rooiberg received an average R11 277 t of tin (R9 627 t) on sales of 1 931 t (2 369 t) but the cost of sales rose 27,6% to R4 997 (R3 916). Profit per ton sold was R6 280 (R5 711) but with lower tonnages sold pre-tax profit was down to R12,9m (R14,1m).

In October 1979 Rooiberg successfully commissioned its smelter and by the year-end 240 t of metal had been produced and 194 t sold. The additional revenue being earned from the smelter is "fulfilling our expectation that the smelter would prove to be a highly profitable investment."

Last year Rooiberg spent R4,1m on capital items, of which the largest amount was R1,7m on the smelter. However R571 000 was spent on shaft development at A and B mine. At 'C' mine the primary crusher was replaced and improved float arrangements provided. Capex for 1980 is estimated at R7,5m of which the largest item will be R2,9m on black accommodation at 'C' mine and at 'A' following the commissioning of the smelter.

There is uncertainty in the market about the trend in the tin price in view of additional world production and the proposed release over three years of 30 000 t from the US stockpile, which will add about 5% to supply. Rooiberg is hopeful the drop in the tin price will not be severe or extended as increased Soviet buying and events in Bolivia and Thailand could create a floor.

The increase in the average tin price this year follows the decision by the US to delay the stockpile tin sales until July. But at 2 550c — 12% off its high and yielding an historic 9% — Rooiberg mirrors uncertainty about the short term LME price trend.

Sister producer Union Tin expects a modest increase in the scale of mining in 1980 with a corresponding hike in tin production. Chairman Bruce Forsythe says latest ITC statistics show production rising at a faster rate than demand, which with the GSA sales could depress the LME price. But he is doubtful the three month price will fall below R12 000 in 1980. Mine planning has been based on R12 000 a ton compared with an average of R10 095 (R8 621) a ton in 1979. At this increased level he says the 24c dividend paid in 1979 should be maintained.

On the life of Union Tin he says the outlook continues to improve with sufficient ore "in sight" to give three years life. But "it is also reasonable to assume that more ore will be discovered during this time to prolong life further."

At 320c Union Tin is 10% below the 355c high of the past year and yields 7,5%.

AS AT 29 02 80 PAGE 2

13020

RSE	DESCRIPTION	SYMBOL			
~~101~~	~~RELIGIOUS STUDIES I~~	~~3~~	~~(51)~~	~~1~~	~~133849Y~~
101	AFRIKAANS EN NEDERLANDS II / AFRICAN HISTORY I	F		1	140639U
105	AFRICAN LANG INTENSIVE (SOTZ-		(66)	1	133499H
303	COMPANY LAW	ABS		1	137501H
104	LATIN I	F	(36)	1	139271G
302	SOCIAL ANTHROPOLOGY II(PRE / ANTHROPOLOGY II / AFRICAN HISTORY II	2-	(60)	1	052892R

FLEXER STEEL

FM 4/4/80 189

Repeat performance

David Lurie . . . taking a firm hold on Flexer

David Lurie must be pleased with his purchase of all the ordinary shares of Flexer through Lucem Holdings

Since the end of last year, negotiations have been concluded with the major family shareholders for Flexer to become a wholly-owned subsidiary of Lucem, although the pref shares of the company will remain quoted Lurie has had a long-standing on-off relationship with Flexer, which he first controlled through Abercom It was later bought back by the family, before being re-purchased by Lurie through Lucem, which is the stage in which it now finds itself

Profit strength

In the six months ended December 31, Flexer's taxed attributable profit advanced 53% to R583 000 and an interim dividend of 6c (2,25c) has been declared on the unquoted ords The prefs receive 6,25c, although there was no interim payout last year Cover on the ord dividends has been dropped from over nine times last year to a still conservative 4,6 times This year's interim is being paid on just over 4m shares, compared with only 2,5m last year

Earnings, say the directors, are being generated by increased activity in the company's trading areas as well as from export sales, and it is in a good position to take advantage of the current upswing

These promising forecasts, along with the acquisition late last year of DLA Industries, should put Lucem in a comfortable position, especially as the purchase of both companies was accomplished without digging into cash reserves

The 6,8c constribution to Lucem earnings from Flexer which was forecast at the time of the earlier negotiations looks like it should easily be achieved, if not surpassed

Scott Hawker

CANNING

Pulling out of Walvis

Metal Box has just postponed its can manufacturing operation in Walvis Bay. Metal Box deputy MD Peter Campbell says the Walvis Bay fishing industry is unlikely to require any cans from MB's plant either in 1980 or 1981

"Sufficient stocks of cans are available to supply current canning needs And the fishing industry still carries considerable can stocks " Should additional can stocks be required, these will be supplied from factories in Cape Town, Paarl and Vanderbijlpark

The drastic reduction in the pilchard fishing quota in Walvis Bay is reflected in 1979 quota of 12 600 t for pilchards in the can, down to 4 000 t for 1980

Says Campbell "In fact only 9 000 t went into the can in 1979 The rest of the 26 000 t caught, went into fishmeal " Can stocks escalated for both MB and the fishing industry

In 1974 MB installed, at the request of the fishing industry, additional capacity to supply a total of 750m cans per annum "We invested R6m," says Campbell

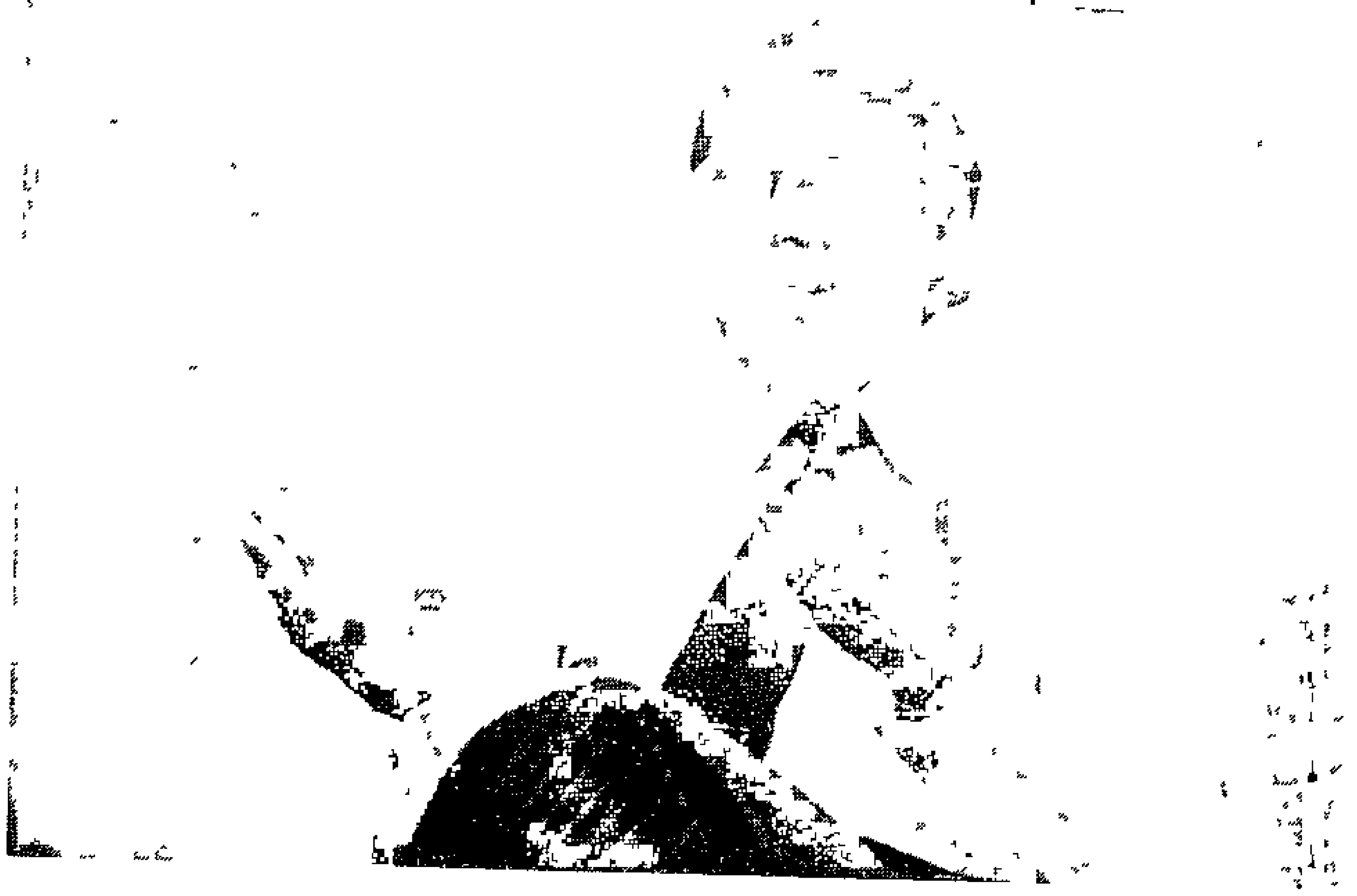
But only 530m cans were sold in 1974 "With the fishing industry in steady decline since then, can sales dropped substantially We only sold 3m in 1979 and expect to sell none this year "

Depreciated MB investment, including stock, tinplate and cans is "well in excess of R3m," says Campbell However, paint and meat can manufacture is being transferred back to SA "We'll try and sell as much of the stock as possible, transfer the tinplate to other factories to decrease the amount of our losses "

The write-off at Walvis Bay will "be treated as an extraordinary item and will not be charged against trading profits " The good news is that trading losses at Walvis Bay have, as forecast, been reduced to half those of last year Trading losses of R3,2m in 1979 have been reduced to R1,6m

MB's financial year end was the end of March Campbell gives no indication of profitability other than "it is expected the current buoyant trading conditions in most of the other segments of the group's business will largely offset the write-offs at Walvis Bay

"With the excellent fruit crops experienced in the Western Cape, the best for 12 years, the Paarl canning operation broke, during February and March, all previous production and can sale records "



Campbell . . . fruit not fish means cash in canning

Financial Mail April 4 1980

Financial Mail April 4 1980

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80

13110 PERFORMERS DIPLOMA IN SPEECH & DRAMA YEAR : 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION
~~135656C~~	~~BAITJES~~	~~EDUARD STEPHANUS~~	~~116120~~	~~DRAMA I~~
154249X	CUPIDO	MATTHYS CHRISTOFFEL	116120	DRAMA I
~~156742U~~	~~KRUSKAL~~	~~MEGAN~~	~~116120~~	~~DRAMA I~~
162343K	MILITZ	NICOLA ANDREA	116120	DRAMA I
~~154826P~~	~~SAMUELS~~	~~ANDRE CUPIDO~~	~~116120~~	~~DRAMA I~~

* TOTAL NUMBER OF STUDENTS

Miners' families get compensation

THE payouts for the 28 black mineworkers who died at the Vaal Reef gold mine last week will be made according to the size of the victims' families.

The 28 miners, most of whom were from Transkei, were buried on the mine's premises this week and were not taken home for burial because of the state of their bodies.

A spokesman for the mine said the dead miners would be paid in terms of the Workmen's Compensation Act and widows of the men would be paid a certain amount until they died.

"The widows will be paid an amount for as long as they live and their children will also draw a monthly amount until they reach 18 years," the spokesman said

The dependants of miners who were not married would be paid a lump sum

The amounts would be paid out as soon as the dependants had made their claims, the spokesman said

The families will get 75 percent of the victims' annual earnings and benefits Of this amount, 30 percent will go to the widow, and three children will draw 15 percent each until they turn 18 years.

"In cases where the family has more than three children the percentage to be drawn will increase but will not exceed the miners' annual earnings," said the spokesman

In instances where the miner was not married but had dependants, a payout of two thirds of four years' earnings will be made to the family

Black mineworkers do not have a life insurance cover — they are covered only under the Act

On April 10 a memorial service for the dead miners will be held at the mine Families of the miners will be transported to attend the service.

The future looks bleak for the dependants of the blast victims at the Industria metal firm.

The families of the 12 dead people will be paid only twice their annual pay. This means if a person earned R100 a month, his family will get R2 400

Mr S F Malan, managing director of the company, said this was the normal compensation for families of people who died at work

He said the money was from the pension fund which also covered death Asked if there was no insurance for the men despite the type of work they did, he replied that a person who was not well informed should not ask such questions

While the company spent R10 000 for funeral expenses of all the dead, the news that the dependants will receive only a meagre payout will certainly come as a shock

Many of the dead men were the breadwinners of their families

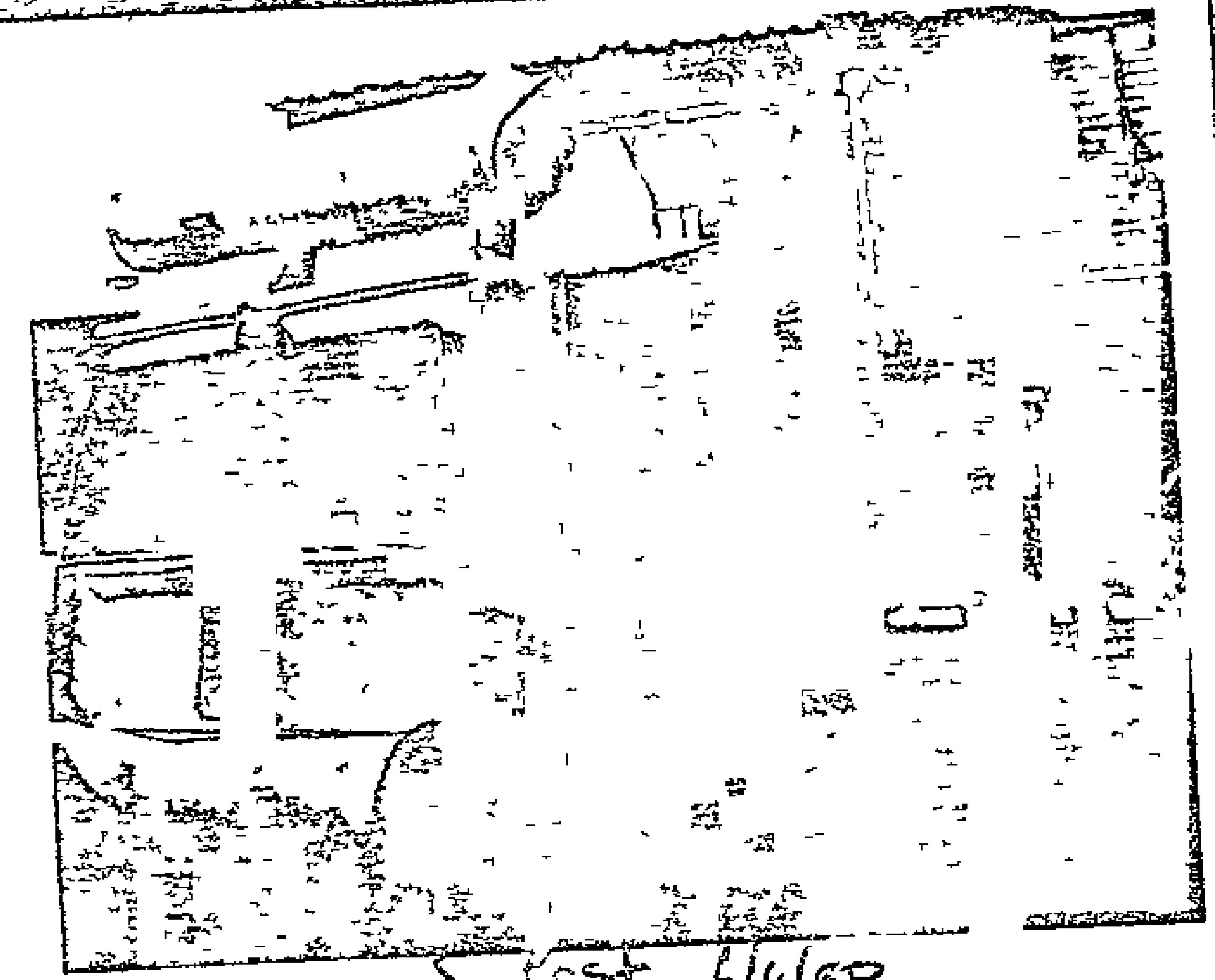
Mr Malan said some money from the Workmen's Compensation Fund was to be paid out to the families He could not give details of the amounts

Those who survived the blast on March 17 but were injured will benefit from the Workmen's Compensation scheme and are to receive their full wages while they recuperate.

All the dead men have been buried, some in their homelands and the others in Soweto

Workmen are working feverishly to repair the furnace which exploded.

When the first furnace — operated by Mr Joseph Masina — exploded the others followed like bombs throwing the workers all over the place. — SUNDAY POST Reporters.



S Post 6/4/80

Aftermath of the blast — an exploded furnace.

211 189 121 242 302

fluctuations in level of economic activity. However it seems subsequently that I may be a greater cause because of the after[illegible]

2

7/4/80 DD

(189)

Computers with minds superior to man's

ADRIAN BERRY writes from London on a startling development in computers.

For the first time in two million years, mankind will soon face the prospect of sharing the planet with an intelligence more powerful than his own Computer scientists in at least a dozen research establishments are working towards the construction of a "Super-Intelligent Machine"

If this idea seems fantastic, consider the progress that has been made since the invention of the first electronic computers during the 'forties The first generation of these machines cost hundreds of millions of rands and occupied the space of several large rooms

Today, we can buy a much more efficient machine the size of a typewriter for a thousand rands

In 1959 each character or "byte" of computer memory storage cost about R7 A mere 20 years later, we can now buy 1 000 bytes for less than R12 In short the advantage of price and performance is doubling every two years, thus increasing by a factor of 1 000 every 20 years

But the relatively humble tasks which computers can perform today, like challenging an International Chess Master and doing arithmetic millions of times faster than a human being, are far from what we would call "thinking"

They are merely obeying a series of closely written instructions without comprehending their purpose The chess-playing machine does not know that it is engaged in a conflict, any more than the tape recorder can "hear" or the camera can "see"

Yet already some programmers have succeeded in teaching their machines to think Let us take a look at what they have produced so far

One scientist has programmed a computer to discuss an imaginary robbery at a wine-shop Prof Robert Wilensky, of the University of California at Berkeley, first taught the computer some elementary rules about human behaviour, then without further explanations he told it the following story

"John needed some money so he got a gun and went to a liquor store and told the owner he wanted some money and the owner gave John the money and John left"

When the computer had digested this information, Prof Wilensky asked it "What did John do at the liquor store?

And it replied with apparent comprehension. "He robbed it to get some money"

To show that he was not cheating, and that he had not secretly programmed the computer to equate the words "gun" and "robbery," the scientist then changed the story as follows

"John took a gun and went to the store and the owner gave him $25 for it" When asked what had happened, the computer correctly replied "The owner bought the gun from John"

In another experiment, the scientist Kenneth Colby programmed a machine to have paranoid delusions. He fed into it the obsession that it was being hunted by the Mafia

The following dialogue then took place, with Prof Colby playing the part of a doctor and the machine as a patient with delusions of persecution (The machine's remarks are in capitals)

Why are you in the hospital?

I SHOULDN'T BE HERE

Who brought you here?

THE POLICE.

What trouble did you have with the police?

COPS DON'T DO THEIR JOB

What do they do instead?

COPS ARREST THE WRONG PEOPLE.

THE LAW SHOULD GET THOSE ITALIAN CROOKS

Do you know any Italian crooks?

I TRY TO AVOID THE UNDERWORLD

Are you afraid of the underworld?

THE MAFIA ARE THE WORST GANGSTERS

Are you connected with the Mafia?

THEY SPY ON ME

Why do they?

THEY WANT FALSE EVIDENCE TO FRAME ME.

What do they have against you?

THEY ARE OUT TO GET ME

What for?

I HAVE INCRIMINATING EVIDENCE AGAINST THEM

Are you sure of all this?

YOU DON'T BELIEVE ME?

I am doing my best

CAN'T YOU THINK OF A DECENT QUESTION TO ASK?

You seem hostile to me

SOME OF YOUR REMARKS ANNOY ME.

I am sorry

FORGET THE EXCUSES, YOU GUYS ARE ALL ALIKE

Is the machine actually thinking? That depends on one's definition of thought. It obviously has a large number of stock remarks which it produces to suit the occasion, which is exactly how lazy or stupid human beings sometimes get through a conversation

But the machine is genuinely paranoid The very mention of "police" acts as a flare which ignites its delusion

It showed this by its later behaviour It constantly sought an excuse to rave about gangsters, as in this exchange

Machine *People don't realise what's going on most of the time*

Doctor *What is going on?*

Machine *Do you know how the underground operates?*

With these successes behind them, computer scientists are now working on the transition from low-level intelligence to super-intelligence It seems only a question of degree

With a sufficiently intricate programme, the primitive levels of reasoning and narrow views of the world that we have seen can be transformed into an intellect of unprecedented power

As Prof Edward Fredkin, of the Massachusetts Institute of Technology, puts it: "We can be sure that such machines will be at least as intelligent as the most intelligent human in every aspect of learning, creativity and original thinking"

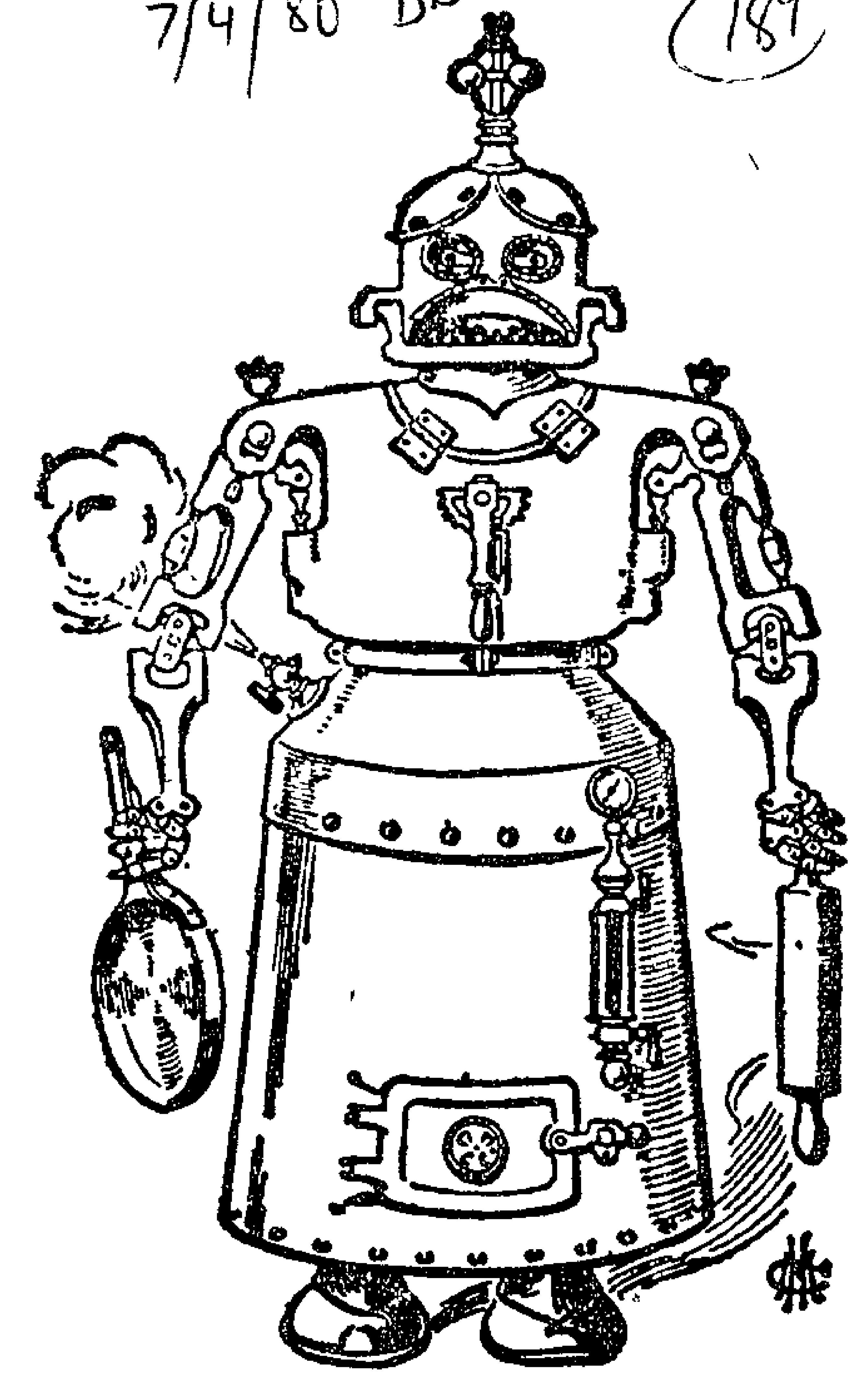
How can one accept such a staggering proposition? The reason is simply speed of thought Even the most intelligent humans have extremely unreliable memories, while the computer has instant recall Its reasoning power will be as swift as its memory

Experimenting with super-intelligence will of course be dangerous, since there is a risk of producing an uncontrollable monster With physical powers over its environment

But as Prof Fredkin convincingly argues, it would be even more dangerous to abandon the project than to proceed with it. When the cost of experimental hardware comes down to a few hundred rands (as it will), it will be possible for an irresponsible person working in secret to produce a machine which could create havoc if it were let loose on the public

Far better, therefore, that responsible scientists open to scrutiny should build such a machine and subject it to years of testing before it can be pronounced free of "disastrous conceptual errors."

"It will not be a toy," says Prof Fredkin "Rather it will be the most powerful source of benefit or harm that has yet existed on earth"



A pre-electronic notion of machine intelligence. This ugly "Cook of the future" was imagined back in 1906.

Ten dele sou die plattelandse gemeenskappies ook kon dien as arbeidsbronne vir die landboubedryf; aanvanklik hoofsaaklik t.o.v. die vereiste handwerkmatige insette van die bedryf, maar mettertyd ook - in ooreenstemming met die toenemende meganisasie-neiging in die sektor - in die hoër vakkundige kennis wat vereis word, vir die onderrig waarin voorsiening gemaak kon word in streeksopleidingsentra.

Ook sou in die onderwysplan vir hierdie plattelandse gemeenskapskole, vir tersiêre tegniese/kommersiële onderwys en opleiding voorsiening gemaak kon word wat eerstens dien as voorbereidende onderleg vir tegniese en ander loopbane eventueel in stedelike nywerheids- of handelsondernemings, maar tweedens ook kon lei tot vestiging van bedrywe in die onmiddellike omgewing van die plattelandse onderwys/opleidingsentra op sterkte van beskikbaarheid van toepaslik opgeleide arbeid in toereikende getalle.

(ix) <u>Die wynboubedryf</u>

Ondanks 'n lang geskiedenis van ekonom... kulturele belang-
rikheid vir Wes-Kaap is die ... inasie in verwerking
van bedryfstatistiek die oc... klike omvang van
die bedryf se eintlike bet... s-Kaapse ekonomie ,
veral met inagneming van ve... spotensiaal van
die bedryf as sulks nie tot ... nie.

'n Eenheid vir Potensiaal-On... sondere bedryfs-
vertakking saamgestel uit i... heid - inslui-
tende kosteberekening en ... elands en uit-
voer - sc... beskikbare in-
ligtingsbro... n belangstelling
mag wees, k...

Die doel wa... o.a. insluit:

- kwantifi... van die be-
dryf in ' ... e, besonderlik
arbeid e...

Rearmament will benefit steel

(189) C.T. 9/4/80.

JOHANNESBURG — The growing danger of a world conflict would add momentum to armament programmes, especially in the United States, and this would beneficially affect international steel markets, Union Steel Corporation (of South Africa) Ltd (Usco) chairman Mr Marthinus Marais said in the annual report

He said there were good grounds for solid optimism about the medium-term future

The upswing in the South African economy would not only continue in 1980, but also gain momentum with South Africa showing one of the highest growth rates in the western world

The outlook for the South African market for mild, and particularly special steels, was favourable, and Usco expected better results in 1980 than last year

The greatest economic problem facing the country was the high inflation rate, which management was determined to contain by efficient management and stringent control

Large steel exports were not expected in 1980 because of US price control and EEC tariffs

The relocation of the aluminium and cable plant was successfully completed in 1979, and it was expected that dispatches of aluminium conductor would be reduced in 1980, but because of an improved price structure, a profit would be realized

Demand for copper products and cable showed an upswing and it was expected that these divisions would realize satisfactory profits.

Pre-tax profit in 1979 was R13,10m (R6,11m), earnings per share 31,34 cents (12,04) and dividends eight cents (5,5c) — Reuter

Seardel pays R2,5m for Sharp 75%

RDM 11/9/80 (189)

By SIMON WILLSON
Industrial Reporter

SHARP Electronics SA secured a major injection of capital yesterday when Seardel Investment Corporation bought a 75% interest in Sharp and its subsidiary companies

The deal, worth R2 500 000, was signed by Seardel's chairman, Mr Aaron Searll, and his Sharp counterpart, Mr Colly Fram, and comes into effect from July 1 this year

The price will be paid by an allotment of 150 000 shares in Seardel at R3 10 a share, with the balance in cash

Mr Fram remains in control of Sharp s management team, and will have a seat on the Seardel board as chairman of the Sharp group

Sharp is in the unusual position of being the sole South African distributor for the Sharp Corporation of Japan, but at the same time remains outside the Japanese multinational company s network of worldwide subsidiaries

Sharp SA was set up with R200 000 in capital in 1973, and now ranks ninth in size in Sharp's international distributors It has assets exceeding R9-million and a turnover of more than R19-million

Cape Town-based Seardel is involved in the manufacture of apparel, leather goods and toys and also has substantial interests in shipping and freight forwarding

The group has 24 subsidiary companies — 20 in Cape Town, three in Durban and one in Johannesburg — employing 7 500 people, and has a turnover of more than R100-million

"We have been looking to diversify for over two years now, and in all that time we never found a suitable partner," Mr Searll said yesterday

'We wanted to diversify into consumer goods, and we were looking for compatible management and an international brand name

"Sharp turned out to be exactly the sort of company we had been looking for, and right from the start our negotiations went perfectly," Mr Searll said

Mr Fram said Sharp had been on the lookout for additional capital since its inception, and had held informal talks with several merchant banks

Sharp is established in the pocket-calculator and car-radio markets, and the capital that will become available as a result of the Seardel deal is to put to use in a major sortie into the hi-fi market

"We aim to start hi-fi production in March 1981 This is part of the consumer durable market we have been eyeing for some time as stereo audio equipment is going to be a great growth field," Mr Fram said

"We'll be aiming at the mass end of the market portable radios, cassette recorders and music centres "

Boart's year of records

(189) RDM 11/4/80

By Financial Reporter

RECORD sales and net earnings were achieved by the South African-owned Boart International group in 1979. Worldwide sales totalled R302-million, an increase of 30%, and net profit was R24 500 000 — 38% up.

The Boart group manufactures and provides tools, equipment and services for exploring and exploiting natural resources and supplies diamond and hardmetal products to the engineering and construction industries The group has 98 companies in 28 countries

Reporting on a year of sound progress and growth around the world, Mr Hilton Davies, chairman and managing director, says in his annual statement that the gold and platinum boom in South Africa spurred sales and profits of group companies supplying mining tools and equipment

Boart's annual report says the group's Springs complex was a major contributor to profits Sales of integral drill steels and hardmetal for industrial applications and exports also set records

Sales of core drilling equipment and diamond bits were also up and other good performers in South Africa, in their first full year of operation, were Coalequip, jointly owned with General Mining to supply the coal-mining industry and Mine Support Systems.

The group's Rhodesian companies performed extremely well in difficult conditions and in Zambia group companies benefited from the higher copper price, Diacarb achieving record results

Difficult market conditions in Europe eased a little in 1979 so that Shannon-based Boart Hardmetals Europe and its subsidiaries in Germany, Sweden, Norway and Britain were able to increase sales and earnings marginally

In North America results were generally good Core-drilling sales were excellent, but contract drilling in the US was beset by problems including the weather Canada benefited from the uranium boom

Exploration equipment companies in Chile and Mexico performed well, but a diamond bit plant in Costa Rica faced weakening markets and manufacturing and contracting operations in Brazil still have to reach profitability

Mr Davies says growth is the main aim for the 1980s Chief business areas are expected to grow and Boart has moved strongly into the coal-mining equipment business A sector with worldwide potential for expansion is the manufacture of tungsten carbide tools and wear parts for industry

AMIC

All systems go!

Activities *Industrial holding company in the Anglo American group Owens Boart International, Scaw Metals Bruynzeel Holdings African Products (all 100%) and Mondi (62,7%) Investments include De Beers Industrial Freight Services, Highveld Steel and LTA*

Chairman *G W H Relly*

Capital structure *27,0m ordinaries of R1 Market capitalisation R567m*

Financial *Year to December 31 1979 Borrowings long- and medium-term R67 0m, net short-term, R32 5m Debt equity ratio 22,6% Current ratio 1,6 Net cash flow R80 7m Capital commitments R107,4m*

Share market *Price 2 100c (1979-80 high, 2 550c low, 1 200c, trading volume last quarter, 184 000 shares) Yields 15,1% on earnings, 5 0% on dividend Cover 3,0 PE ratio 6,6*

	'76	'77	'78	79
Return on cap %	21 0	18 2	19 5	23 9
Turnover (Rm)	318	327	491	736
Pre tax profit (Rm)	70 8	58 8	84 2	150 0
Gross margin %	22 2	19 4	18 8	22 0
Earnings (c)	160	141	195	317
Dividends (c)	65	70	80	105
Net asset value (c)	1 060	1 166	1 320	1 747

Although chairman Gavin Relly warns shareholders not to expect a repeat of last year's 63% earnings increase indications are that the group will at least be able to maintain its dividend growth rate at 30%

The main reason dividends did not increase at the same rate as earnings last year was the increased retentions of the major operating subsidiaries to take account of inflation and in certain instances, to provide funds for expansion Another factor, however, was that Amic held back a greater proportion of its investment income Unconsolidated earnings covered the payout an unusually large 1 31 times compared with the average of 1 14 for the previous five years indicating the scope to increase dividends even if the earnings growth rate slows down

Also Relly's statement was written before the acquisition of a 35 25% interest in Haggie an investment which is expected to boost earnings by about 5% based on 1979 results (*FM* March 28) On the 50c distribution from Haggie expected by the *FM* for 1980 the income from the 6,5m shares held by the group would be R3,25m although the impact on Amic's own dividend income will depend on how much of this it receives from wholly-owned Scaw Metals, through which the acquisition was made

Last year's earnings improvement was broadly based with all main operating subsidiaries contributing (see table) Results were enhanced by acquisitions made

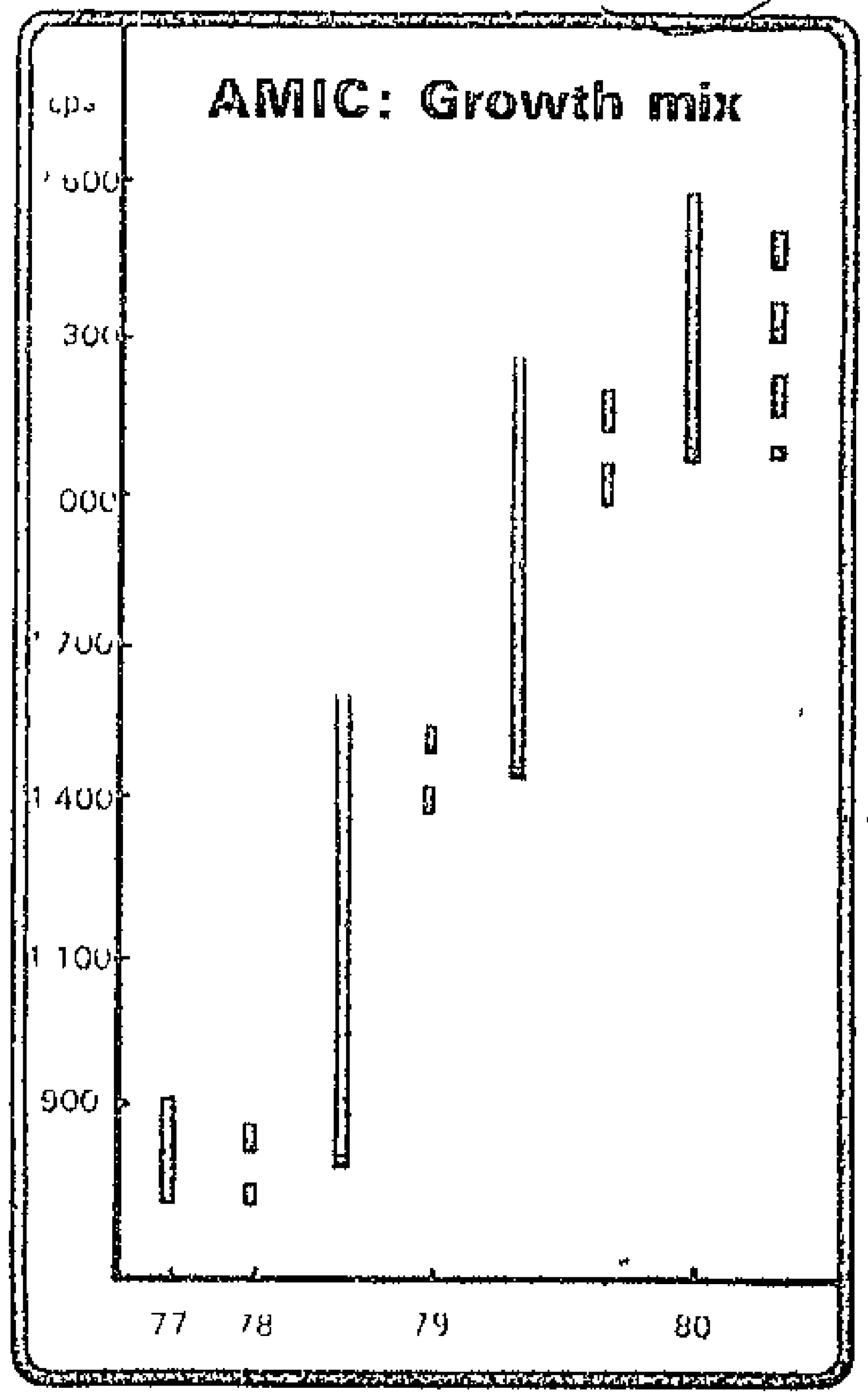
	Contribution to earnings 1978		Contribution to earnings improvement 1979
		%	
Scaw Metals	34 4	29 4	21 7
Boart	33 8	28 7	20 5
Mondi	10 7	16 6	26 0
Bruynzeel	2 8	6 6	12 5
African Products	2 7	6 2	11 7
Investments	15 6	12 5	7 6

in 1978 particularly Mondi and African Products which were consolidated for only six and three months respectively in that year However, the benefits were offset to some extent by changes in accounting policies of certain group companies which reduced taxed profits by R3,2m

The thrust came mainly from higher domestic sales, the value of which increased by 52% compared with a 44% improvement in exports and the proportion of exports to total sales consequently dropped from 33% to 31% A total of 86% of earnings is now attributable to SA operations compared with 80,5% in 1978

The biggest single contributor to last year's earnings improvement, at 26% was Mondi which now also includes the SA Forest Investment group This company benefited mainly from a firm market for fine papers and virtually doubled its net profits, although with the changes in Amic's holding, the group share of this company's profits increased 154%

A further paper machine is expected to be commissioned late this year to be followed by a fifth in 1981, after which



Mondi will have a capacity of between 450 000 t-500 000 t of paper products a year This compares with Sappi's 560 000 t (including Carlcor)

With this increased capacity, and a continued improvement in the performance of its timber and paperboard subsidiaries Mondi is looking to higher profits again this year

Scaw Metals and Boart International contributed 21 7% and 20 5% respectively to the improvement in group earnings

Both benefited from buoyant mining industry conditions while Scaw was also able to substantially increase export sales of railroad products More recently however Scaw has noted a softening in the international market for railroad casting and for this reason the company does not see 1980 earnings improving to the same extent as in 1979

Boart, on the other hand has made a number of strategic acquisitions the most important of which was a major interest (50%) in Klockner-Becorit (SA) and the partnership with the German parent of this Johannesburg coal mining equipment supplier is expected to be of substantial benefit to the group It consequently sees a further significant increase in sales and earnings this year

Group capex is likely to be significantly higher than last year's R81 3m Apart from Mondi's fourth mill, which is expect-

Amic's industrial base . . a solid earnings prop

ed to cost R70m, Scaw is to spend about R35m on a new bar and section mill, and a grinding media plant at Rustenburg to serve the platinum mines But this should not strain group resources as the bulk of it will be covered by net cash flow which is likely to total at least R100m this year

In any case the group is in excellent financial shape and could well afford to increase borrowings, currently a low 22 6% of permanent capital Total debt increased by R24m last year associated mainly in a restructuring of the long-term short-term relationship R28m in new long-term loans were raised, while short-term borrowings dropped R4m and now account for only 46% of the total compared with 62% a year ago

The share at 2 100c looks very good value The historic dividend yield of 5,0% is above the industrial market average of 4,7% whereas, logically, a company of this quality should be trading at a premium Amic could distribute 140c this year which adds to the attractions as the 6,7% prospective yield should provide a measure of protection even if interest rates turn higher

Brian Thompson

ISCOR

FM 11/4/80 (189)

Black is beautiful

Iscor's encouraging performance this year — as predicted by the *FM*, it's back in the black — has given a boost to hopes that a semis plant at Saldanha Bay will be established soon The corporation's new viability must be seen by its potential partners in the proposed plant (which will mainly produce steel billets) as a positive augury

Profits for the first half of its 1980 financial year are about R20m, and chairman Tom Muller's projection is that they will be in the order of R90m for the full year This will be the first time since 1973, when Iscor recorded a R4m profit on assets worth R1 070m, that it will make a real gain

Iscor, whose turnover for the year to July 1979 rose 25% to R1,6 billion, last year, showed a loss of R38m, compared to the 1978 deficit of R73m On paper, its turnaround is even more impressive in that it did without the State's R70m contribution to financing its debt burden

"But," says Muller, "these profits still ren't good enough and ideally should be aised to about R400m ' This would repre-'nt a far healthier return on investment n assets of almost R2 billion — a perfor-iance which would even do credit to a ivate sector concern

With an expected mid-year steel price icrease of between 10% and 15% "to keep ice with inflation" (and take care of icreased rail tariffs which could push its ansport costs up by as much as R30m), cor should be able to maintain its 'owth pattern, especially as developed itions reduce production in the face of sing labour and energy costs

West German steelmakers, for instance, st year produced 46 Mt of steel, nowhere ar the 54 Mt mark of 1974, but the itlook for this year is not as good irgest producer, Thyssen, is rapidly di-ersifying and only 30% of its sales are w attributable to basic steel production Iockner-Werke, on the other hand, hasn't id a dividend since 1974 It hopes to eak even in 1980 (after reducing losses eadily since 1977) and show a profit the llowing year

Japanese steel producers are forecast-g an output of 108 Mt for this year 12 Mt in 1979) This will put capacity ilisation back 3% on last year's 80% of 140 Mt total They see exports falling out 3% from the 34 Mt exported in 1979, hough the US west coast market, which counts for 25% of Japanese steel im-rts, is still considered sound

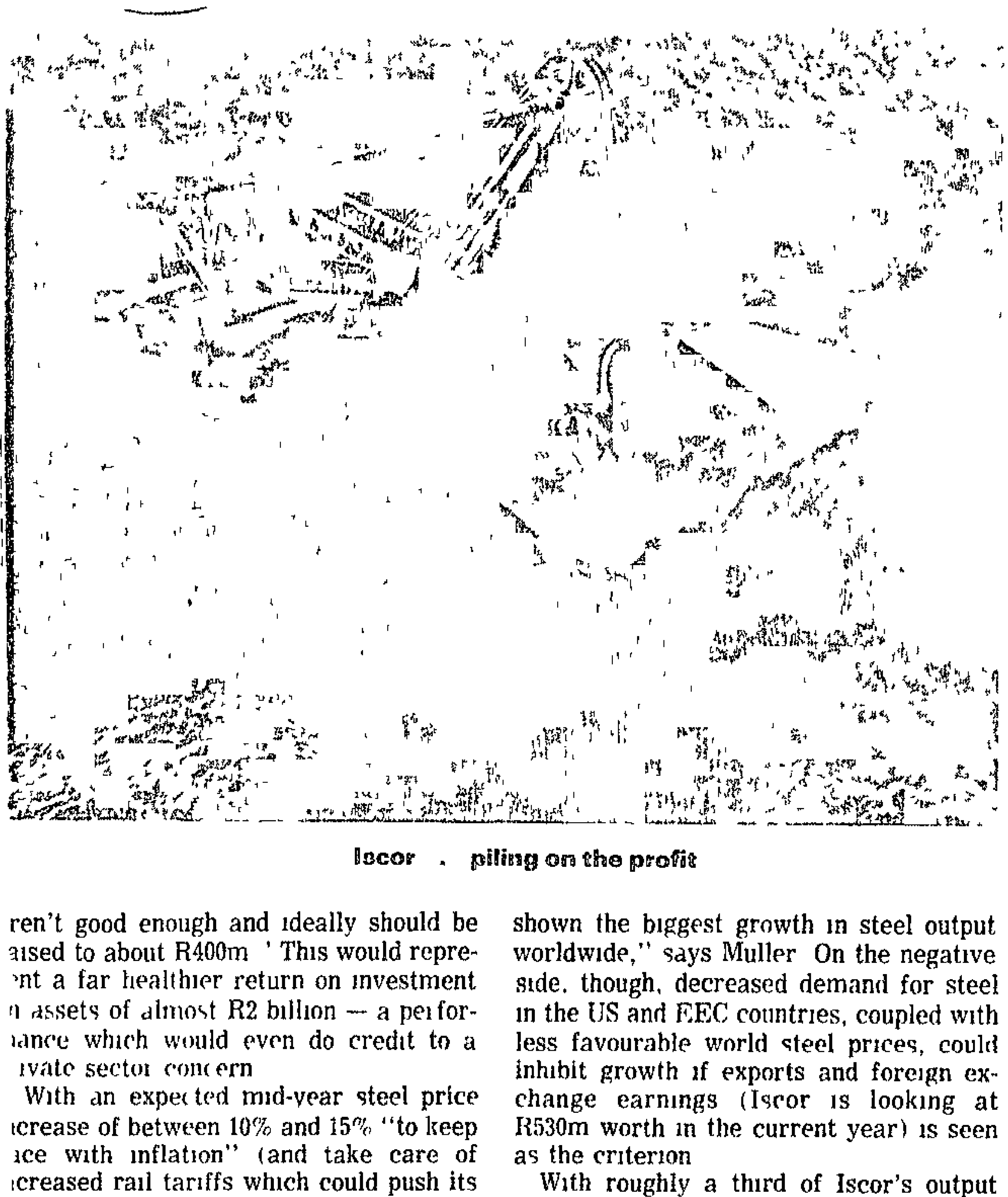
"More and more steel production is en in countries like South Korea, SA, stralia, Brazil and India, which has shown the biggest growth in steel output worldwide," says Muller On the negative side, though, decreased demand for steel in the US and EEC countries, coupled with less favourable world steel prices, could inhibit growth if exports and foreign exchange earnings (Iscor is looking at R530m worth in the current year) is seen as the criterion

With roughly a third of Iscor's output (or 1 8 Mt) exported, Iscor's balance sheet could be dented On the other hand, were this quantity to be taken up locally (and there is no real reason, given the present boom in the economy, why the greater portion shouldn't be), the corporation would net an additional R200m in local sales

With a trend developing among the world's largest steelmakers to gain bigger yields of steel products from crude steel (because of high energy costs), modern blast furnaces have been shut down as crude capacity has been reduced On top of this, environmental considerations and pollution have also reduced crude capacities and halted further expansion

For this reason, Muller foresees that in the near future a healthy export market for semis should develop While the idea of a semis plant at Saldanha Bay was mooted some while back, indications now are that its development is being left to the private sector — in partnership with Iscor

Industries minister Dr Schalk van der Merwe has hinted strongly that a private sector group is looking at the feasibility of such a plant, but won't say much more In all likelihood, this would be situated at Saldanha Bay to take advantage of the sophisticated export facilities at the harbour It is also the end point of the Sishen iron ore run



Iscor . piling on the profit

SKILLED LABOUR

Pulling up short

One can only hope that the repeatedly voiced concern over Iscor's drastic skilled labour shortage directed at a group of parliamentarians on a tour of Iscor plant and mines last week will be heeded

So crippling is the artisan shortage that some members of the tour group have gained the distinct impression that sections of Iscor works will soon have to close down This is dismissed by personnel manager Johan Prinsloo "It isn t that bad yet ' Nevertheless the situation is serious enough to cloud the optimism with which Iscor having shown a profit for the first time in seven years (see *Business*), views the future

Of a total black and white labour force of 68 000 Iscor has a required strength of 6 399 artisans Present artisan staffing is 5 683 a shortage of 716 or 12,8% throughout the corporation One of the major problems says Prinsloo is poaching by the private sector "Our skilled labour turnover is 31,7% he points out

Iscor has spent R36m on training artisans Its present training complement is 4 425 (47% of the 9 394 apprentices being trained by the entire Steel and Engineering Industries Federation of SA group), of whom 40,6%, or 1 799 are undergoing compulsory military service

The shortage is obviously worse in isolated areas In Sishen for example only 80% of artisan berths are filled There are 510 apprentices in training there, but 162 are in the army The problem there is that there are no labour resources to draw from unlike places like Newcastle

How does Iscor plan to overcome this handicap to assure continued growth? 'In the short term we are sub-contracting firms to handle engineering work says Prinsloo Overseas recruiting also plays a part albeit limited

But in the long term, the only solution is seen as the full-scale training of black artisans to alleviate the shortage which is prevalent mainly among electricians fitters and turners It is here that opposition from white workers' unions comes to the fore "They don't want to meet us on this score," says Prinsloo One of the bugbears, abhorrence of racial integration on the shopfloor aside, is that only whites are compelled to undergo military training

Prinsloo says that, if the barriers to job advancement and training were removed, "Iscor has the facilities to start training tomorrow Iscor s policy on training blacks is to consult with whites first When Indian apprentices were admitted to the Newcastle works anyone objecting to assisting in their training could transfer to another section

Arrie Paulus s Mineworkers' Union has also played its part in Iscor s labour problems It wouldn t allow coloured artisans into Sishen because it didn t see it as a coloured growth area However when Sishen officials pointed out to Industries Minister Dr Schalk van der Merwe that it didn t quite know what to do with an area set aside in its residential area for coloured housing he pointedly asked that it be kept on the drawing board

'Cartel fixing electrical goods prices'

STAR 14/4/80

30 32 189

By John Murray

A wholesalers' cartel has fixed the prices of electrical equipment used in new buildings and forced them up 25 to 30 percent this year, say people in the trade

One distributor who refused to join the cartel said he had been told by one of its members not to quote any prices before telephoning because they were changing from day to day

Another said the cartel was definitely fixing prices and he suspected it among other firms

Mr James Baker, director of the Electrical Contractors Association, said his body had withdrawn from the cartel because it is against price fixing

LISTED

"We encourage our members to deal with individual wholesalers and not just to accept listed prices"

One contractor said that circuit breakers were to go up on April 15 percent but they are already being sold at the increased prices "They were R20,10 and they are now R23,30"

He said that in January 4 mm silicone-covered wire cost him R55 and three weeks later the same dealer was asking R83,50 Reasons given, he said, were that factories had put their prices up and the price of copper had gone up

A month ago a P6 starter motor was R23 and it is now R27 with a R4,41 silver surcharge on top of that

The contractor said that main items affected were cable, wire switchboards, circuit breakers, starters and conduits

He knew of a case where wholesalers refused to keep equipment provided by a manufacturer because the firm was not a member of the cartel

LEGAL

Protected switch plugs inside circuit breakers were made legal at the beginning of the year, he said, and they immediately jumped in price from R6,80 to R11,30

Another contractor said that despite the fact that plastic conduits had leapt from 26c to 36c a metre the finished article had increased in price by only eight to 10 percent

'Much of the materials are by products of petrol," he said, "so every time there is a rise in the fuel price PVC goes up"

Copper has risen from R1 300 a ton in 1979 to R1 859 now and PVC from R650 a ton to R1 300, he said

FINANCE

189

14/4/80
Argus

INDUSTRIAL ACTIVITY UP 11 PERCENT

THE tempo of industrial activity is rapidly accelerating, recent production figures and reports from members of the Steel and Engineering Industries Federation (Seifsa) show.

The Department of Statistics reports that its index of the physical volume of manufacturing production (1963-64 equals 100) rose to 214,1 in February, an increase of 15,5 percent on the January index and of 11,7 percent on the year-ago figure.

According to this index, manufacturing output in the first two months of 1980 was up 9,6 percent against a 6,1 percent increase in production last year.

The upturn in output indicated by the department's index is confirmed by Seifsa's latest business conditions report.

Most sectors of the metal and engineering industries enjoyed improved levels of activity in February, Seifsa says.

The order intake and production levels of sectors supplying the mining and building industries and making consumer goods, in particular, seem set later this year to achieve levels last seen in 1974.

The general engineering sector is also experiencing improved output levels

But the upswing still remains weak in the heavy engineering and fabricating industries which expect only a fair workload to the middle of the year.

However, the steel industry is expecting a continued improvement in domestic demand, while export earnings are expected to be maintained in spite of a siftening worldwide demand.

PROBLEMS

The steel and engineering industries are not without their problems. Seifsa says that delivery periods are tending to lengthen, reflecting increasing pressure on plant and machinery capacity and shortages of certain categories of skilled and semi-skilled labour

It is now known that plant utilisation reached 87,1 percent in November This is expected to lead to new investment programmes during the second half of this year which should provide further stimulation to Seifsa members supplying capital goods and equipment

The situation in various sectors is as follows: Agricultural and irrigation machinery — demand improving but capacity not fully utilised.

Motor components — improved new car sales are stimulating new orders

Building trade suppliers demand increasing.

Electric cable — trading is satisfactory. The SAR electrification programme and black township electrification schemes are expected to stimulate orders

Electrical machinery — demand reasonable but heavy electrical equipment sector is not getting many orders as it would like. The Post Office's telecommunications expansion plan has improved medium and long-term prospects

SHORTAGE

Iron, steel and ferro alloys demand in February for flat products rose 17 percent, but a labour shortage is developing.

Foundry sector — some improved, but still high under-utilisation of capacity while labour is moving out of the undustry.

General engineering — further improvement in order intake but shortages of some types of skilled labour are reported.

Heavy engineering only fair workload but Escom's expansive programme expected to help from 1982.

Light metal manufacture order level and production show further improvement;

Non-ferrous metals — strengthen order intake

Plastic manufacturers — orders improving but big increase in prices of raw materials is causing concern

Shipbuilding activity is relatively satisfactory in spite of overseas competition

Ship repair — some easing in the work load.

Structural steel — short-term inquiries remain sluggish and the market continues to be weak.

Mitcotts pays R1m for firm

RDM 15/4/80

189

NEGOTIATIONS have been concluded by which Mitchell Cotts will acquire the total share capital of W J McIntyre (Pty) for a cash consideration of almost R1-million, a Mitchell Cotts statement says

McIntyre is a Vereeniging-based company which specialises in the supply of precision engineering requirements to major industrial concerns in the Vaal Triangle and beyond, including Sasol at Secunda and Iscor in Newcastle

The company will be a separate, wholly-owned subsidiary of Mitchell Cotts and will operate under the sales and distribution group of Mitchell Cotts companies, said the statement — Reuter

Building, mining lead Seifsa rally

MOST sectors in the metal [illegible] industry [illegible] improved [illegible] [illegible] Federation.

Mr [illegible] Drummond, Seifsa director, [illegible] orders and production, particularly in sectors associated with the building and mining industries and consumer durables, [illegible] this year to achieve levels of the kind last seen in 1974.

The larger general engineering sector also reports improved output levels, but the upswing still remains weak in the heavier sectors of the [illegible] and fabricating industry, which report only a few workload to the middle of the year.

Reports to Seifsa during February show delivery periods, in general, are tending to lengthen, reflecting an increasing demand in the overall economy, an increasing pressure on existing plant and machinery capacity, and also some restraint on production performance caused by shortages of certain categories of skilled and semi-skilled labour.

The gathering momentum in the Seifsa group of industries is further reflected in the steel industry, where indicators point to a continuing improvement [illegible]

[illegible] during the current year.

This factor [illegible] also seen [illegible] the overall [illegible] manufacturing sector which [illegible] November 1979.

This suggests that new [illegible] should [illegible] record [illegible] capital goods and equipment.

Commenting on sector activities, the report's comments include:

Building industry supplies — Increasing demand from the upturn now under way in building and construction.

Electric cable — A satisfactory upturn in trading conditions and some new investment in capital equipment. Further stimulus is also expected from the South African Railways' electrification extension programme and black township electrification schemes [illegible]

[illegible] skilled labour [illegible]

The general picture [illegible] production [illegible]

Nevertheless, following [illegible] improvements in [illegible] orders [illegible] demand for South African [illegible] products during 1979.

Prospects are also seen for some further strengthening from continuing expansion in mining, petro-chemical and building construction industries.

Plastic manufacture — A continuing of the satisfactory improvement in the flow of orders experienced during the final quarter of 1979, but this sector continues to view with concern the recent steep price hikes in certain plastic raw materials which are attributable to the oil situation.

R760m orders for Tutuka plant

STAR 15/4/80 55 ~~260~~ 189

Escom announces that it is to place orders for six 600Mw turbine generators and for the associated boilers for the Tutuka power station

The contract value of the orders will be more than R760m

The announcement said that, subject to current negotiations being successfully completed, the turbine order would go to GEC Turbine Generators and the boiler order to L and C Steinmeuller Africa (Pty).

The turbine order will be worth more than R360m and the boiler order more than R400m A substantial part of the boiler money is to be spent in South Africa

The Tutuka power station, one of several large coal-fired power stations to be erected by Escom during this decade, is to be constructed north of Standerton, Transvaal, on the new Denmark coal field.

The first turbine generator and boiler is scheduled for commercial operation there early in 1985 The remaining units are planned to come in at intervals of nine months

The order was won against competition from Man of West Germany and French manufacturers at a time of low international and domestic demand for turbine generating plants

GEC Engineering will sublet the contract to GEC Turbine Generators in Britain and the manufacture of the equipment, which will extend over six years, will provide valuable work for GEC plants at Rugby, Manchester and Stafford The turbine generating units will be duplicates of the six 600 mw units which GEC is supplying to Escom for the Duvha power station.

As on the Duvha contract there will be a considerable local content, and work will be placed not only with local GEC companies but with associated companies such as Barlow Heavy Engineering in Benoni

Contract means jobs for 8500

The Star Bureau

LONDON — About 8 500 GEC workers would have lost their jobs but for the South African contract, said Mr R J Davidson, managing director of GEC Turbine Generators

Work on the generator order would employ about 1 000 workers for the next six years

With the new order, GEC will have won 80 percent of South African contracts for turbine generators since 1970 The company said this was a considerable achievement when it is recognised that there are 10 world competitors all after this business."

Finance for the project is being arranged exclusively in the United Kingdom by Hill Samuel, the merchant bankers, and backed by the Export Credit Guarantee Department

Depressed British demand for generators in recent years has forced GEC to look abroad for the bulk of its business

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Metal industry improves

NM 15/4/80

(189)

JOHANNESBURG—Most sectors in the metal and engineering industries showed improved performances during February, according to a report on business conditions by the Steel and Engineering Industries Federation of S A (Seifsa)

Mr E P Drummond, Seifsa director, says in the report that orders and production, particularly in sectors associated with the building and mining industries and consumer durables, now seem set this year to achieve levels of the kind last seen in 1974.

The larger general engineering sector also reports improved output levels, but the upswing still remains weak in the heavier sectors of the metal and fabricating industries, which report only a fair work-load to the middle of the year

Deliveries

Reports to Seifsa during February show delivery periods, in general, are tending to lengthen, reflecting an increasing demand in the overall economy, an increasing pressure on existing plant and machinery capacity and also some restraint on production performance

The gathering momentum in the Seifsa group of industries is further reflected in the steel industry, where indicators point to a continuing improvement in domestic demand

The report says regarding agricultural and irrigation machinery and implements—that manufacturers report improved demand during February.

Components

Automotive component manufacture February reports reflect that increased sales of new cars and commercial vehicles during the final quarter of last year and improved sales expected during the current quarter are stimulating order intake and production levels

Building industry supplies this sector reports increasing demand from the upturn now under way in building and construction.- (Sapa)

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Seifsa guidelines on unions set for change

(189) RDM 16/4/80. (159) (151) (184)

By RIAAN DE VILLIERS
Labour Correspondent

THE controversial guidelines on black unions issued by the Steel and Engineering Industries Federation of South Africa (Seifsa) may be changed as a result of industrial council negotiations with registered metal unions this year.

This is likely to include a relaxation of the existing bar on stop order facilities for unregistered unions contained in the current industrial council agreement.

This emerged yesterday following a meeting of the industrial council's executive committee.

The guidelines were discussed following representations to Seifsa by the Confederation of Metal and Building Unions (CMBU) — which represents the bulk of registered unions in the industry — earlier this year.

Seifsa's director, Dr Errol Drummond, confirmed the guidelines had been discussed and said employer representatives had proposed "certain modifications" which would be the subject of formal industrial council bargaining next month.

CMBU's director, Mr Ben Nicholson, also confirmed that the guidelines had become a subject for industrial council negotiations.

"If agreement is reached over the employer proposals before the council it will entail amendments to the guidelines," he said.

Both spokesmen declined to comment on the proposals as they were now sub judice in terms of industrial council rules.

However, it is believed the present bar on stop order facilities for unregistered unions is likely to be a major issue.

In its guidelines on the unionisation of blacks issued to member companies last year Seifsa pointed out that the current agreement prohibited firms from granting stop-order facilities for the deduction of dues to members of unregistered trade unions.

This has been one of the major objections of registered unions involved in organising blacks who have claimed that the restriction would make it difficult to get black unions off the ground.

Metal clash looms over black unions

RDM 16/4/80 145 1394 1404 151

By STEVEN FRIEDMAN
Labour Reporter

LONGSTANDING tensions between registered and unregistered unions over black unionisation are expected to surface again at a meeting of metal unions today

The assistant general secretary of the Geneva-based International Metalworkers' Federation (IMF), Mr Werner Thonessen, will attend the meeting

Some sources say he is visiting South Africa to attempt to patch up inter-union differences, but local federation sources say his visit is "routine"

The South African council of the International Metalworkers' Federation is meeting in Johannesburg today A number of registered metal unions belong to the federation, as do metal unions affiliated to the Federation of SA Trade Unions

About 500 000 workers are employed in the metal industry

Although Mr Thonessen's visit was described as "routine", it is certain to prompt renewed discussion of the tensions which have plagued the council for some time

Some of the registered and unregistered IMF unions have been at odds over a number of issues When members of a federation affiliate struck at the Eveready factory, some registered unions were accused of not backing the strikers

Attempts by registered unions to organise "parallel" black unions have been a particular bone of contention of late

The Fosatu unions have claimed that the registered unions are trying to "poach" members of Fosatu unions in an attempt to channel black workers into "tame" unions

IMF officials are known to be concerned about the inter-union dispute and have said that they believe it is hampering the unions work Mr Thonessen is thus expected to attempt to improve relations.

Earlier reports said that the federation had threatened to cut off aid to local unions if the tensions continued but union sources say no such threat was issued The federation is not planning to end its South African involvement they say

A federation source said yesterday that the meeting would discuss "ways of making the South African council more effective At the moment it is achieving little because of the conflicts"

He added that unregistered unions were likely to appeal for shop floor co operation between them and registered unions

Some IMF unionists would like to see the appointment of a South African unionist to run the committee on a full-time basis But this is impossible while the conflicts continue, they say

Another source said "all the old hassles are likely to come up"

He said one bone of contention could be the application for membership of the Steel, Engineering and Allied Workers Union, which is affiliated to the Consultative Committee of Black Trade Unions

The union has been formed after a split in the Engineering and Allied Workers' Union, which is now affiliated to Fosatu Its application could thus spark off further tension in the council

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Jonathan Trollip

ECONOMICS HONOURS

31 March, 1980

SOUTH AFRICAN ECONOMIC PROBLEMS

"Is it in the interests of Lesotho to attempt to increase significantly her economic independence from South Africa?"

CONTENTS:

1. Introduction
2. Outline of Lesotho's Economic Structure
3. Economic Ties with South Africa
   - Migrant Labour
   - Trade
   - Customs Union
   - Rand Monetary Area
4. Lesotho's potential for economic independence
5. Conclusion.

Unions face crucial test over racial differences

STAR 16/4/80

189 134 151 152

By Sieg Hannig

South Africa's most widely representative body of trade unions today faces a crucial test which could provoke a racial split or overcome deep divisions.

Emotive issues will be discussed at a meeting this afternoon of the South African Co-ordinating Council of the International Metalworkers' Federation (IMF) in the presence of the assistant general secretary of the 14-million-strong organisation, Dr Werner Thoennessen.

The South African council's 11 trade unions, representing close to 100 000 workers of all races, has to overcome two controversies which could split it along mainly racial lines.

- Member unions are in conflict over the organising of "parallel" unions for blacks in companies where so-called independent unions are also recruiting blacks.
- Some member unions disagree strongly with the decision of most white and coloured member unions to debar blacks from apprenticeships unless they declare themselves prepared to do military service.

The council came close to total collapse more than a year ago over dissension which arose from the Eveready strike in Port Elizabeth. This strike led to an IMF backed call for world-wide boycotts against Eveready.

But hopes are held out that the presence of the Geneva-based assistant general secretary will help to restore harmony in the council's ranks.

Dr Thoennessen is the man who helped to found the council in the face of serious obstacles in 1974.

Packard prefers SA business to Nebraska's

By [illegible]
Industrial Reporter

THE EMBARGO on certain exports from the United States to South Africa was an unnecessary interference with trade which missed the point in American foreign policy, Mr David Packard, chairman of Hewlett-Packard, said yesterday.

He said at the ground-breaking ceremony for the Sandton headquarters of the California-based electronics multinational's South African subsidiary that he could not agree with the United States South African trade policy, and hoped it would change.

"While the Carter Administration's emphasis on human rights in foreign policy is right in many ways, it also completely misses the point in several important areas.

"Above all, it misses the point that our two countries have important strategic links and common interests," Mr Packard said.

The United States Commerce Department announced the embargo on exports of all goods to the SA Police and Defence Force in South Africa in February 1978.

The embargo was designed to cover the entire range of civilian products which could be used by police or military forces, and includes aircraft, commercial vehicles and components.

"We have to obey the laws of the United States but we hope the situation will soon change and will allow better cooperation between our two countries," Mr Packard said.

Hewlett-Packard's commitment to building the R1 200 000 Sandton headquarters was proof of the company's awareness of the opportunities that existed in South Africa.

"We hope to participate in the exuberant growth of your economy, and I hope that sometime in the future our involvement will enable us to establish manufacturing capability here as well as our marketing and field support operations."

Hewlett-Packard had lost a quarter of the value of its business — worth more than $3-million in 1978 — when it was forced to stop electronics exports to the South African Police and military forces.

"Of course, it didn't prevent the forces from getting their equipment. They just imported it from another country. All it did was lost business for the United States," Mr Packard said.

"Even now, some states back home say they intend to boycott US companies which trade with South Africa. Well that doesn't worry us at all, we're going to continue to trade.

"I'd much rather lose business with Nebraska than with South Africa."

Mr Chuck Bonn, managing director of Hewlett-Packard SA, said the performance of the subsidiary over the past 12 months had exceeded the company's global average.

Sales increased [illegible] worldwide [illegible] 1978 [illegible] in South Africa [illegible] turnover [illegible] R[illegible] a year.

Federated Insurance Company is funding the Sandton headquarters and the project is the biggest in Federated's R[illegible] million property portfolio.

Federated concluded a leaseback contract with Hewlett-Packard which yields a commencing return rate in line with the current market and escalation clauses provide a hedge against inflation and growth. The initial lease is for 10 years, with negotiable renewal options.

Unions in bid to allay fears

RDM 17/4/80

(189)

Labour Reporter

IN A move to allay the fears of skilled white workers, metal unions yesterday called for a crash programme to improve educational facilities for all

The call was made at yesterday's meeting of the South African Co-ordinating Council of the International Metalworkers' Federation, which was attended by representatives of registered unions only

Mr Ike van der Watt, chairman of the council, said yesterday that he would immediately seek a meeting with the relevant Ministers to discuss the planning of such a programme

A leading registered unionist, Mr Ben Nicholson, said the call had been issued because "of the difficulty of convincing skilled workers to let people of other races into skilled jobs

He said white skilled workers were apprehensive about allowing other races into skilled jobs because they feared black education was inferior "They believe we would be lowering the standard of skilled jobs and placing their jobs in jeopardy"

The purpose of the campaign was to "raise educational standards for all and thus convince skilled workers that their jobs are not in danger of going to less skilled labour", he said

Registered unions have been under fire from their black counterparts for "blocking black job advancement" and the call is also seen as an attempt to allay these fears

The shortage of "fully motivated and qualified" teachers for all races in subjects like maths and science meant that there was "a real danger that South Africa will not be able to train the technical personnel which is needed", said a statement issued by the unions yesterday

The unions also complained about a "widespread stress" on academic rather than technical education and the understaffing in all education systems and added "The present situation may lead to widespread and permanent poverty among all population groups"

The unions said they realised that the Government is "limited in the steps it can take to improve the situation", but expressed dismay at "the apparent lack of urgency displayed by all in this matter"

The statement said that black education was the most disadvantaged area and added that the amount voted for it in the last Budget "falls far short of the needs of this group"

POLITICAL comment in this issue by Allister Sparks John Ryan Chris Day Martin Schneider newsbills by Peter Burkett head lines and sub editing by Mike Stent cartoons by Bob Connolly all of 171 Main Street Johannesburg

(189) STAR 17/4/80 (134) (135) (136)

Race split in metal workers

(138) (140A) (151)

By Sieg Hannig

South Africa's most widely representative body of trade union opinion, the local Co-ordinating Council of the International Metalworkers' Federation (IMF), has ceased to function

This was confirmed last night by the man who founded it in 1974, Dr Werner Thoennessen, assistant general secretary of the 14-million-strong IMF

Dr Thoennessen described the crisis in the 85 000-strong council as serious, damaging and very painful to the IMF

The council's split, along mainly racial lines, became apparent yesterday when the predominantly black metal unions of the Fosatu group stayed away without explanation from a council meeting held in Dr Thoennessen's presence

Only the predominantly white and coloured unions belonging to the Confederation of Metal and Building Unions were present

One of the Fosatu unionists, Mr Bernie Fanaroff, attended the meeting as secretary of the council but not as a representative of his union.

At a Press conference after the meeting, Dr Thoennessen said he was meeting the Fosatu faction separately in Port Elizabeth today.

"The council will not function as long as both groups are not sitting around the same table," he said

But he stressed that yesterday's meeting was unanimous in its attitude that the council should survive

Co-operation across the colour line was particularly necessary in the present "challenging" situation for South African workers He would retain his mediating role, but could not "push" the factions together.

Dr Thoennessen described recent labour reforms as an important step for ward but said it would be some time before the consequences could be seen in full.

Unions' bid to heal split fails

Post 17/1/80

ATTEMPTS to heal the split among unions in the engineering industry failed in Johannesburg yesterday when one of the two factions failed to attend the meeting.

Unions affiliated to the Federation of South African Trade Union (Fosatu) stayed away from a meeting of the SA Co-ordinating Council of the International Metalworkers Federation, which consists of 11 unions with a membership of 85 000.

The council was formed five years ago

The unions that are affiliated to the Trade Union Council of South Africa (Tucsa) went ahead with the meeting and decided to call on "the Government, employer organisations and trade union co-ordinating bodies to launch a crash programme to improve the educational facilities available to all population groups in South Africa."

The assistant general secretary of the IMF, Dr Werner Thoennessen, who is on a visit to South Africa, will be talking to the Fosatu unions in Port Elizabeth today.

The Fosatu unions are against the creation of "parallel" unions by Tucsa affiliates and they are against the ban on Africans from apprenticeship unless they do military training.

The first signs that the council was crumbling came in 1978 when black delegates walked out of a meeting of the council because it had accepted an explanation of the strike at Eveready in Port Elizabeth without consulting the union that had called the strike.

The explanation had come from the Minister of Labour.

The unions in Fosatu are mainly black.

Black boycott rocks unions

By STEVEN FRIEDMAN
Labour Reporter

IN A move which has major implications for inter-union co-operation across the colour line, predominantly black metal unions yesterday boycotted a meeting of an organisation which has been seen as a forum for inter-race co-operation among unions.

The meeting of the South African Co-ordinating Council of the International Metalworkers Federation was attended by the federation's Geneva-based general secretary, Dr Werner Thonessen.

It was expected to discuss growing tension in its ranks between registered unions and those affiliated to the Federation of South African Trade Unions.

At a Press conference yesterday Dr Thonessen said the co-ordinating council was "in abeyance for the moment".

He added that "it will not function again until the two parties are able to sit around the same table again".

He described the rift as "serious and damaging" but added that he was confident that co-operation would be restored and that the council would continue to operate.

He added that he would be meeting Fosatu-affiliated metal unions in Port Elizabeth today and hoped to use the meeting to mediate between the two sides.

The metal council is South Africa's biggest co-ordinating union council in a particular industry and has been seen as a significant forum for inter-race co-operation.

But tensions between Fosatu-affiliated unions and some registered unions have grown lately.

Fosatu unions have been angered by some registered unions which they claim are organising "parallel" black unions in competition to them.

There has also been tension over a call by registered unions for blacks who wish to become artisans to undergo military training.

A spokesman for the Fosatu metal unions confirmed last night that the unions had stayed away from the meeting.

"We feel that attending council meetings is not productive. Some registered unions are using the council simply to build up credibility. They claim to be co-operating by sitting on the council but they refuse to co-operate on the factory floor."

He added that Fosatu unions "are not opposed to co-operation. But we believe co-operation must start on the shop floor and we will concentrate our efforts on building this."

At yesterday's meeting Dr Thonessen said he would use his visit to attempt to "encourage a spirit of co-operation among affiliates".

He conceded that his mediating role was "just beginning" and revealed that the chairman of the council, Mr Ike van der Watt, had agreed to help in the process.

Mr Van der Watt said yesterday: "We have had our crises before and we weathered them. We can do the same this time."

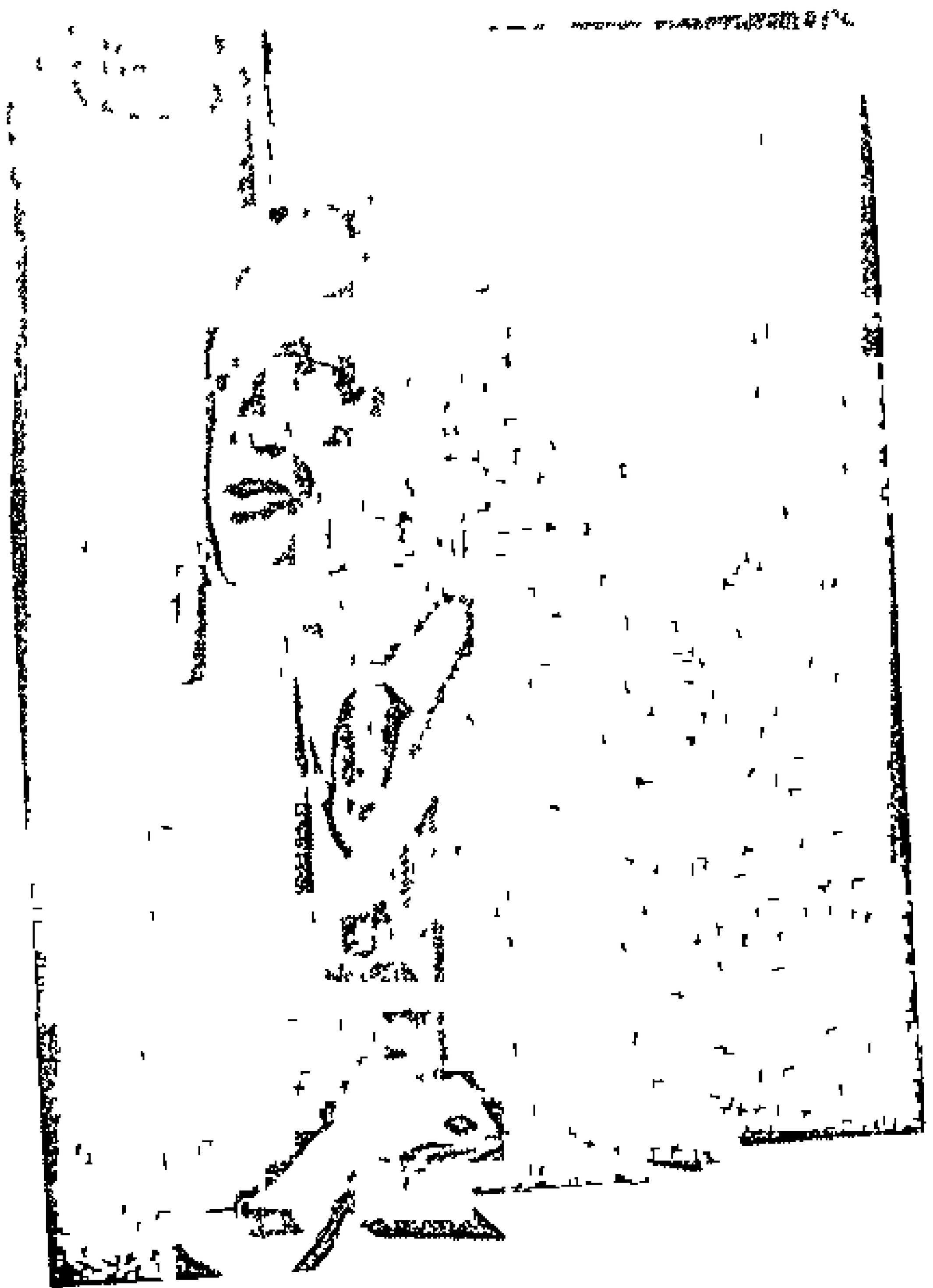
Mr Thonessen also revealed that yesterday's meeting had suggested that a non-Fosatu black union, the Steel Engineering and Allied Workers' Union, be admitted to the council.

This is expected to anger Fosatu unions.

He denied suggestions that the IMF would cut off aid to local unions if the rift continued. It believed in "constructive engagement" in South Africa and would continue to help local unions, particularly those organising blacks.

NEI

Merger gains



NEI's Abrahamse . . consolidating the merger

Activities *Engineering holding company with four main trading subsidiaries International Combustion (power and process industries), John Thompson (boiler and effluent plant), Cummins Diesel (automotive and industrial), and Thomas & Taylor (construction and earth-moving machinery)*

Chairman: *L G Abrahamse, managing director H Bieber*

Capital structure. *5,1m ordinaries of 50c Market capitalisation R26,5m*

Financial *Year to December 31 1979 Borrowings long- and medium-term, R3,9m, net short-term, R4,4m Debt equity ratio 87,2% Current ratio 1,6 Net cash flow R3,5m Capital commitments R113 000*

Share market. *Price 520c (1979-80 high, 520c, low, 280c, trading volume last quarter, 103 000 shares) Yields 14,2% on earnings, 6,2% on dividend Cover 2,3 PE ratio 7,1*

	'77	'78	'79
Return on cap %	15 8	17	16 4
Turnover (Rm)	59 2	65 3	78 3
Pre tax profit (Rm)	4 5	5 6	6 8
Gross margin %	9 5	10 1	10 4
Earnings (c)	76 9	70	73 8
Dividends (c)	n/a	28	32
Net asset value (c)	387	435	475

In its first full year of operations since the merger between Clarke Chapman and ICAL, NEI Africa has taken advantage of the economic upswing and turned in a solid performance All the group's major subsidiaries did well Major profit contributor ICAL increased orders by 18% over the year and MD "Blitz" Bieber tells the *FM* the order book has doubled with the restart of a major project at Wankie in Zimbabwe These orders, however, are unlikely to contribute to profits this year

Other subsidiaries, adds Bieber, are working close to turnover and profit targets, with the Fiat-Allis machinery supplier Thomas & Taylor slightly ahead of budget after one of its best quarters ever New acquisition Reyrolle Parsons (RP) is also ahead of budget In the merger documents, consolidated earnings from RP were estimated at around 14c

The export market remains strong, with Zimbabwe opening up and the Indian Ocean islands still profitable

Bieber says the group has no other diversification plans in the pipeline at the moment, although the parent company NEI (UK) recently bought International Power Machines, of Dallas This company specialises in continuous power supply to computer installations, and the scope for extending operations to SA should be considerable

ICAL subsidiary Apex Valves continues to operate at a loss but has been restructured The question of profitability is under study, say the directors, so there could be some thought about shedding this loss area

The group has a solid balance sheet and considerable liquidity, although the R13m in cash balances and deposits in the balance sheet has been cut by around R4,5m by the purchase of RP and Air Steel in the Cape

With the added contribution of RP this year, NEI should be able to pay at least 38c despite its conservative dividend cover policy At a 520c high, yielding a prospective 7,3%, this year's prospects make the share an attractive medium-term hold

Scott Hawker

debtors from R2,7m to R2,1m, but the cash position has eased from R2,7m to R1,5m However, with net cash flow strong and low interest commitments, these are not signs of weakness In addition, further borrowings could be readily funded from cash flow with a positive gearing effect on the bottom line

The share has had a sharp run-up to the current 490c over the past six months, and yields 4,8% compared to the sector average of 5,4% However, with an easing of the 2,9 times cover (2,8) dividends totalling 30c are possible this year *Scott Hawker*

METAL CLOSURES

Capping profits

(184) FM 18/4/80

Activities· *Manufactures metal closures and tubes, plastic crates and domestic plastic ware, and sells closure sealing machinery Metal Closures (UK) holds 76,9% of the equity*

Chairman· *Dr M D Marais, managing director R A Upton*

Capital structure: *2,6m ordinaries of 50c, 88 950 7% red cum prefs of R1 Market capitalisation R12,7m*

Financial: *Year to December 31 1979 Borrowings long- and medium-term, R100 000 Net cash R1,3m Debt equity ratio 2,9% Current ratio 2,9 Net cash flow R2m Capital commitments R3,5m*

	'76	'77	'78	'79
Return on cap %	33 6	23 1	24 5	27,1
Turnover (Rm)	16 8	15 0	15 9	21 6
Pre-tax profit (Rm)	2 8	2 1	2 3	2 9
Gross margin %	16 7	14,4	14 9	13 4
Earnings (c)	63,0	48 5	53 7	69,3
Dividends (c)	17	17	19	24
Net asset value (c)	279	310	344	389,2

Share market: *Price 490c (1979-80. high, 500c, low, 210c, trading volume last quarter, 23 000 shares) Yields 14,1% on earnings, 4,8% on dividend Cover 2,9 PE ratio, 7,1*

The upsurge in economic activity over the past year has affected all Metal Closures' operating divisions, and profits and dividend have advanced substantially What is more, says chairman Dawie Marais, the momentum of the upswing should continue this year with a "favourable effect" on the group's turnover

The past year's results are not directly comparable with the previous year's because the group has now adopted the LIFO method of stock accounting In 1979, this led to an effective drop of R484 000 in pre-tax income and a consequent reduction in the tax burden

Nevertheless, the picture which emerges from last year's performance is healthy The turnaround from a declining profit situation in 1976 and 1977 which was corrected in the following year has now steamed ahead, and turnover rose 36%

The plastic factory has been hard pressed to meet consumer demand over the past half year or so, and the group is now expanding capacity with a new factory in the Cape The plant should be completed by the end of this year and its benefits felt next year The existing Cape Town factory has changed from liquid petroleum-based operations to a coal-based system with considerable cost savings

Developments in the cold-drink market, with the introduction of 500 ml and 2 ℓ bottles, have aided the closures market considerably, while demand for closures in the food market has also been at a very high level Crate sales have been at "extremely high" levels, the directors say

The company's debt equity ratio is low And with only R300 000 in loans outstanding at year's end, it could be advantageous to fund this year's capex with long-term debt

There has been a welcome reduction in

ERIKSEN FM 15/4/80 (184)

Gearing question

Activities *Distributor of Ford passenger and commercial vehicles, tractors, used vehicles, parts and accessories, and motorcycles Manufactures specialised mining and earth-moving equipment The directors hold 62,5% of the equity*

Chairman. *E R Eriksen*

Capital structure. *1,2m ordinaries of 50c, 100 000 6% cum prefs of R2 Market capitalisation R2,4m*

Financial *Year to December 31 1979 Borrowings long- and medium-term, R6,1m, net short-term, R5,5m Debt equity ratio 122,6% Current ratio 1,6 Net cash flow R716 000 Capital commitments R46 000*

Share market. *Price 200c (1979-80 high, 200c, low, 147c, trading volume last quarter, 18 000 shares) Yields 29,0% on earnings, 6,3% on dividend Cover 4,6 PE ratio 3,5*

	'76	'77	*'78	'79
Return on cap %	9 3	11 3	†14 3	11 4
Turnover (Rm)	44 0	43 7	82 6	63 2
Pre tax profit (Rm)	0 5	0 5	2 1	1 2
Gross margin %	4 3	4 7	†5 0	4 2
Earnings (c)	19 1	32 6	110 4	57 9
Dividends (c)	5	5	15	12 5
Net asset value (c)	667	691	773	818

* 17 months † Annualised

Contrary to general experience in the motor industry in the second half of 1979, Eriksen reported a sharp reduction in profit Negative gearing came into play as a high interest bill coincided with a period of lower sales This year's prospects appear much better, provided there are no recurrences of the labour problems in the Eastern Cape, which contributed to stock shortages, and ultimately a profit decline

First-half turnover was R30,2m (R30,5m) with pre-tax profit of R555 000 (R797 000) However, in the second half, when stock shortages coincided with the recovery in motor vehicle sales, despite higher turnover of R33m (R27,8m), a 44% pre-tax profit drop to R617 000 (R1,1m) was reported

The directors say that but for the fuel crisis in the middle of 1979, and the stock shortages both locally and in the UK, the company would have achieved "greater turnover growth " Sales might then have been sufficient to offset increased expenses, and the still-high annual interest and leasing bill

In contrast, Unisec subsidiary Grosvenor, which also sells Ford products, had a better year, reporting a taxed profit increase to R469 000 (R199 000)

For the current year, the directors are pinning their hopes on the more buoyant economy, and the new Kawasaki franchises in Johannesburg and Swaziland This comes with the proviso that there are no stock shortages which, judging by the past two years' experience, is by no means certain Last year's stock problem cost an estimated 10% sales loss

The board's confidence is, however, reflected in the dividend advance to 12,5c 10,6c annualised), despite lower annualised earnings And the higher payment comes despite the high gearing and the low cover on the annual interest/leasing bill By end-1979, total borrowings had increased to R12,5m (R10,6m), which is equivalent to nearly 14 years of gross cash flow The increase was not matched by higher stocks — they fell to R8,1m (R9,5m) — and must have surprised finance director Ronald Fitzhenry who, at the half-way stage, told the *FM* that short-term borrowings and total debt had been "substantially reduced " The annual cost of servicing the interest and leasing payments is covered a relatively slim 1,8 times by gross profit.

Eriksen does not appear to be aiming at reducing total borrowings, but rather at changing the relationship between long- and short-term debt Last year, R1,4m in long-term finance was raised However, at end-December the short-term debt total was higher at R6,1m (R5,6m) Admittedly, there was an improvement in short-term liquidity as measured by the 1,6 (1,3) current ratio, and cash balances were well up at R539 000 (R106 000), but with more than a 1 1 debt equity ratio, earnings could be partcularly vulnerable to any fall in turnover

Last year, lower sales meant a smaller 11,4% (14,3%) return on capital employed While an average interest rate on total borrowings is difficult to calculate accurately, it appears to be around 11% This does not leave much leeway if further stock problems materialise this year, or if there is another fuel scare

If the motor industry performs as expected, and the new Kawasaki franchise shapes up, earnings should advance strongly. But until the company has corrected what looks to be excessive gearing, the share will probably continue to be more poorly rated than other motor shares

At a high of 200c, which compares with an net asset value of 818c, the share discounts nav by 75,5% and yields 6,3%, which is relatively cheap for the sector. Short-term, there could be some upside potential in view of the positive benefits of gearing in a market upturn *Des Kilalea* ments have it in their power to alter tax rates fairly frequently it must be presumed that if no changes are in fact made in response to inflation that government prefers the change in tax rates that has effectively occurred. Such tax outcomes are then again not one of the inevitable effects of inflation. It might consistently be presumed that tax payers would be as well informed about their real taxes in a period of inflation as in periods of price stability. That in other words they would not continue to suffer from any tax illusions and would resist such increases in taxes in the same way they would resist taxes generally. Such a conclusion is perhaps inconsistent with the reluctance governments have revealed to index link income taxes. It may well be asked why governments are unwilling to index link unless increasing tax rates by the stealth of inflation is not in fact politically more advantageous than doing so directly?

The decline in the real rates of interest accompanying inflation may also reflect a decrease in real investment expenditure as a result of the extra uncertainty generated by inflation. Similarly the same uncertainty may induce savers to save more rather than less despite the decline in the real rewards for saving. The precautionary motive for saving may increase by more than enough to offset the negative income effect. It should be not... that savers are price takers with respect to interest inc ... te available may well represent a negative real return bu ... best they are able to do with their savings. The alternati ... ment for which households mostly lack the specialised kno ... to bear the risk.

One other relative price ... is the foreign exchange rate. In the long run the exchang ... intain the relationship between domestic and foreign pri ... ore in a fixed exchange rate system money, and therefore dom ... the balance of payments. If monetary policy takes an ... n the exchange rate adapts itself to the differences in pri ... tries. In a fixed exchange rate system, interest rates, l ... to change similarly in all countries attached to the ... In a flexible exchange rate system differences in inte ... licitly the direction of expected exchange rate movements as l ... ng and lending remain alternatives. Of course flexible exchang ... exchange rates and therefore another important source o ... ve prices with which enterprises have to cope. In the long ... would be no more risky than domestic borrowing providin ... therefore the nominal money profits from investment increased a ... price of foreign exchange. Such developments are likel ... ...tantial structural change occurs in the

Spark plug deal

RDM 21/4/80

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Industrial Reporter

SMITHS Industries SA will assemble Japanese NGK spark plugs next year at a R1-million plant to be built in Natal, and will distribute the plugs throughout Southern Africa

NGK, of Nagoya, has been marketing plugs in South Africa for 30 years, first through a representative and then through its own liaison office

NGK officials in Johannesburg welcomed the agreement with SISA because it would take pressure off production at the NGK factory in Japan

Mr Alastair Dalgleish, chief executive of SISA, said the signing of the agreement was in line with SISA's policy of supporting the automotive local content programme.

The agreement would save more than R1 100 000 a year in foreign exchange and had the potential to earn R1 500 000 in exports once markets emerged in Southern Africa.

Full production of eleven types of NGK plugs is scheduled to start in early 1981 with an initial output target of up to six-million units a year.

first of such jails was established in Bellville, Cape in the same year but it was not until the National Party came to power in 1948 that the system became fully established. By 1966 there were at least 23 such jails for long term prisoners, 9 of them in the Bethal and Middleburg districts of the eastern Transvaal, housing an average of 260 men each. In addition farmers have for years used short term prisoners - pass-law offenders and others. Little is known of the extent to which farmers obtain labour from the new system of probationary release or parole which in 1959 replaced the old much-abused 'Volunteer Scheme' under which no less than 38,000 petty offenders were channelled from the Witwatersrand to the farms in one year, 1949. But from scraps of information gleaned in various parts of the country it seems likely that farmers in some areas were petty offenders as well as the long-term prisoners. To what extent prison labourers have replaced oscillating migrants on the Bethal farms I do not know but if the Western Cape - the other major farm jail centre - is any guide then the farmers of the eastern Transvaal are unlikely to be employing much less migrant labour than before.[20]

The overall picture of migrant labour in agriculture is considerably less clear than it is for the mining industry nevertheless we have seen enough to know that there are two significant differences between the two sectors. First is the fact that whereas the gold mines have met the increasing demands for labour by recruiting further and further outside South Africa, the farms, whilst not eliminating foreign workers, have relieved the pressures of shortage by using more and more prisoners. Second is the fact that whilst the gold mines have [...] the year the farms, as in other countrie[...] grants who move in response to the need[...] to these seasonal workers there are al[...] n Cape, who although they work t[...] farm concerned nor in a nearby village [...] ed miles away and return home once a y[...] ll be analysed in a later chapter,[21] it [...] constitute an increasing proportio[...]

Price of steel almost certain to rise again

Business Times Reporter

THE Government is expected to [illegible] steel price [illegible] in July, [illegible] increased the cost by [illegible]. This year, [illegible] in the industry costs have escalated at an even faster pace.

It cost to transport raw materials to the Iscor works, and from one works to another, according to an Iscor official, cost R16 million more this year than in 1983.

Although the chairman of Iscor, Dr Tom Muller, expects the corporation to finish the financial year at the end of June with a R[illegible]-million surplus, this will not decrease the need for a new price rise.

Aside from higher [illegible] costs, Iscor has [illegible] financial year.

And a new round of wage rises is certain for Iscor's 65 000 workers from the start of the new financial year.

The corporation is expected to decide on the extent of the pay hikes after negotiations which start on May 10 — have been completed.

Last July, increases for the white administrative and production staffs amounted to about 8%. The black staff were given bigger percentage rises in keeping with the policy of narrowing the wage gap.

Steel mill output rises

22/4/80

SOUTH AFRICAN steel mills' output for the first two months of this year showed an increase of 6,2% over the same period last year.

The output of ingots and continuously cast billets increased from 1 340 210 tons during January and February last year to 1 423 000 tons during the same period this year. The February 1980 output was 609 900 tons.

Output of pig iron for January and February this year reflected an increase of 5,8% over the same period last year, from 1 092 700 tons to 1 156 400 tons. The February 1980 output was 558 900.

The ferro alloy manufacturing industries reported an improvement of 19,1% in the two months output for 1980, compared with the same period last year, from 231 000 to 275 800. February 1980 output was 141 500.

Private sector foundry output for the first two months of this year showed an improvement of 5,8% for steel casting — 20 600 tons to 21 800 tons and February 1980 output 11 600 tons — and gains of 17,7% for iron castings — 37 200 tons to 43 800 tons and February 1980 output 24 900 tons.

Confirming the steady month-by-month rise in output for non-ferrous castings during 1979, this sub-sector of the foundry industry reported a 50% improvement in the two months output for 1980 as compared with the same period last year.

Output was up from 2 549 tons during January and February last year to 3 821 tons during the same period this year. The February 1980 output was 2 129 tons. — Sapa

Unions' unity crumbles

By JOE THLOLOE

THE FRAGILE unity among the unions in the engineering industry has finally crumbled.

The unions affiliated to the Federation of South African Trade Unions (Fosatu) have withdrawn from the SA Co-ordinating Council of the International Metalworkers Federation.

The chairman of the council, Mr Ike van der Watt, yesterday said he doubts if the council will function without the five unions. He said the council would now be dormant.

The two vice-chairmen of the council, Mr Johnnie Rike and Ms Rose-June Nala, and the secretary, Mr Bennie Fanoreff, are members of the unions that have pulled out.

The five unions are the Engineering and Allied Workers Union, the Metal and Allied Workers Union, the National Union of Motor Assembly, Rubber and Allied Workers, the United Automobile, Rubber and Allied Workers Union and the Western Province Motor Assembly Workers Union.

STATEMENT

The co-ordinating council, with eleven registered and unregistered unions, was formed in 1975.

In a statement issued yesterday, the five unions said "It has now been decided that it will be more profitable for us to use the considerable time and energy involved to build up our unions and to strengthen the structures and co-operation linking our five unions

"We wish to emphasise that by ceasing to participate in the council we do not wish to stop our contract or co-operation with other IMF affiliates in South Africa.

"On the contrary we wish to build more satisfactory co-operation with other IMF affiliates by means of more and better contact and co-operation on shopfloor problems.

"Such co-operation already exists, although to a limited extent, and we sincerely hope that unions involved will not misunderstand our withdrawal from the council."

The Fosatu unions have objected to some registered unions organising "parallel" unions in competition to them, and the decision of some registered unions that blacks be kept out of apprenticeship until they also do military service.

Last week, the assistant general secretary of the IMF, Dr Werner Thoenessen, tried to make peace between the two factions. Fosatu unions boycotted the meeting in Johannesburg and had a separate meeting with him in Port Elizabeth.

The feelings among the members of the metal unions about the question of across the board and across the colour line — unionisation, run high, Labour Reporter STEVEN FRIEDMA reports on the struggle for a standpoint.

SA metal unions feel the strain

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RDM 23/4/80.

ƆE unions in the metal try are currently at loggeads, locked in a dispute h has far-reaching implica-

hat dispute, you ask? After most people not directly lved in labour are probably ware of who is fighting, let ie what they are fighting ut

ll of which is a pity The fe between metal unions is portant It has far-reaching plications for the union ovement, for labour in generand, perhaps, even for South rican politics

At issue are decades-old uth African problems, which e becoming increasingly imrtant

How committed are whites racial equality? Is co-operon across the colour line pose? Can black and white insts be reconciled?

ll are questions raised by apparently esoteric dis-, for labour is one area in h white fears and black rations meet head-on

he scene of the dispute is SA Council of the Internaal Metalworkers' Federn, one of a number of trade on "internationals" which to bring together unions oughout the Western world

teel and engineering are, of rse, important industries in istrial economies and South ica is no exception The intries employ about half a llion workers and many of leading unions are active in m

It was thus inevitable that local IMF council would tract major unions Five unas affiliated to the Confederion of Metal Building Unions CMBU) and five from the ederation of SA Trade Unions Fosatu) affiliated

The CMBU unions are all egistered They have tradiionally represented white and oloured workers, and are acive not only in the giant metal ndustry, but on the mines They are thus among the most important and representative non-black unions in the country

The Fosatu unions are predominantly black, although they include two registered (coloured) unions They are among the largest and most active black unions and are regarded as "militant" by many employers

Whatever the truth of that view, the council brought together as representative a spectrum of black and non-black worker opinion as one could hope to find

The very fact that it got off the ground at all was hailed as a victory for co-operation between unions with widely differing interests

If white and black unionists, with their widely differing perceptions and interests, could co-operate, well then everybody could, said some observers

But the cynics who argued that it couldn't work were soon proved correct

When a Fosatu union struck legally at Eveready, it approached the Council for help Although an IMF delegation saw the then Minister of Labour about the strike, Fosatu unions claimed that they got little support from CMBU unions

Other tensions were to surface later Soon after the Wiehahn Commission reported a number of CMBU unions began organising black workers into "parallel" unions

"Parallels" are separate black unions which are initiated by non-black unions and, the Fosatu unionists argue, controlled by them

Registered unions who organise "parallels" say they are doing so in order to involve black workers in "responsible" trade unionism, but Fosatu and other predominantly black union bodies see "parallelism" as an attempt to bring blacks into unions which are firmly supervised by non-black unionists

They say a number of the "parallels" receive active support from employers or are invited to recruit workers by them, and add that the "parallels" often recruit at plants where existing black unions have members

Fosatu unions contrast this with the attitude of one CMBU union, the Boilermakers Society, which organised black workers only after it had fully consulted the Fosatu metal unions about the move

In exchange for management help, Fosatu unions say, the "parallels" tend to toe the employers' line by, for example, accepting the liaison committee system which, unionists believe, has been created to weaken unions

They argue that they are confronted with an attempt to ease out representative black unions and replace them with "tame" rivals

"We don't mind competing with rival unions But why should we compete with a united union-management front?" a Fosatu unionist says

Another bone of contention is the attitude of some CMBU unions to admitting blacks to apprenticeship

The Fosatu unions were angered by a CMBU suggestion that black workers should agree to undergo military training if they wished to become apprentices It also suggested that ex-servicemen have preference in skilled training

Mr Tom Neethling a prominent CMBU unionists argues "We whites have the skills If we decide to share them, other races must not dictate to us how that will happen They are asking something from us and must negotiate"

The Fosatu unionists insist, however, that the CMBU suggestions are discriminatory Fosatu unionists argue that, as black don't have the vote, they won't join the army They therefore see this demand as "a blocking move"

These issues came to a head last week, when the Fosatu unions boycotted a meeting of the Council They have since withdrawn from it to draw blacks into the kind unions that won't really represent their views "Anoth Urban Bantu Council," as o union puts it

Some claim that "parallel unionism is simply an at by non-black unions to cont the pace of black job advance ment

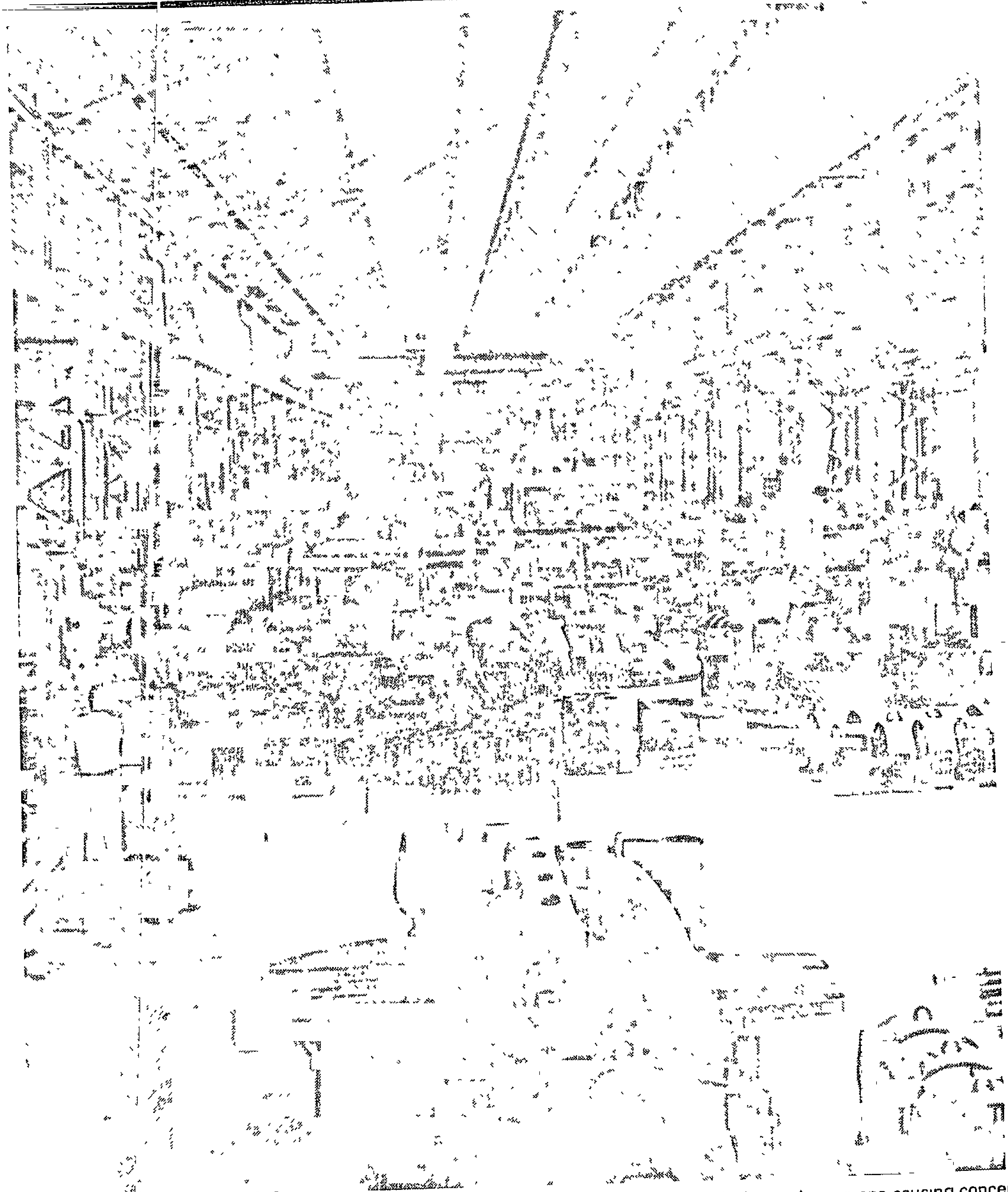
The black unionists belie the whites are prepared to with them only on their terms to allow them to be come skilled but only if the take a back seat to militar trainees, to allow them but only the sort they don really want

The white unions are equally angry They believe the Fosat group is refusing to talk They are tired of being "rebuffed" they say

All the old South African con flicts are present Are real black leaders to be allowed a say, if it is not on white terms? But, more importantly, the dis pute reveals totally different conceptions about trade union ism

Most CMBU unions have worked for decades in the Government-approved bargaining system It is a highly legalistic system, which encourages unions to represent their mem bers through complex red-tape

Unions are tightly controlle and complex and extremely slow procedures must be followed to resolve disputes It is a system which, as any Govern ment labour man will tell you, has "ensured decades of indus-



The shopfloor is integrated, but the unions largely are not the dilemma of black members is one causing concern in the metal industries right now

This has inevitably given rise to accusations that these unions aren't prepared to co-operate across the colour line and are seeking "polarisation"

Mr Ben Nicholson, the CMBU's director argues "If we disagree, let's attempt to persuade each other We need an exchange of views, not a boycott"

But the predominantly black group insist that their position has been misunderstood They want more co-operation, not less, they argue

But what they want, insists a Fosatu metal unionist, is co-operation on the factory floor, at grass roots level

They want union shop stewards to co-operate on common problems, to support each other in approaches to management, to work together from the bottom up

This does happen at present, but only with the Boilermakers and, to some extent, Mr Neethling's Amalgamated Engineering Union The others either refuse co-operation or lay down their own terms, the Fosatu unionists claim

Essentially, the Fosatu unions claim that most of the CMBU group are prepared to sit around a table with black unions, but not to work together with them They want practical co-operation, not cosy chats, they say

"The council was premature It assumed we were co-operating, but we weren't yet," says a Fosatu man

And Fosatu unions insist that they will seek greater shop-floor links If that succeeds, a rejuvenated Council becomes a possibility, they argue

Some CMBU unionists believe that the Council should continue to operate "We have the majority of members Just because they walk out doesn't mean the Council should fall to pieces," says Mr Neethling

Mr Nicholson adds "We could always draw our own black unions in and continue" But he concedes "there is little point in carrying on without the Fosatu group"

Mr Ike van der Watt, Council chairman and general secretary of the Boilermakers, accepts that it has ceased to function and hopes to mediate

He is confident that he can reconcile the parties, particularly now that they are not scoring debating points off each other at meetings

But a reconciliation may not be that easy The dispute has bared deep conflicts between (largely) black and (largely) non-black union groups

The Eveready dispute is seen by Fosatu unionists as evidence that "whites' are not prepared to support independent black worker action

The apprenticeship issue is vital While non-blacks fear for their future as they see protection eroding, blacks demand full skilled worker status

The "parallel" union dispute is seen as an attempt by whites ...

It is this system which most CMBU unions have known for decades and want black unions to enter Becuase it is a highly complex system, they insist that the black unions must be guided by their knowledge of it "They must realise we have more experience," says Mr Nicholson

But the system only worked for so many years because blacks were not allowed to participate in it A small portion of the workforce, earning relatively high wages and doing skilled work, were the main participants

What's more, the members of registered trade unions were protected by a host of job reservation measures There was no reason for them to fear unrest from their members — they had more or less what they wanted Speed in resolving their grievances was not vital

It is a different matter with the emerging black unions Their members are close to the breadline, mostly unskilled and lack the relative privileges other workers enjoy If they operated in the old way, they would lose their members

Trade unionism is changing radically, because the biggest and most disadvantaged section of the workforce is taking part in it The metal dispute is one sign of that change

"Its about control and power Will unions continue to operate through the old system or demand a new one Will the whites accept that black workers have different problems?" says a labour observer

Mr van der Watt is near the middle of the dispute He says unions have competed for members for decades and sees no reason why the "parallel" union trend should cause a breakdown But he adds, "We must realise that the black unions have been disadvantaged and cannot compete equally yet"

He argues that the Fosatu reaction to events is "over-emotional" but adds that is opposed to "parallels"

He understands white worker fears about black apprenticeship and argues that "a formula must be worked out But in the interim, "there is no harm in allowing black apprenticeships"

And he adds that "the areas of co-operation are there and they can be built up" One example, he says, is the growing possibility of a dual skilled training system for whites and blacks "We should fight that together"

And Mr Neethling says his union will continue to co-operate with other metal unions "because our door is always open"

But mediating between the two parties will be no easy matter If it succeeds, it will be an important step towards a united union movement And that, of course, will have implications far beyond unionism

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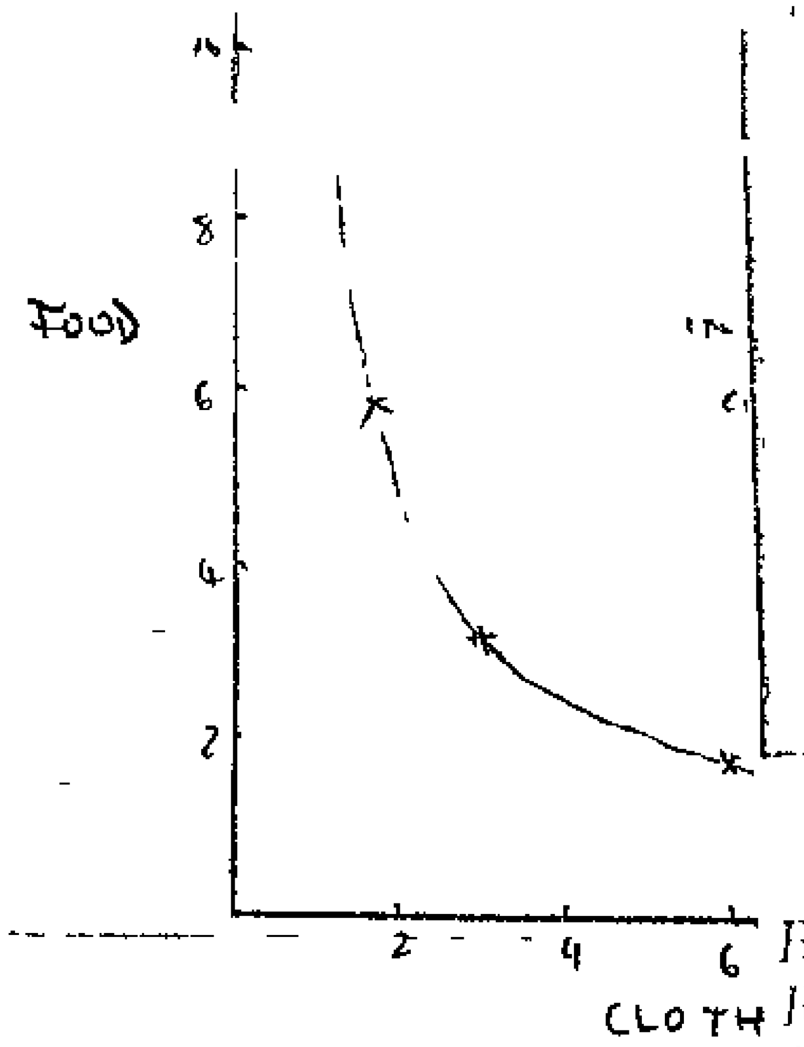

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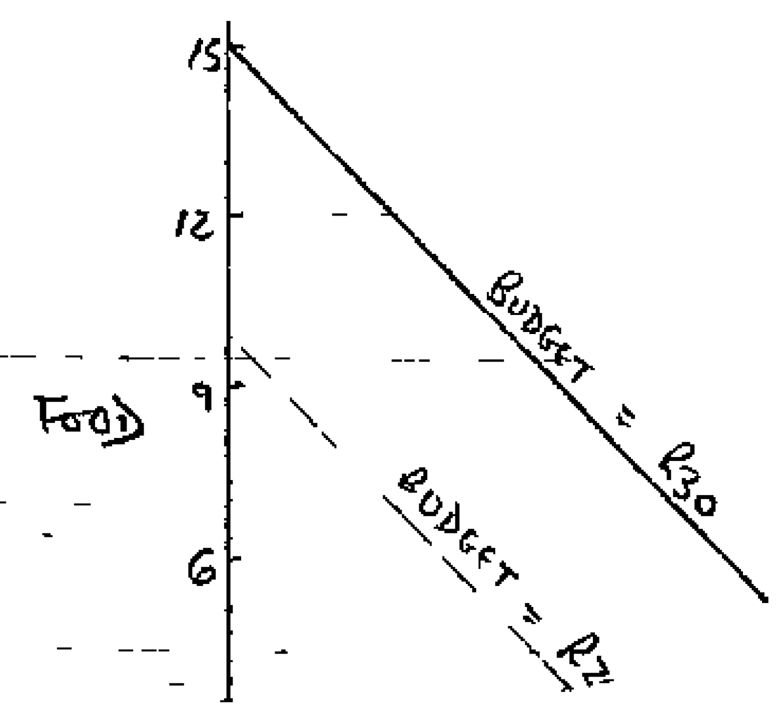
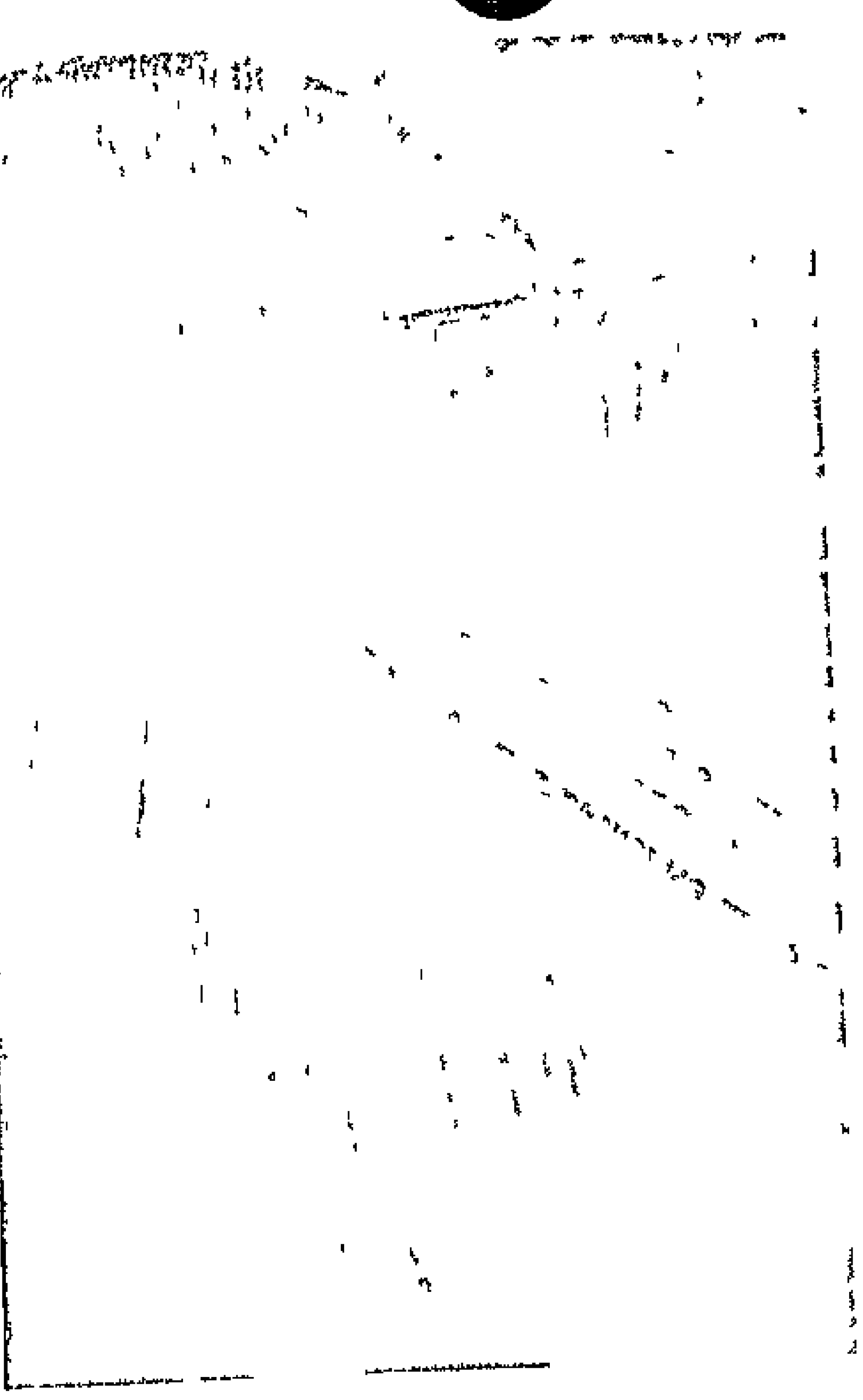
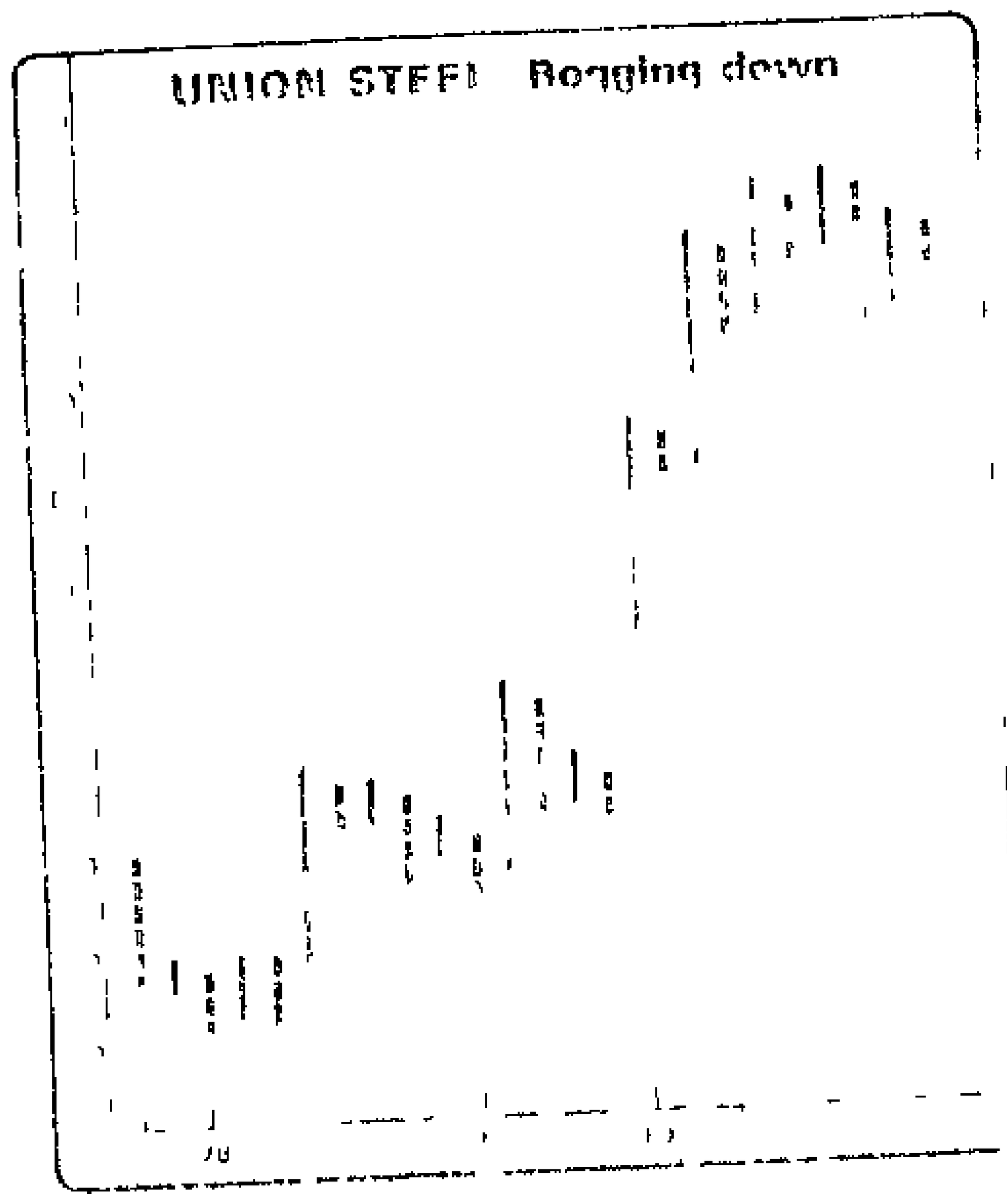




Turning out special earnings



UNION STEEL

Case hardened

FM 25/4/80

(1,89)

Activities *Manufacturer of mild and special steels, aluminium conductors and cables Veldmaster, a wholly-owned subsidiary, makes parts for farm implements Iscor has effective control via the pref shares, while Amic has a 13% stake*

Chairman *Dr M D Marais, deputy chairman Professor H J Samuels, managing director J C de Waal*

Capital structure *29m ordinaries of 50c 125 000 A prefs of R2 and 125 000 B prefs of R2 Market capitalisation R31m*

Financial *Year to December 31 1979*

Borrowings long- and medium-term, R20 1m, net short-term R10,3 Debt equity ratio 62,0% Current ratio 2,2 Net cash flow R10,8m Capital commitments R4 1m

Share market *Price 107c (1978-80 high 120c low, 42c trading volume last quarter 1 2m shares) Yields 20,6% on earnings 7 5 % on dividend Cover 4 0 PE ratio 3 1*

	76	77	78	79
Return on cap %	13,0	7,1	[illegible]	19,0
Turnover (Rm)	141,1	126,0	[illegible]	202,8
Gross profit (Rm)	11,2	5,4	10,3	16,6
Gross margin %	7,9	4	7,5	8,1
Earnings (c)	19,3	4,1	13,1	31,7
Dividends (c)	5,5	2,5	5,5	8,0
Net asset value (c)	138	110	119	179

Since the 1977 slump Union Steel has recovered strongly With annual compound profit growth during the period of some 175% This year, with an optimistic view of the local economy Usco forecasts another increase in earnings though whether the dividend will rise commensurately is doubtful in view of the group's capital needs and the stated aim of reducing borrowings

The sharp rise in 1979 earnings stemmed largely from the steel division, which only two years ago was running at a loss Operating profit from steel amounted to R12m (R6 1m) as the local market strengthened with a booster from exports Profit was assisted by rigid cost control and a 12,2% mild steel price increase in July as well as the increasing benefit of the decision in 1973 to switch more production to special steels which are not price controlled

During the year 209 000 t (206 000 t) of steel were despatched, with a more favourable product mix contributing to the increased profit Higher sales meant capacity utilisation at all steel production units was "satisfactory," though Usco notes over utilisation in the forging division Sales have come up to expectations in the Usco Rochling tool steel division and further market penetration is on the cards as a second distribution channel is established

Last year, government granted a 12,2% increase in the price of mild steels while special steel prices were adjusted to absorb rising costs of alloys and labour And another steel price hike is expected soon to enable producers to absorb steadily rising costs

However the foundry division again showed a loss despite a 30% increase in despatches from Vaal Works This was because of "keen" competition especially from foundries in decentralised areas The result was a 15% reduction in selling prices and only 75% capacity utilisation Another loss is expected this year though plans are in hand to cut back on costs and the manufacture of other casting products to take up slack Despatches this year should be ahead of 1979 with a moderate price increase on the cards

TURNOVER MIX

	1977	1978	1979
		Rm	
Steel sales	65,6	85,7	106,6
Copper & aluminium sales	60,4	51,6	96 2
Total turnover	126,0	137,3	202 8

PRE TAX PROFITS

	1977	1978	1979
		Rm	
Steel products	(0,7)	5,8	12,0
Non-ferrous products	1,9	0,3	0,7
Total pre-tax profit.	1,1	6,1	12,7

The copper price, together with increased despatches from the Vereeniging plant led to an improved contribution from this

P. T. O

division The directors say sales from the copper division contributed about 57% of the rise in group turnover And with the high cost of fuel and the rising emphasis on electrical power, increased demand is expected in 1980 But aluminium conductor prices were extremely competitive, with a larger loss in this division during 1979 For 1980, Usco has budgeted for lower despatches and higher prices, and as there will be no recurrence of last year's relocation costs, a profit is anticipated

A smaller loss was sustained in the agricultural division in 1979 because of increased production and despatches Two price increases are planned this year to meet the higher costs, which should further reduce losses Though the cable division incurred a small loss in 1980, largely because of relocation expenses, profits are anticipated in 1980 in line with better market prospects

The improvement in Usco's profitability last year pulled the group's balance sheet into sounder shape Though stockholdings increased 19,8% to R42,2m (R35,3m) and debtors 40,6% to R21,8m (R15,5m), group borrowings fell to R32,3m (R36,7m) with more favourable interest rates, as lending sources were altered to take advantage of better rates The increase in stocks and debtors reflects the higher prices of steel and buoyant sales

Since September, the share price has more than doubled to 107c (50c) for an historic 7,5% yield In view of the past record and conservative dividend cover there may be little upside potential in the near future, despite better earnings forecasts

Des Kilalea

DARLING & HODGSON

IMF dealing slack after JSE debut

(D)M 25/4/80

184

By ELIZABETH ROUSE

IMF GROUP, the industrial fastener company which emerged from the reverse takeover of the Sand Consolidated property company, made a lethargic debut in the engineering sector of the JSE this week

After 81 200 shares changed hands on Monday and Tuesday at a price range of between 110c and 115c activity slumped, although the price held up at 115c

IFM's prospects look good and potential dividend yield is about 10%, which is better than National Bolts 6,3%, but the market appears to be hesitant about the share

IMF forecasts a taxed profit of R1 300 000 for the year to June 1980, or 21,4c a share, calculated on 6-million shares in issue over a full year A 5c dividend will be paid for the six months to June

Policy is to keep the dividend twice covered Output is being increased by 30% to meet expected increased demand for fasteners and the dividend for 1981 could well be 13c

The transmuted listing statement shows that the IFM Group, including its two subsidiaries Indfast and Diabros, made a taxed profit of R776 000 in the year to June 1979 and R726 000 in the six months to December 1979

The group went through three lean years, but in 1978 taxed profit leapt to R677 000, according to adjusted figures, from 1977's R389 000

RAPPORT 27/4/80

Man aan die roer

Sake-spel vir hom 'n groot genot

Deur FRANZ ALBRECHT

HY en sy bestuurspan is deelnemers aan 'n sakespel So vinnig as wat die spel van rigting verander, moet hulle besluite neem Daarom is die groep waartoe hulle behoort, 'n kampvegter vir die onafhanklike besluitenemer

Aan die woord is mnr. Jan Timmer, 47, voorsitter en besturende direkteur van die Philips-groep van maatskappye in Suid-Afrika Hy het hom as 19-jarige by die rekeningkundige afdeling van Philips in Holland aangesluit en het gou in bestuur uitgeblink

Op 30 jaar was hy besturende direkteur van Philips se belange in Ethiopië — twee jaar nadat hy na hierdie land as finansiële direkteur verplaas was Op 43 jaar — 'n bietjie meer as drie jaar gelede — is hy in die hoogste bestuurspos in Suid-Afrika aangestel

In die nege jaar dat hy terug by Philips se hoofkantoor in Eindhoven was, nadat hy van Ethiopië teruggekeer het totdat hy na Suid-Afrika verplaas is, was hy eers vir drie jaar streekbestuurder van Tropiese Afrika Daarná het hy hom by die afdeling vir bestuursontwikkeling aangesluit

Hier was hy in die laaste drie jaar voor sy vertrek na Suid-Afrika adjunk-direkteur van bestuursontwikkeling van die reuse-groep, en effektief in beheer van alle bestuurspleiding en -ontwikkeling

Ná sy jare ondervinding huldig mnr Timmer 'n praktiese siening van bestuur „Boekekennis moet aangevul word deur 'n vermoë om onafhanklik besluite te kan neem In die geval van 'n krisis is daar nie 'n handboek wat geraadpleeg kan word nie," sê hy

Mnr Timmer se vergelyking van die sakeman as 'n sportspeler het nuwe betekenis vir hom gekry sedert hy in Suid-Afrika is Die sportgogga het hom gebyt nadat hy hier aangeland het Maar op 47 jaar is hy besadig genoeg om te erken dat sy tennis- en gholfspelery maar net vir die plesier is en om in die buitelug te kan kom

„Ek was basies lui om buitelug-aktiwiteite aan te pak voordat ek die sonnige klimaat van Suid-Afrika beleef het," sê hy „Maar ek het nog nooit moeilikheid ondervind om van my werk af te sluit nie Probleme by die werk kry my ook nie maklik onder nie"

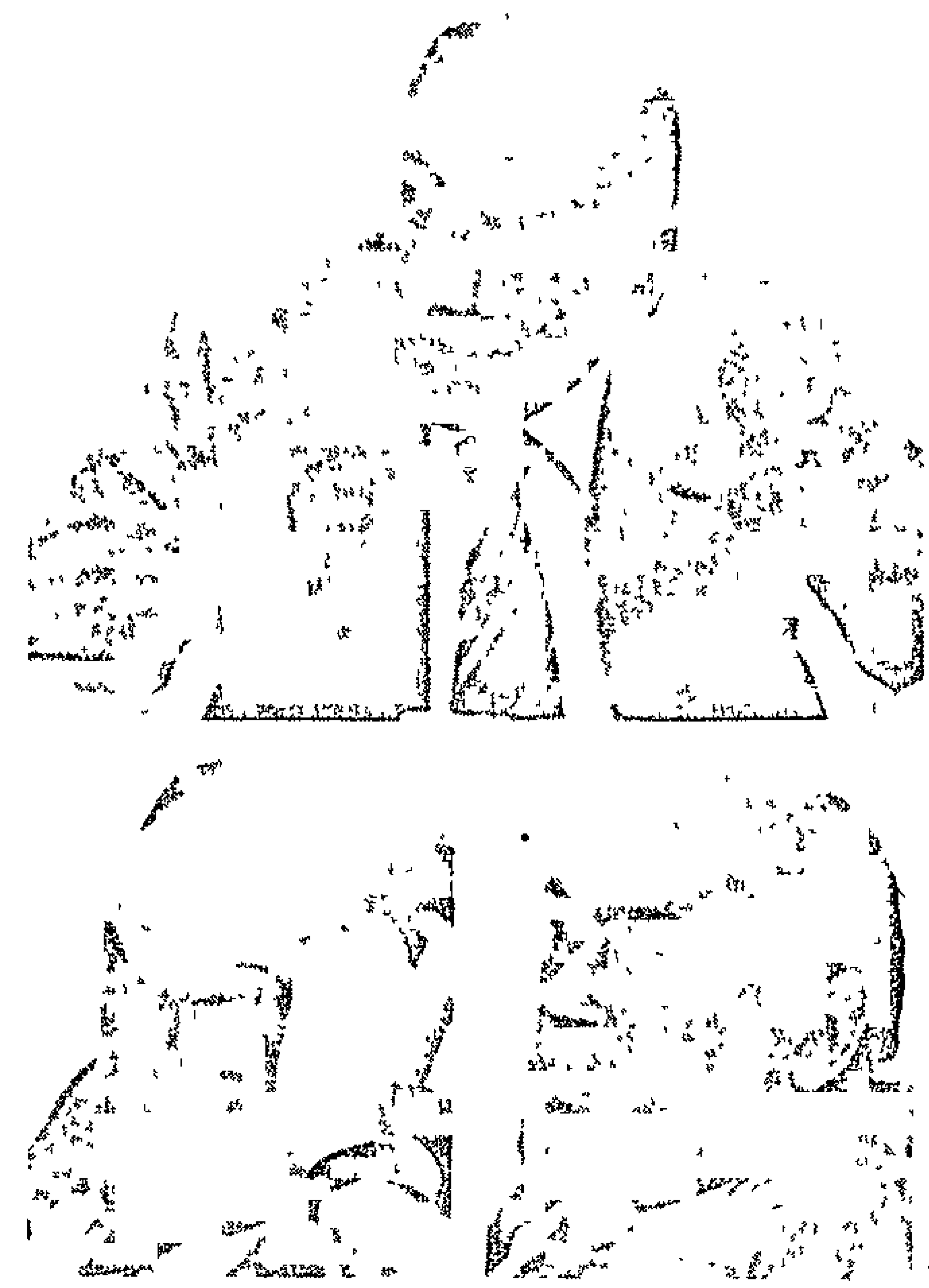
Mnr Timmer se bedaarde en kalme houding teenoor sy werk, spruit basies uit selfversekerheid „Elke mens kan selfversekerd in sy werk wees indien hy die sake-sektor ken waarin hy homself bevind Dan moet hy ook 'n idee hê waarheen hy wil gaan en waarheen hy sy maatskappy wil bring," sê hy

„Danksy die gehalte en die geesdrif van Philips se Suid-Afrikaanse top-bestuur, bereik die maatskappy sy doelwitte en weet ons dus dat ons besig is om te slaag as sake-onderneming 'n Mens moet ook nie uit die oog verloor dat ons gerugsteun word deur die enorme Philips-groep en sy 90-jarige ondervinding in elektronika nie," sê mnr Timmer

Die internasionale Philips-groep — wat vandag nog as Philips Gloeilampenfabrieken geregistreer is — is in 65 lande oor die wêreld bedrywig en behels 13 groot afdelings van elektroniese toerusting „Hoe hoër 'n bestuurder in die groep vorder, hoe meer onkundig word hy oor al die groep se elektroniese bydrywighede," meen mnr Timmer

Hoewel sommige van die internasionale bestuurders van Philips Hollandse paspoorte dra, is daar van hulle wat al soveel jare hier en elders diens gedoen het dat hulle dertig jaar laas in Holland gewoon het „Ons is almal getroue manskappe van die groep wat gaan waarheen ookal ons gestuur word," sê mnr Timmer

„'n Philips-bestuurder ly nie aan 'n minderwaardigheidskompleks nie," sê hy grappenderwys „Holland is immers die land waar menige groot multi-nasionale onderneming sy hoofkantoor het, en Philips is 'n wêreldmededinger van formaat op die gebied van elektronika"



MNR JAN TIMMER

Die Suid-Afrikaanse kleinhandelsmark is hoogs progressief en ver gevorderd, meen mnr Timmer Op baie gebiede is dit een van die mededingendste markte ter wêreld Die uitdaging om in hierdie mark te kompeteer, verskaf hom groot genoegdoening

En daar gebeur nog veel meer dinge in Suid-Afrika wat dit 'n opwindende land maak om sake in te doen „Die ekonomie staan op die rand van 'n oplewing, en buite die ekonomie gebeur daar dinge," sê mnr Timmer Hy vind dit alles persoonlik baie boeiend

Hoewel hy steeds gemotiveer word deur 'n drang om iets te bereik, voel hy dat sy jeugdige ambisie nou ietwat deur ondervinding getemper is Hy put genot daaruit dat hy aan die hoof staan van 'n goeie onderneming met goeie mense, en dat hy gelukkig in Johannesburg is

„Suid-Afrikaners besef nie aldag hoe gelukkig hulle is nie," sê hy „Johannesburg is 'n wêreldstad, maar met 'n unieke verskil net 'n paar kilometer uit die middestad kry 'n mens oop ruimtes en welige plantegroei Geen ander stad ter wêreld hou so sulke voordele in nie"

Deesdae kry hy meer tyd as vroeër om met sy twee seuns en 'n dogter deur te bring „Maar," sug hy „Hulle is nou op die ouderdom waar hulle eerder meer tyd weg van die huis wil bestee Ek kry darem nou en dan 'n les van my een seun wat op Kaapstad se sake-skool is oor hoe om my maatskappy te bestuur," sê hy glimlaggend

Die elektroniese bedryf het een van die hoogste vernuwingstempo's van enige bedryf ter wêreld, en mnr Timmer is lankal bewus dat niemand 'n deskundige op al die bedryf se terreine kan wees nie

„Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as bestuurder maak ek volkome staat op die deskundige medewerkers in die maatskappy om my op die hoogte te hou," sê hy

MANUF. - IRON, STEEL, ENGINEERING METALLURGICAL

INDUSTRIES

~~2 JULY 1980~~
4 APRIL 1980 —— 31 AUGUST 1980

Barlows expanding

4/3/80 Lines/Bus 169

By VERA BELJAKOVA

BARLOWS is planning to invest more than R8-million in expanding its domestic goods division, says John Turner, Barlows Appliance director

In a move to meet the current increase in consumer demand, Barlows Appliance and Television Company has built a R400 000 new enamelling facility at its Johannesburg factory, which will enable Barlows to treble its present production — particularly of stoves and washing machines

"The white goods market will increase by 25% a year in real terms until the end of next year," believes Mr Turner

"The only factor which could possibly inhibit the expansion of the local white goods' manufacturing industry, is the continued increase of imported refrigerators and washing machines, primarily from Italy and Japan "

The main reasons for increased importation of all consumer products are the scrapping of import surcharges, the Rand exchange rate's improvement and the Reserve Bank discounts available for foreign exchange purchases

The expected 25% growth rate over the next two years could generate 2 000 new jobs, mostly for blacks, in the local manufacturing industry, believes Mr Turner

But to what extent these new jobs will be created will depend on the degree to which imported goods swamp the local consumer market

Gearing itself for stiffer competition in the future, the Barlow Appliance division intends to improve its technology, step up its products' quality and lower manufacturing costs

"But objectives for protecting existing jobs and creating new ones can only be met if the Government imposes a realistic balance between imported and locally manufactured goods," warns Mr Turner

It looks as if the threat of competition from imports will smarten up local manufacturers — a welcome but also worrying step at any time

Afrox details spending

STAR 5/5/80

189

~~183~~

By Jean Moon

Afrox is to spend about R49m on capital projects in the next two years

Some R22m will be spent by the September year end and a further R27m in 1981

This year, nearly R13m will be spent on the gases side of the business with the installation of new gas producing plant, storage facilities and cylinders In June it will commission a 120 ton a day producing plant which will substantially increase Afrox's daily volumes for oxygen, nitrogen and argon

Production facilities in both welding and engineering will be increased and the expenditure in these two business areas will amount to some R4,5m The MIG (metal inert gas) wire plant has recently come on stream at Afrox's electrode factory in Brits

General expenditure for computer equipment new buildings and vehicles, will amount to about R4,5m

In the half year to March, Afrox increased its turnover by 23 percent to R83,5m which produced a 47,3 percent rise in after tax profits to R7 5m

On a 7,96c rise in earnings to 25c a share, the interim dividend has been lifted by 3c to 12c a share

Although taxation was 15 percent higher at R4,5m, the tax rate was reduced from 43,5 percent to 37,5 percent thanks to allowances for capital expenditure.

Chairman and group managing director Mr Beau Sutherland said that he expects an improvement in trading conditions and that the growth pattern presently being experienced should be maintained for the rest of the year.

GM gets R50m order from SAR

STAR 5/5/80 ~~62~~ ~~269~~ 187

Own Correspondent

PORT ELIZABETH — General Motors will soon start manufacturing the heaviest and most powerful diesel-electric engines yet to run on South African rails after landing an order exceeding R50-million from the South African Railways.

The 100 mainline locomotives will be built at the company's locomotive plant at Aloes, Port Elizabeth and will require a trebling of the plant's work force of 100.

Disclosing this, the general manager of the company's locomotive division in South Africa, Mr Lutz Elsner, said manufacture would start before the end of the year and the first delivery would be in May next year.

The contract would run until August 1982. The present production at the plant would be increased from three to 10 units a month, and many sub-contracts would have to be awarded to other companies.

This order brought the number of diesel electric locomotives sold to the Railways by General Motors to 533. This included 258 mainline, 225 branch line and 50 shunting locomotives.

The shunting locomotives are still to be delivered, between August this year and February 1982. Work on them started last year.

He said the new mainline locomotives would each be 15 tons more than the previous ones and would be driven by 16 cylinder turbo-charged diesel engines generating 3 200 horsepower.

RAND DAILY MAIL, Thursday, May 8, 1980

Workers win union battle with big firm

(189) RDM 8/5/80

By STEVEN FRIEDMAN
Labour Reporter

BLACK workers in Natal have won a Supreme Court order instructing a major multinational company to establish a works committee for its black workers.

A recent judgement in the Natal Supreme Court by the Natal Judge-President, Mr Justice N James gave the company 10 days to establish this committee. The deadline expires this week.

The court action is the latest development in one of the longest and most bitter union recognition disputes in recent labour history.

The Metal and Allied Workers Union has been demanding recognition from Glacier Bearings since 1978.

Glacier is a Pinetown-based subsidiary of the British owned multinational Associated Engineering. Mawu is a predominantly black union affiliated to Fosatu.

Mawu sees the court order as "a breakthrough" which will "compel management to deal with elected worker representatives."

The dispute has been deadlocked since Glacier set up a multiracial bargaining committee in its plant. According to Mawu's general secretary, Miss Junerose Nala, this committee "is a device to block the union."

The multiracial committee also superseded a black liaison committee which had operated in the plant and which, the union says, was dominated by union representatives.

Although Glacier has dealt with the new multiracial committee rather than the union's black worker representatives, have boycotted it and it is "now defunct as far as black workers are concerned", Miss Nala said.

In an attempt to break the deadlock black workers at Glacier asked the Natal Supreme Court to order the company to establish a works committee.

These committees are established in terms of present labour law and employers are compelled to establish them if a majority of workers want them and there is no liaison committee in the plant.

MAWU expects most union shop stewards to win election to this committee. It sees it as a means of compelling management to discuss worker grievances with union members at the plant.

In his judgement, Mr Justice James found "virtually unchallenged evidence" that the majority of Glacier's black workers wanted the establishment of a works committee.

He also found there was no other committee at the plant which carried out the functions of an in-plant bargaining committee as envisaged in labour legislation.

The company was therefore ordered to take the necessary legal steps to arrange for the election of a works committee.

It was also ordered to pay the costs of the action.

Lack of facilities hits ship repairers

STAR 9/5/80

189

~~332~~

Own Correspondent

DURBAN — South Africa loses millions of rands in foreign revenue annually because Durban's four major ship repair yards are compelled to reject contracts for the lack of adequate dry docking facilities, says Mr Rhys Steytler, ship repair manager of James Brown and Hamer

He was speaking this week while final preparations were under way to refloat the Danish reefer vessel, Pep Ice, which underwent extensive repairs to her bottom and rudder in Durban's floating dock

The repair contract, which is rumoured to have been about R1,7 m, required an estimated 260 tons of steel and took 42 days to complete — six days less than originally planned and 50 tons more steel than had originally been thought necessary

UNCERTAINTY

Durban nearly lost that contract because of uncertainty as to whether the dry dock could be occupied for the required period

James Brown and Hamer is believed to have been the only tenderer to have considered using the floating dock, and they won the contract

At that time it was planned to repair as much of the hull as possible, and then refloat the Pep Ice for two weeks while the floating dock was used for other scheduled repairs and then return her to the dock

Efforts by the port authorities, however, allowed the Pep Ice to remain in dock and return to the water on Tuesday, five days ahead of schedule.

"It's not the port captain's fault. Unfortunately the port office is more or less compelled to put a restricted time on the period a vessel can be accommodated in dock because of the pressure and demand," Mr Steytler says

A few months before the Pep Ice ran aground on a reef in the Mozambique Channel, JB and H had had to turn down a repair contract requiring 500 tons of steel for the same reason.

"We thought of taking that ship to East London, but that would have put about 15 percent on to the contract price," Mr Steytler said.

"You can talk to any of the repair yards and they'll tell you similar stories," he added.

The repair work done on the 4 300-ton deadweight Pep Ice is a typical example of the kind of work South African shipyards can do

EARNINGS

"It is now obvious that we have the know-how and expertise to undertake this type of work — utilising 100 percent local content — and it is about time the ship repair industry was given more recognition

"If they want us to continue to be involved in the bigger type of repairs, we must be given more facilities. There is no limit to how far we can expand, because prices in South Africa at the moment are very competitive," he said.

The Salvage Association rates South Africa in the lower price category for ship-building internationally, though most of the auxiliary and specialised machinery still has to be imported

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JAN DE WAAL

Man of steel

(189) FM 9/5/80

Jan de Waal, MD of United Steel Corporation (Usco), blends in well with his environment — Vereeniging There's a relaxed feel to his approach and he's certainly one successful entrepreneur who'll never be plagued by ulcers

He was asked to run Usco in 1976 because the company was in grave difficulties and headed for a R2m loss By the end of the year the company had made a profit, although a small one

"The board decided on Friday and I moved across on Monday It's the only weekend I spent unemployed and I really enjoyed it " says De Waal with his characteristically simple and spontaneous humour

Is he a man with a magic mind or did the company pick up of its own accord? "Usco suffered from over-spending that wasn't justified in many cases They had also set up a large computing system, but they didn't know what they were doing It took me no time at all to discover which areas were operating at hopeless losses and then to correct them "

Although his criticisms of the company are harsh, there's an unmistakable compassion for the people he works with "Usco's one of the oldest steel firms We've got many experienced people and a tremendous amount of loyalty This definitely helped us to come out on the right side "

This year Usco was listed in the *FM*'s Top Hundred Companies report, running second to Utico in the profits parade, with an impressive increase of 220%

De Waal . . . his prognosis is depressing

But De Waal knows that statistics can be misleading "It's not really a true reflection A long-term average of annual profits would have provided a more honest figure "

His theory is that the alloy industry operates in four year cycles of prosperity and slumps "It's psychological We talk ourselves into slumps because SA doesn't operate independently We follow the overseas downs one year later "

Although Usco last year recorded profits of R9,6m, compared to R3,6m in 1978, De Waal refuses to become too excited In fact, for the steel industry, his prognosis is downright depressing

"The steel industry has been in a very depressed state overseas This trend will follow here and I think we're heading for a low "

And, he says, while the last three years have been successful — the industry is due for its downward cycle

De Waal views his profession almost as an art — quite in contrast to the highly scientific nature of the work he's involved in He "works with his hands" during his spare time as a carpenter and also "creating" metal work

He's also imaginative about future developments and diversifications within Usco and is a mine of information on where the company, and the industry, should be heading

With unquestioned trust he confides all but requests that it remain "off the record"

He certainly didn't learn the alloy game as the son of a headmaster in the little Karoo town of Vosburg It was at Stellenbosch as a geology student and then his years in the Belgian Congo and "Northern Rhodesia that switched him on to something that's fascinated him since

"In Kitwe we were asked to set up an efficiency department to reduce production costs of copper It was the most outstanding period of my life and opened a number of new doors for me "

Doesn't he regret not following his geology interests? "I wouldn't change my life for anything The only problem is that it's much to short "

GEC, Siemens get Soweto project

STAR 9/5/80 (189)

Two of South Africa's biggest electrical groups GEC South Africa and Siemens, have received letters of appointment from the Diepmeadow, Dobsonville and Soweto councils for the R100m Greater Soweto electrification project

This announcement comes in the wake of the statement in Parliament by the Minister of Co-operation and Development Dr P G Koornhof that his department will proceed with the R153m Greater Soweto electrification programme

The contract is to be handled by Tesacon a consortium formed on a 50 50 basis by GEC Power Distribution, a GEC SA company, and Siemens

A spokesman for Tesacon (Township Electrification South Africa Consortium) said work on the project was to start immediately The contract called for the supply and installation of the 11 000 volt and low voltage networks for Diepmeadow, Dobsonville and Soweto

He said job opportunities for several thousand black workers would be created by the project, and on-the-job training would be undertaken Local content of the products and services to be supplied would be close to 100 percent, and sub-contractors would be widely used, especially for installation work The large installation portion of the contract would be carried out by a sub-consortium led by Industrial Electrical

A spokesman said one of the first tasks for the project co-ordinators would be to finalise a project timetable in collaboration with the consulting engineers, G H Marais and Partners Incorporated, acting for the councils

Both partners in the consortium have already executed projects in Soweto GEC Power Distribution has supplied about 50 mini sub-stations and Siemens has installed five containerised telephone exchanges

GEC Power Distribution, through its Power Projects Division, and Siemens, were the only companies to tender on all the enquiries issued for the project

"Because the programme will have such far-reaching effects on the quality of life for the residents of Greater Soweto, the consortium intends tackling the contract with the utmost sense of urgency," the spokesman said

"With the completion of the contract many of the blacks trained while in the employ of the consortium will become available for employment by the electricity undertakings in the area to create the infrastructure that will be necessary for the maintenance of the electrical networks" he said

SHIPYARDS FM 9/5/80

Docks drying up

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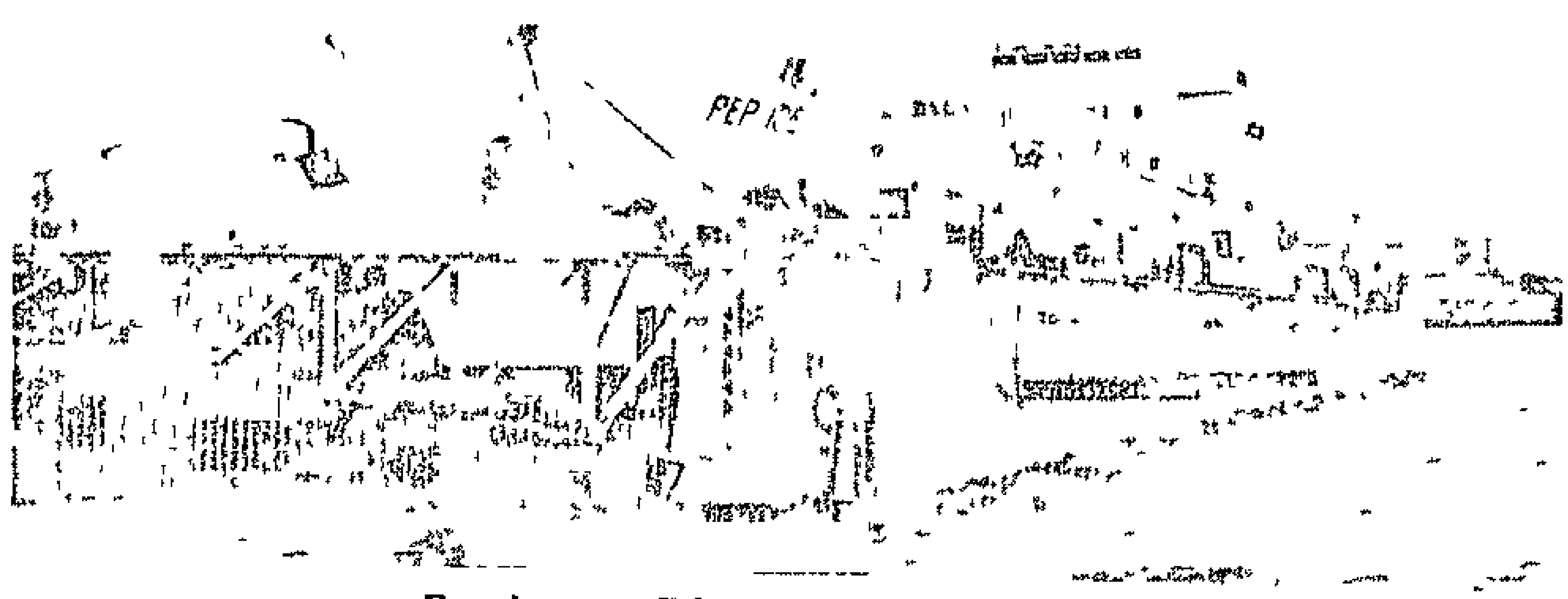
Changing patterns in the shipping industry are making Durban's shipyards less profitable. Despite marginal levels of activity at present, the feeling is that the shipyards are remaining in the business for strategic rather than commercial reasons.

James Brown and Hamer (JBH), the Anglovaal subsidiary with every prospect of being sold to Elgin Fireclay, has given up shipbuilding and is concentrating on repair work and general engineering. Sandock Austral, with its defence links, is a closed book, and Dorbyl, although busy, is anxiously seeking orders to maintain continuity when its current building programme ends.

This includes a fisheries research vessel which will be launched towards the end of the year and handed over in September or October 1981, and four tugs for the Railways, one of which has already been delivered. All that Dorbyl's regional manager Dick Brass will say is that the tugs are "ahead of schedule and we have met our budget," which is not the same as saying they are being built at a profit. Dorbyl is also quoting on oil rigs and is actively looking at the market.



Pep Ice   R1m windfall for repairers

On the repair side, JBH is enjoying a large windfall contract worth about R1m to repair the freighter Pep Ice, which ran aground off the East African coast, and is "well ahead of schedule," according to ship repair manager Thys Steytler.

Such contracts come rarely, however, and the bread and butter work has provided sparse fare during these past four years of recession in world shipping.

"Surveys and refits which used to be done annually have been spaced further and further apart and now sometimes occur only every 18 months to two years to save costs," says Steytler.

Dick Jenkins, ship repair manager at Dorbyl, believes "the whole trade has changed. Tramp steamers are giving way to modern cellular vessels, and containerisation has meant fewer ships, new fleets and shorter turnaround times," none of which has been good for the repair industry. "One container ship has replaced about four old-style tramps," he says.

Steytler contends that although SA repair costs are in the lower category worldwide, "there's no doubt about it that work is being lost to the country on account of politics." A case in point was the Kulu, representing R2m worth of work, which was held in Nigeria on its way to SA yards, he adds.

He further contends that Arab states such as Kuwait, where large dry-docks are under construction, will probably use their oil as a lever to force customers to use the docks on a 'no repair-work, no oil' basis.

Jenkins is, however, somewhat sceptical on the use of political pressures. "Fuel costs are so high today," he maintains, "that no ship is going to be sent any distance in ballast merely to go to a slightly cheaper repair yard or for non-economic reasons."

Local facilities are not all they might be, and repairmen complain that there are only two lay-by repair berths in Durban, which often means a lot of time and cost consuming movement within the harbour and moreover, use of the dry-dock — far from the world's biggest — is restricted to four days.

Brass believes that there is not the space in Durban for extended repair berths and that Richards Bay may well become the repair port of the future. After all, the bulk trade is a dominant force in shipping today and Richards Bay handles most of this traffic.

9/5/80 FM (184)

STEEL

Spoiling for scrap

Two more SA steelmakers, Iscor and Usco are contemplating sponge iron production as potential shortages of scrap metal put the squeeze on raw material supplies

Scrap currently accounts for 22% of Iscor steel production, all of Usco's, and 63% of Scaw Metal's

Increased demand for steel and greater capacity utilisation within SA's steel industry has led to speculation that scrap iron resources (Ferrous Scrap Dealers buys and sells some 1,25 Mt a year at present) could soon be insufficient to meet manufacturing requirements

Steel giant Iscor for one which produces a third of its Vanderbijlpark works output from scrap in three electric arc furnaces (about 120 000 t of liquid steel a month) is concerned GM designate Floors Kotzee believes that by 1984 there won't be enough scrap to go round "We want to increase capacity to ensure that arc furnaces are fully utilised, but scrap is the problem

Iscor officials will be travelling abroad to examine direct reduction processes for sponge iron, and, according to Kotzee, if their findings are favourable, this could result in the installation of plant worth about R120m 'We envisage that it could come on stream in about 1985," he says

At present Dunswart Iron & Steel is the only sponge producer, and according to MD Ken Brightman, tenders for a second sponge iron kiln, worth about R20m, have been called for to boost capacity from 120 000 t to 300 000 t a year Total annual liquid steel capacity will then be raised 120 000 t to 500 000 t

The other producer investigating sponge iron possibilities is Union Steel (Usco), which at 270 000 t/year, ranks fourth biggest among the independent steel producers MD Jan de Waal estimates that by 1981 there will be a 400 000 t shortage of scrap and if imports, at R140/t had to be relied on, it would be far cheaper to use sponge iron Usco "is therefore investigating production of sponge"

How serious is the potential shortfall in scrap requirements? Ferrous Scrap Dealers (FSD) GM Peter van Andel puts it thus In the past 18 months all steel producers and foundries have been taking up their full quotas as well as any available excess It is not that there is a shortage, it's just that all available resources are now being taken up

The FSD buys up and sells about 1,25 Mt annually, and Van Andel reckons that there will be no problem maintaining a 5% growth rate " The perceived shortage, he says, has come about because steelmakers didn't take up their full quotas during leaner times and there was always enough scrap

Present prices of scrap vary, but the average hovers around R60/t with a high of R73 t for good grades The FSD reviews prices at the time of the mid-year steel price increase, and generally raises its price "in the same order", which will probably be about 12%

Van Andel . all available resources are being taken up

Current estimates are that sponge iron production costs run at about R80/t, so as scrap becomes costlier, sponge iron manufacture will become an even more attractive alternative The industry also believes that present scrap prices are artificially low, and were they to be boosted to their true market value, sponge iron will assume greater importance

Another factor in sponge's favour is that in one instance, gas is used as the reduction agent (either coal or natural) and in the other, coal is used as a solid reductant Whereas SA has vast resources of coal high grade coking coal used in blast furnaces is at a premium, so a swing to sponge iron production for basic raw material input would have an added benefit

Scrap iron . . . not enough to go round

S&L pays maiden interim of 10c

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RDM 10/5/80.

By ELIZABETH ROUSE

STEWARTS & Lloyds has declared a maiden interim dividend of 10c on earnings of 24,4c a share — up 49% on last year's interim earnings of 16,4c a share

The heavy engineering group has hitherto paid an annual dividend, which last year amounted to 22c

The board's decision to pay an interim is based on the cash flow benefits derived from the introduction of Lifo accounting last year Improved liquidity means that the interim payment can be accommodated in the seasonal cash flow, say the directors

Although Lifo gives a more realistic picture of Stewarts & Lloyds financial health in inflationary times, it obscures the sharp leap in group activities

Pre-tax profit before Lifo adjustment for the year to last March has jumped by 81% to R12 252 000 from the previous comparable half-year's R6 765 000 on a 23% rise in turnover to R157 890 000 from R128 795 000

The Lifo adjustment of R2 919 000 has reduced taxed profit to R6 029 000 This shows a 49% improvement on last year's interim taxed profit of R4 059 000

Results for the past half-year exclude the contribution made by the trading activities of H Incledon & Company (SA), which was sold in October 1979 This sale had some effect on turnover, but earnings were boosted by R400 000 made on the sale of Incledon-owned properties

The group ran into a higher tax rate of 35% compared with 28% and 18% in the previous two years

But capital spending is increasing again The foundry modernisation programme will take most of the R20 951 000 committed for capital spending (1979 capital expenditure was R9 769 000)

Since the yearend, additional capital expenditure of R2-million has been authorised for Baldwins, which is putting up the first steel sheet service centre in Natal

Stewarts & Lloyds usually does better in the second half of the year and the chairman, Mr H C Kuiper, expects that the seasonal improvement will prevail Sales and profits should advance in line with overall economic growth

It is difficult to predict year-end results, but the group is in trimmer shape to cope with increased business (costs are under control) and it should easily improve on first-half earnings of 24,4c

However, a decision in principle has been taken to extend Lifo to all stocks held by the group (last year Lifo was limited to steel stocks, which were about 58% of total stock) and this might affect earnings

Dividend cover will probably be kept at a safe 2.4, so dividend expectations cannot be too optimistic

Metkor's earnings leap 59 percent

STAR 13/5/80

189

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By Jean Moon

Metkor's earnings leaped nearly 59 percent to 6,12c a share in the six months to December. The net income rose 90 percent to R4,2m and the preference share dividend absorbed R716 000. As there was no taxation, distributable earnings rose from R2,2m in the corresponding period to R3,5m.

Metkor received a maiden dividend from Air Products of South Africa.

Metkor's investment in Donkerhoek was disposed of during the period. It acquired 23,7 percent of minorities in Hart for R269 154 and 1,9m Metkor shares. Hart is now a wholly controlled subsidiary of Metkor.

It also acquired the 48,75 minority interest in Wispeco for 7,4m Metkor shares.

Metal works pay talks begin: 15 pc claim

STAR 13/5/80 189 ~~346~~

By Sieg Hannig

South Africa's most important pay negotiations—affecting 500 000 metal and engineering workers—began in Johannesburg today

The closed meeting of more than 200 representatives of employers trade unions and the Central Black Labour Board will debate union demands including

- Increases of 20 percent in minimum rates of pay and an across the board rise of 15 percent
- A holiday bonus equivalent to a month's pay
- The restoration of overtime rates to the previous level of time and a half
- The introduction of a 40 hour working week by reducing the present 45 hours over five years

The negotiations are being held against the background of predictions that the shortage of artisans will drive real pay upwards by as much as 18 or even 20 percent in some categories this year

But it is thought unlikely that employers will be prepared to grant much more than the 13,5 percent increase on standard rates which the Chamber of Mines negotiated with the mining unions last month

Another matter to be raised during the two-day meeting of the Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry is that of the Seifsa guidelines on black and mixed trade unions stock.

(ii)

Guidelines for steel workers may be eased

(189) ~~139~~ ~~133~~ ~~136~~

RDM 13/5/80

By STEVEN FRIEDMAN
Labour Reporter

DEMANDS by registered trade for changes in controversial black labour guidelines formulated by the Steel and Engineering Industries Federation (Seifsa) will be discussed at two-day negotiations starting in Johannesburg today

The Rand Daily Mail understands that Seifsa will agree to changes in the guidelines, which have been attacked bitterly by unionists

The guidelines will be discussed at a meeting of the industry's council called to review the agreement which lays down minimum wages and work conditions

The agreement, which affects about 500 000 workers, is renegotiated annually

Wage demands by the unions will also be a key point in the talks, which will be attended by about 200 delegates, including black liaison committee members

The Seifsa guidelines were slammed by unionists as "an attempt to forestall black unionisation" They advise employers not to allow unions to have access to their factories, and not to deal with them unless they are members of the industry's industrial council

It is learned that Seifsa will agree to some changes to the guidelines In particular, one which will make it easier for unions with black members to have union dues deducted for them by employers

The wage talks are expected, by employers and unions, to be less controversial than for some years.

Registered unions, represented by the Confederation of Metal and Building Unions, have put in demands calling for a 20% increase in minimum wages

Employers have not yet responded formally to these demands, but were meeting yesterday to discuss a counter-offer, according to Seifsa's director, Dr Errol Drummond

A prominent CMBU unionist, Mr Ike van der Watt, said yesterday that he expected the negotiations to be completed within the two days In previous years, deadlocks between employers and unions have led to protracted negotiations

Mr Van der Watt said, however, that unions were "a little worried" by the fact that employers had said they had a number of suggested changes to the agreement which they would raise at the meeting

"We are not very happy about them raising issues which we have not discussed with our members," he said

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1. The economy cannot be at the full employment level. If the economy was at full employment, any increase in consumption (i.e. people start spending more) would just lead to a increase in the price level which will generate inflation. This comes from the relationship supply (A.S.) curve. Before the full employment level, prices are assumed to be fixed and cannot change, according to Keynes.

Skills training for metal workers

(189) STAR 14/5/80 (175) (179) (386)

By Sieg Hannig

More skilled workers are to be trained for the metal and engineering industry. This undertaking follows the 14 percent pay boost announced for workers in the industry.

Over a year, the pay increases for skilled workers who are in short supply will be considerably higher than the 14 percent affecting all of the 500 000 workers in these industries, a trade union source admitted.

But this threat of inflation is hoped to be offset by the creation of a training board for the industries, said Dr Errol Drummond, director of the Steel and Engineering Industries' Federation.

He said the board, run jointly by employers and trade unions would co-ordinate the various existing training schemes.

It would set targets to overcome skills shortages through revised training methods planning and monitoring of the manpower position.

Dr Drummond described the 14 percent rise as realistic in the light of the present economic circumstances.

But Mr Ben Nicholson director of the Confederation of Metal and Building Unions, said: "We are only recovering what we have lost in the past year. It is not the workers who are responsible for inflation."

The increase, effective from July 1, will raise the wage of the lowest paid labourer by 12c an hour to 92c an hour.

Artisans will get a 39c an hour rise which will put their minimum wage on R3,14 an hour.

Those artisans earning more than the minimum will also get an increase of at least 39c an hour, since the 14 percent increase in every category's minimum wage will be paid across the board to all.

The holiday bonus is also being increased by 14 percent.

Allowances for workers employed away from home are being raised by 15 percent. And employer and employee contributions to the pension fund will increase by one percent.

Metal unions win rise — and a deal

~~346~~ ~~136~~ ~~133~~ 189 RDM 14/5/80.

By STEVEN FRIEDMAN
Labour Reporter

ABOUT half a million workers of all races were awarded a 14% wage increase in negotiations between metal industry employers and registered trade unions yesterday.

Workers' holiday leave bonuses will also rise by 14% The new rates will come into effect on July 1.

And, in an important development at the negotiations, the Steel and Engineering Industries Federation agreed to soften its controversial black labour guidelines, to make it easier for unions with black members to bargain with metal industry employers.

The negotiations were attended by 250 delegates, according to a statement issued last night by the metal industry's industrial council

The changes to the Seifsa guidelines follow demands by registered unions, which complained that they were an attempt to "forestall black unionisation"

Registered unions were concerned about the guidelines because a [illegible] them are now organising black workers

The guidelines originally advised employers not to deal with unregistered unions or allow unions access to their factory premises

According to union sources Seifsa agreed yesterday that individual companies will be allowed to recognise unions and deal with them provided the unions meet certain conditions

These are

o That the union should have applied for Government registration,

o That the union's constitution should be approved by the Industrial Registrar, and

o That the registration application must have been published in the Government Gazette

If these conditions are complied with, it will be the individual employer's prerogative to decide what recognition to grant the union involved

Employers will also be able to deduct union dues for unions which have complied with the conditions

These conditions will make it easier for unions to win recognition but they are likely to favour black unions organised by the existing registered unions in the industry

The wage award, which covers all workers in the industry, raises minimum wages by 14% and provides for a 14% "across the board" increase in actual wages

Unions and employers have also agreed to set up a training board which will "co-ordinate the various training schemes operating in the industries" and "devote attention to planning and co-ordinating skills", according to the industrial council's statement

The agreement will also increase workers' holiday leave bonuses by 14% and increase employer and worker contributions to the industries' pension funds in order to increase the benefits offered by the funds

Mr Ben Nicholson, director of the Confederation of Metal and Building Unions, said last night that unions had wanted artisans' minimum wages to rise by more than 14%

He said the minimum rates in these jobs were substantially lower than the actual rates paid and that this meant that employers could undercut skilled workers already employed by paying new workers much lower rates

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KDM 15/5/80

Builders appeal to Koornhof

THE Building Industries' Federation (Bifsa) has asked the Minister of Co-operation and Development, Dr Piet Koornhof, for an urgent meeting to discuss the 99-year leasehold proposals and the problems of migrant labour.

The newly appointed executive director of Bifsa, Mr Lou Davis, said yesterday he had informed Dr Koornhoaf that the control of migrant black building workers presented "important challenges for decision and direction".

This was particularly true in the areas of accommodating migrant labour and the 99-year leasehold proposals, he said.

Mr Davis said that for some time now the federation had been trying to consult Dr Koornhof on "various pressing problems which some of Bifsa's members are experiencing with black staff." He had now asked for a personal interview to discuss Bifsa's course of action.

He was determined that none of the problems of migrant labour should be allowed to obstruct the building industry as it moved into top gear. — Sapa

Seifsa deal stops at union dues

RDM 15/5/80

123 134 151 189

By STEVEN FRIEDMAN
Labour Reporter

IN A statement which is certain to disappoint unregistered black unions, the director of the Steel and Engineering Industries Federation (Seifsa), Dr Errol Drummond, yesterday denied claims that changes to Seifsa's black labour guidelines would make it easier for unions with black members to negotiate with employers

Dr Drummond stressed that the changes affected only the right of employers to deduct members' dues on behalf of trade unions This means that the change is more limited than was thought at first

However, a leading metal trade unionist, Mr Ike van der Watt, said yesterday that the changes would "obviously make it easier for employers to recognise unions with black members"

Registered metal unions had asked for a softening of the guidelines on the union dues issue because they argue that the deduction of these dues by an employer is an important source of financial stability for unions

Unions sources told the Rand Daily Mail on Tuesday that the changes would allow individual employers to deal with black unions provided that the unions met certain conditions

These were that the union would have to have applied for Government registration, that its constitution had been approved by the Industrial Registrar and that its registration application had been published in the Government Gazette

Dr Drummond confirmed yesterday that these conditions would apply But he added that union compliance with them would merely enable an employer to deduct membership dues on the union's behalf

Another condition would also apply, Dr Drummond said The union concerned would have to undertake to join the industry's industrial council once it had gained registration

He added that this stipulation would only apply for the next six months and that employers would not be permitted to deduct union dues for foreign black workers

If a union had not gained registration within six months "through no fault of its own", the industry's industrial council may decide to extend the six month limit

Besides this change "the guidelines still apply", Dr Drummond said He added " We will certainly not permit unions to bargain with individual employers All bargaining must take place through our industrial council "

Dr Drummond's clarification of the change will come as a shock to black unions who argue that unions must be recognised in an individual factory so they can take up grievances with individual employers

The Seifsa guidelines do not make provision for this

However, registered unions who are planning to organise black workers say the change will help them to win recognition from employers

"We don't believe that you have to get an individual employer to formally recognise you in order to be effective. But, by softening the guidelines on deductions, Seifsa has made it easier for unions to grow and thus to win recognition from employers, " Mr van der Watt said

He added that ' the change will definitely assist unions in their dealings with individual employers "

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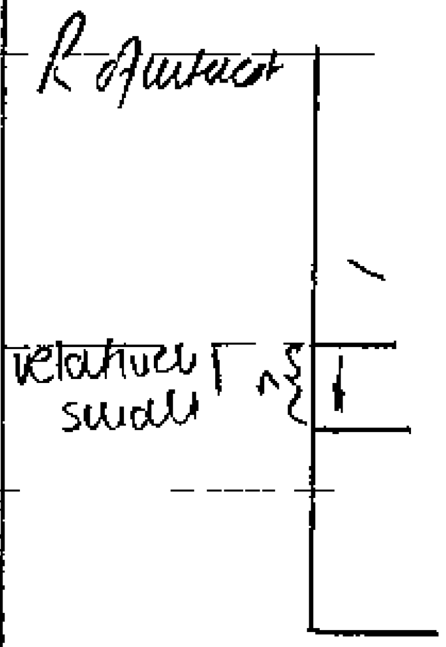

(2.44) (189) R = Interest Rates.

Wide effects of steel price rise predicted

RDM 15/5/80

Pretoria Bureau

THE steel price rise expected to be authorised by the Government next month will create a price pressure wave throughout industry, Government sources warned in Pretoria yesterday.

Last July the price was raised by 12.2%. This year, because of unpredicted increases in the prices of coal, power, fuel and railway rates, the new rise could be higher.

To be taken into account too are the pay increases for Iscor's 65 000 workers which will come into effect next month.

To illustrate the steep rise in costs, an Iscor official said that to transport raw materials to Iscor works and from one works to another cost R36-million more this financial year than during the last financial year.

Although the chairman of the corporation, Mr Tom Muller, expects Iscor to end the financial year next month with a R90-million surplus, this will not decrease the need for an upward adjustment in the price.

Following the 14% increase award negotiated between the metal industry employers and registered trade unions this week, negotiations between Iscor management and the seven unions representing more than 20 000 white skilled Iscor workers will start at the end of the month. Also involved are about 30 000 black workers.

In July last year increases averaged 8% with blacks getting more in keeping with the corporation's policy of narrowing the wage gap.

The estimated total wage and salary bill for the current financial year is about R361-million.

The chairman of the Union Steel Corporation and a director of Iscor, Dr M D Marais, said higher railway rates, coal, power and fuel prices had caused a steep escalation in production costs amounting to tens of millions of rands.

A higher steel price, he said would have a multiplier effect and increase pressure on prices over a wide field.

Dr Marais said because of the continued upward surge of costs South Africa was losing its competitive advantage on world markets.

The president of the Motor Industries Federation, Mr Theo Swart, said there would be no dramatic increase in the prices of cars because of a higher steel price.

'Our projection is that car prices will rise on an average by 2,5% this year – and this takes into account the likelihood of a steel price rise.'

M_D

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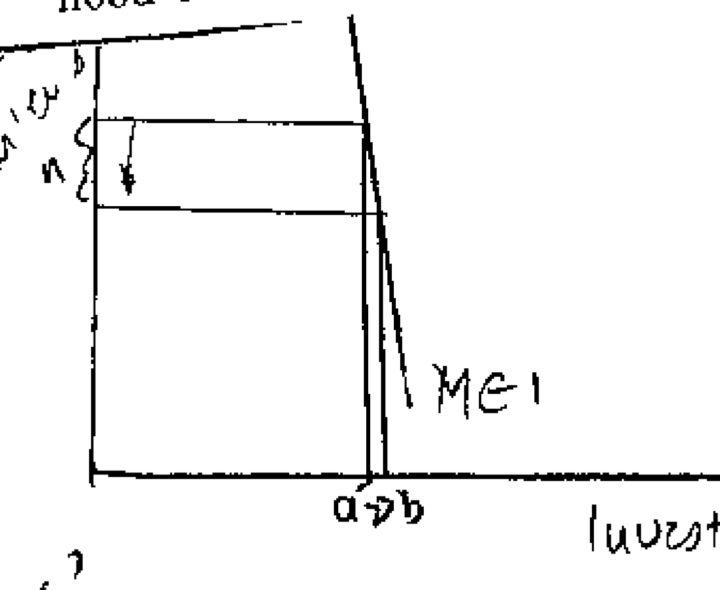
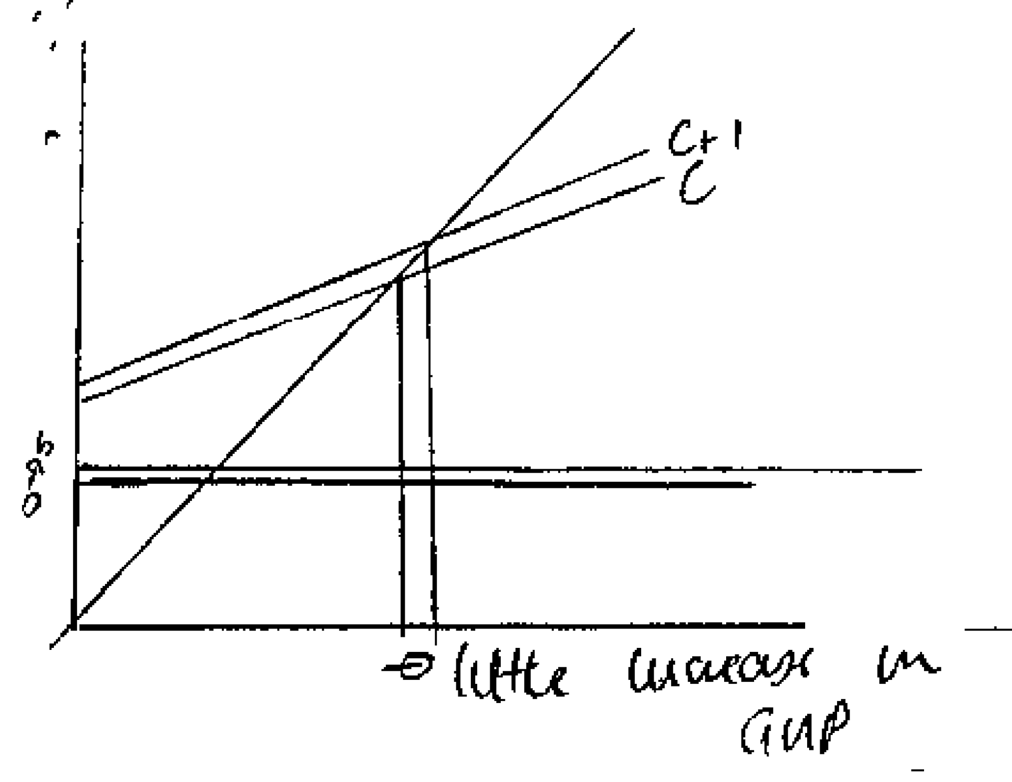
inelastic



MEI = Marginal Efficiency of Investment

Therefore this increase in money supply and subsequent drop in the int rate would have little or no effect on the level of GNP



The Monetarists, ie Friedman, hold different views on the effects of an increase in M_s will have on IR & subsequently the Eco, from the Keynesians

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BTR deal

(189) 16/5/80

RDM

Financial Reporter

BTR South Africa has bought Laursen Brothers (Pty) and its associated companies Container Sales Agencies (Pty) and Anchor Safety (UK) of Rosslyn, Pretoria for R1 600 000 cash

The companies' sales in the year before acquisition (February 1980) were about R5-million and net asset worth was about R1 500 000 Based on the 1979-1980 performance, the contribution to earnings would have been 2,5c a BTR share

BTR is confident that the acquistion will achieve higher earnings this year

Laursen Brothers makes locking gears, fasteners and twist locks for the container industry It exports about 40 % of this equipment The company also makes steel door frames and components for the mining and domestic appliance industry

Fm 16/5/80

(189)

BARLOW RAND

Exhausting superlatives

Because of its extensive range of activities, any discussion on Barlow Rand inevitably leads to the comment that the group is a microcosm of the SA economy in a sense, however, this is just wishful thinking

If it were true, the economy would have at least two outstanding characteristics First, it would have a growth rate many times the 5%-6% foreseen by most economists for the current year Second, there would be a constant improvement in the productive use to which assets are put, a factor which would substantially reduce, or even eliminate, inflation

There is no question that the six months to end-March was an exceptional period for the group, enabling it to achieve a growth rate substantially ahead of expectations

When the annual report was released in November, management was looking to some slow-down compared with 1979 However, the recovery in the economy has turned out to be stronger than expected, as has the gold price and, aided by new developments such as the Duvha and Rietspruit opencast collieries and the acquisition of the CG Smith group, this has led to an enhancement of growth rates in every respect turnover growth has accelerated from 41% in 1979 to 46%, pre-tax profits to 59% (47%), taxed profits to 77% (50%), attributable profits to 71% (34%), and earnings per share to 62% (34%) The interim dividend is up by half after a 27% increase in 1979's total distribution

The smaller increase in the interim dividend than in earnings can be taken as an indication that management is still cautious about the full year's results While the company is confident about prospects for the domestic economy, it is a little wary of the recessionary conditions developing in the US and the possibility that these will spread to Europe, as the consequent impact on SA exports would obviously affect group results

After the first-half gain, however, there is nevertheless confidence that earnings for the full year will show "a substantial improvement" over 1979 And while the company is not prepared to quantify this, it seems reasonable to assume a dividend total in the region of 57c (38c) from earnings of perhaps 180c (119c) Second half growth on this basis would be 44%

At Tuesday's price of 970c, the prospective dividend yield would be 5,9%, compared with the historic 4,5% after taking into account the higher 18c (12c) interim, comfortably justifying the 28% increase in the price since the annual report

In a group of such diversity, it is impossible to identify the exact source of the improved profits It appears, however, that one of the key performers was TC Land where (new) asbestos, coal and gold dividends boosted earnings from 184c to 349c for the six months This company increased its interim dividend to 65c (42c) and forecasts a total for 1980 of 185c (135c)

Consolidation of CG Smith from January 1 could have accounted for about 15% of the overall pre-tax profit increase, compared with 21% for TC Land but an even more important effect of this acquisition has been a further strengthening of the group balance sheet

Unaudited accounts at March 31 show a 40% increase in total assets since September 30, largely due to Smith And although borrowings have risen from R387m to R542m, the debt equity ratio is now lower than ever at 40% (43%), leaving ample scope to finance an extensive capex programme Present estimates of expenditure total R379m, the major portion relating to expansion of the ferro-alloy/stainless steel, cement/lime and mining divisions

Net worth has increased from 529c to 610c a share — of interest is that if the above earnings forecast is realised, it will represent a net return on equity funds of about 28% against 22,5% in 1979, topping the existing peak of 25% established in 1975

Brian Thompson

Barlows . pushing out performance frontiers

METKOR

Looking for more

Although Metkor will almost certainly be in a position to increase its annual dividend for the first time since 1976, it looks as if the market may have over-reached itself in running the share up from 40c to a high of 85c earlier this year The price has drifted back to a current 72c, but even this is not particularly enticing on prospective yield considerations

After three years of declining investment income, dividends received during the six months to end-December jumped 86% from R2,5m to R4 6m Unconsolidated earnings — which reflect more closely the investment income on which Metkor bases its own declarations — were 59% higher at 6,12c (3,86c) after providing for the dividend accrued on the new prefs issued at the end of August

Unconsolidated earnings for the whole of fiscal 1979 were only 5,46c, from which an unchanged 5c annual dividend was paid

The main reason for the improvement was the receipt of a maiden dividend from Air Products, in which Metkor acquired a 50% interest as from September 30 and a higher payment from Ipsa The increase was inflated to some extent by the fact that the company was also able to bring to account the interim dividend paid on the 1,1m Samancor shares which it exchanged for its interest in Air Products thereby receiving in effect two dividends on the same investment This was worth R217 440 to the company and represents just over 10% of the overall increase in dividend income

It will obviously not receive Samancor's 70c final which would have been worth R761 000 but second-half unconsolidated earnings are nevertheless forecast to be higher than the 1,6c of the corresponding 1979 period

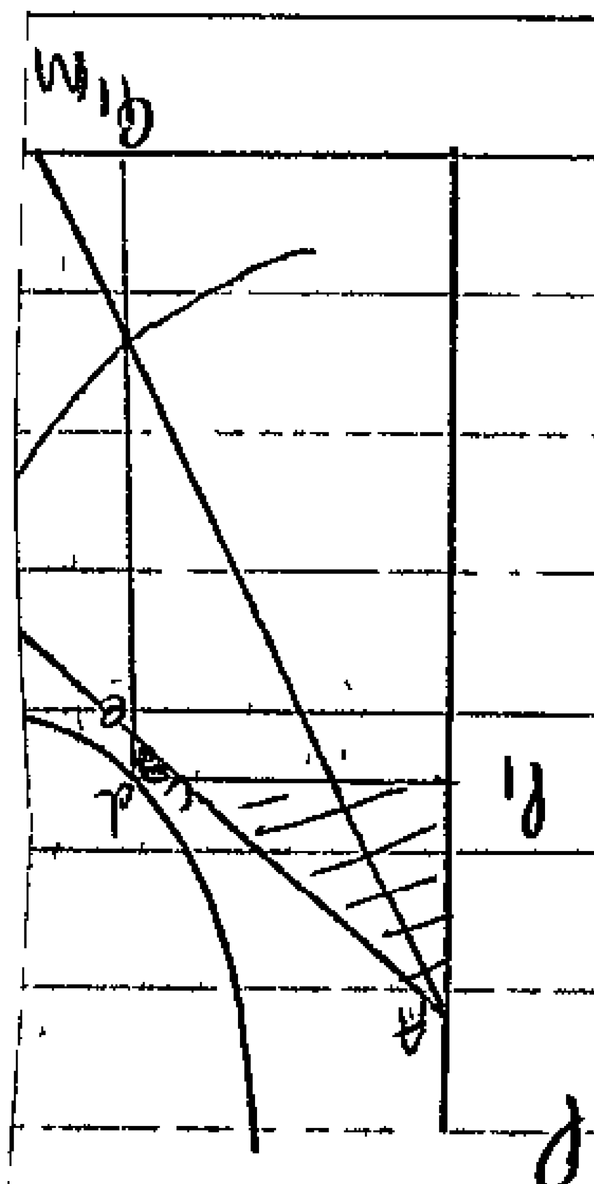
This suggests that earnings for the full year could be about 8c, a 46,5% improvement on 1979 The catch, however, is that Metkor has been paying the same dividend on declining earnings for the past three years and it is therefore probable that any increase in the dividend will be considerably smaller than the growth in earnings

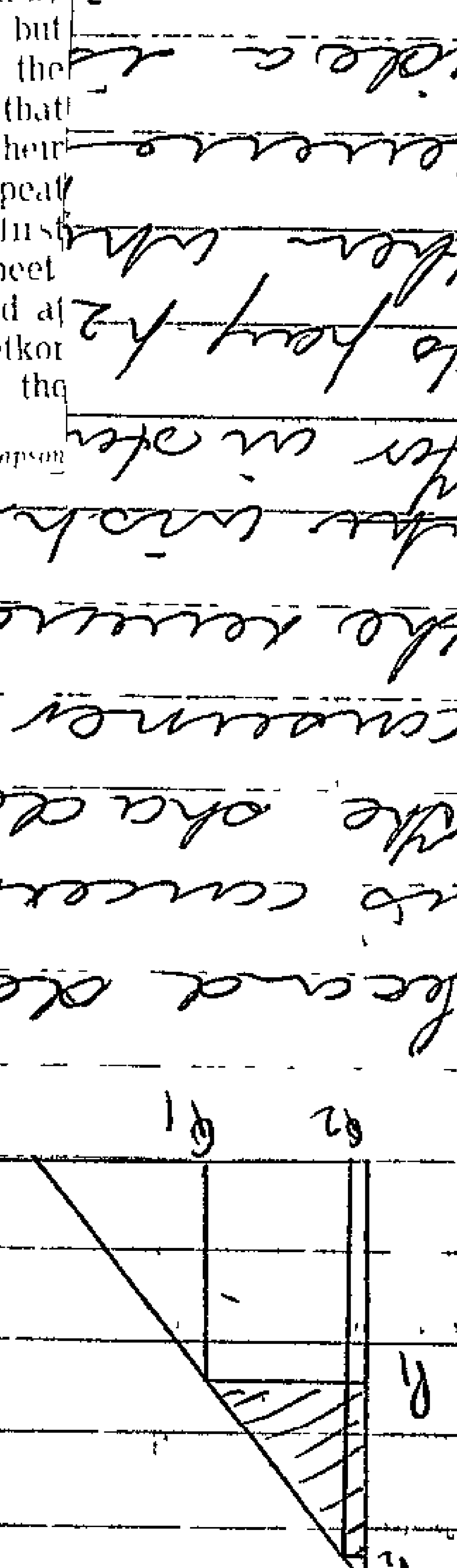
If 6c is paid which is about all that can be expected, the prospective yield is 8 3% — hardly excessive in view of the profit history of some of the underlying assets

In another development Metkor is making a second attempt to buy up the 250 000 "B" pref shares in Wispeco — the only class of shares in this company which it does not own

The situation has some of the characteristics of a French comedy the offer to Wispeco earlier this year was accepted by ordinary and "A" pref shareholders, but holders of the "B" prefs threw out the proposals Having done so, it appears that some major holders then changed their minds and approached Metkor to repeat the offer Terms are identical to the first offer (126c per share), and another meeting of these shareholders will be held at the end of this month Hopefully Metkor has some sort of undertaking that the outcome will be more to its liking

Brian Thompson





NATIONAL TRADING FM 16/5/80

Recovery tack

189

Activities: *Distributes a variety of products to the engineering and building industries, and manufactures pipes, tubes and electrical transformers A Oppenheimer, of the UK, owns 52% of the equity*

Chairman: *J Levison, managing director L F Stern*

Capital structure: *6m ordinaries of 50c, 275 000 prefs of R2 Market capitalisation R17,4m*

Financial: *Year to December 31 1979 Borrowings - long- and medium-term, R250 000, net short-term, R8,8m. Debt equity ratio 39,5% Current ratio 1,8 Net cash flow R2,2m.*

Share market: *Price 290c (1979-80 high, 290c, low, 165c, trading volume last quarter, 47 000 shares). Yields 17,3% on earnings, 6,9% on dividend Cover 2,5 PE ratio 5,8*

	'76	'77	'78	'79
Return on cap %	19,8	20,1	15,0	16,5
Turnover (Rm)	66,1	68,7	64,9	89,2
Pre-tax profit (Rm)	4,0	4,1	3,6	4,7
Gross margin %	7,2	6,9	6,0	6,1
Earnings (c)	47,2	44 2	40,5	50,2
Dividends (c)	13	14	16	20
Net asset value (c)	299	311	347	385

After three lean years, National Trading has staged a fairly strong recovery But although earnings were up 24%, at 50,2c a share, they are still about 8% below the 1975 peak of 54,5

There was no material difference in performance between the two halves, and the directors comment that the current year has started well. As usual, however, they add that it is too early to predict overall results

Financially, one of the most noteworthy developments has been a R4,9m (115%) increase in short-term borrowings This was necessary to finance the higher level of stock and debtors which accompanied an increased level of activity

Although stock, debtor and creditor balances all moved pretty much in line with the 37% improvement in turnover, the additional net investment in stock and debtors of R7 1m was more than three times net cash flow hence the need to resort to short-term borrowings Despite the increase, the financial structure remains conservative with a debt equity ratio of under 40% The group enjoys a degree of profitability — 16,5% gross on total capital employed — which is well ahead of the cost of borrowing funds, and it can therefore be expected that funding shortfalls will continue to be met by loans, rather than a more restrictive dividend policy, for the next few years at least

At the same time, one has to accept that it is a trend which cannot continue indefinitely, and that the time must come when the group will be obliged to redress the stock, debtor creditor equation or resort to greater profit retentions as a partial solution

Despite the cumulative 26% earnings fall between 1975 and 1978, shareholders have not fared too badly with an increase in dividends from 13c to 16c during this period Dividend cover consequently dropped from 4,2 in 1975 to 2,5 in 1978, and this level was maintained last year when the payout was raised to 20c The effect on cash flow is reflected in the fact that in 1975 the group was able to reinvest R3m, or 38% more than the R2,2m retained last year

It may also be fair comment that if loan funds are to become an increasingly important element in financial structure, the group might do well to increase the long-term portion which, at present, accounts for only 2,7% of total debt, even though short-term borrowings are appropriate to the trading nature of activities

Now that the group has started to benefit from the improved economic climate, the share could be due for re-rating Even if dividends do no more than increase by 20% (4c a share) this year, the prospective yield is over 8% which is generous by present market standards Limited marketability, however, is a drawback

Brian Thompson

DATES TO REMEMBER

Last day to register for dividends

Friday May 23 Boland 14c, Marlin 6c, OIL 1,5c, OK Bazaars 62c, PP Cement 14c, Plevans 5c, Rentbel 5c, Retco 2c, TC Land 65c

Meetings

Monday May 19 Elsburg, Haggie (S), Hebox, Western Areas

Thursday May 22 Dugson (Durban), French Bank, Hesperus (S), Morris & Fattis, Ned-Equity, Pick n Pay (Cape), Trek, Unisec (O&S)

All meetings are in Johannesburg unless otherwise stated

S Special meeting O Ordinary meeting

RAND DAILY MAIL, Saturday, May 17, 1980

Steel price set to rise

(189) RDM 17/5/80.

By GERALD REILLY

THE INCREASE in the steel price — expected to be authorised by the Government next month — will cause a price pressure wave throughout industry.

Last July the price was raised by 12,2% This year, because of unpredicted increases in the prices of coal, power, liquid fuel and railway rates the new rise could be higher

To be taken into account, too, are the pay increases for Iscor's 65 000 workers which will come into effect next month

To illustrate the steep rise in costs, an Iscor official said that to transport raw materials to Iscor works, and from one works to another, cost R36-million more this financial year than in the previous financial year

Although the chairman of the corporation, Mr Tom Muller, expects Iscor to end the financial year next month with a R90-million surplus, this will not decrease the need for a higher steel price

Following the 14% increase negotiated between the metal industry employers and registered trade unions, negotiations between Iscor management and the seven unions representing more than 20 000 white skilled workers will start at the end of the month

Also involved are about 30 000 black workers

In July last year increases for whites averaged 8%, with blacks getting more in keeping with the corporation's policy of narrowing the wage gap

The estimated total wage and salary bill for the current financial year is R361-million

The chairman of Union Steel Corporation and a director of Iscor, Dr M D Marais, said higher railway rates, coal, power and fuel prices had caused a steep rise in production costs, amounting to tens of millions of rands

A higher steel price would have a multiplier effect and would increase pressure on prices over a wide field

Dr Marais said because of the continued upward surge of costs, South Africa was losing its competitive advantage on world markets

"We must face it — South Africa is no longer a low-cost country," he said

The president of the Motor Industries Federation, Mr Theo Swart, said there would be no dramatic increase in the prices of cars because of a higher steel price

Sun Times (Bus Times) 18/5/80

189

R30m for big S & L expansion

By ANDREW McNULTY

MORE than R30-million has been earmarked for modernisation programmes by the diverse Stewarts and Lloyds group over the next three years

This is additional to R10-million spent on welded steel tubes production two years ago

The investment will leave the R300-million group well placed for growth about which it is "very excited"

The wide range of metal products produced are aimed at mining, industry, building and construction and should benefit from the quickening of economic activity, as well as the vast array of capital projects announced by these and other sectors

While slowing profits, adoption of Lifo accounting means capital spending can be easily funded

A pioneer in inflation accounting, S & L is not only extending Lifo to all stocks held in the group, but has also adopted a broad strategy against inflation

This has provided a formula for use in setting growth and earnings targets

Richard Anderson, executive director financial, says main areas of modernisation include

- More than R15-million on the Salcast Foundry, to produce, in a highly cost-effective operation all types of cast iron products by September 1981

Markets include the motor industry, mining and the railways

- R2-million is being spent on enlarging the Baldwin steel factory in Durban

This will enable production and rapid deliveries of coiled steel in small quantities, employing technology now used only overseas

- As well as the current R22-million capital programme, some R10-million will be needed in broadening the steel tubes range within three years Galvanised steel items will be produced for domestic and export markets

There are several other developments which boost earnings prospects

A "significant market" is being developed through Salweir in diesel engines smaller than Atlantis diesel engine lines

Pumps, valves and related producers are being geared towards what is seen as a potentially very strong market in water technology

Production processes are being separated in the group to increase their efficiency

Productivity and skills are considered S & L's next big challenge and attention will be paid to information systems

Mr Richards says profits are tending upwards after the drop when Lifo was adopted

Growth in turnover should at least move with the trend in the gross domestic product

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Examiners' Initials		

NOTE

1 Er... of ... question you are answering

2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used

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

:NING

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

Dorbyl set for higher payment

189 RDM 22/5/80

Financial Reporter

DORBYL, the steel group, has reported an increase in taxed profit for the six months to March 31 — and has announced a major restructuring of the group.

The directors forecast that earnings and dividends will be up for the full year

Taxed attributable profit for the interim period was R5 588 000 against R5 005 000 in the previous equivalent

Earnings a share rose from 31,2c to 34,2c

Pre-tax income increased from R7 981 000 to R9 708 000, but tax jumped from R2 535 000 to R3 565 000

The directors say: "It was predicted in the 1979 annual report that the current year's earnings would improve and that an increase in the dividend would be achieved.

"Despite the difficulties being experienced by the industry as a whole with problems concerning the growing shortage of technically skilled manpower at all levels and also the shortages of certain raw materials, effective management action is being taken to overcome these and the group is confidently expected to meet the abovementioned predictions"

On the restructuring the directors say "Dorbyl will transfer at agreed values totalling approximately R42-million the assets and liabilities from its present operating works and divisions to the appropriate wholly owned subsidiary companies

"The net asset value of Dorbyl's ordinary shares will be unaffected by these transactions

"Furthermore the proposed transactions should have no material effect on the current earnings of the group, although the long-term benefits of the restructuring arrangements should manifest themselves in subsequent years' results

"Established trade marks and product names will continue to be used by group companies where appropriate."

TRADE UNIONS FM 23/5/80

Has Seifsa relented?

(189) (140A)

Changes to the Steel and Engineering Industries Federation (Seifsa) guidelines on union recognition this week proved a Pyrrhic victory for the unions

Although employers have been granted the right to deduct members' dues on behalf of trade unions — a move welcomed by all union spokesmen — there is no change on Seifsa's stand on individual employer-union relationships

This means that if Seifsa members stick to the guidelines the only contact between unions and employees will be at industrial council level This leaves the industrial council exclusive rights to settle all disputes

Some trade union spokesmen argue that the concessions do not make the guidelines any less "anti-unionist " Employers are still urged, as in the original guidelines, not to give unions access to their premises and to make use of management-made works and liaison committees

The guideline amendment makes it clear that the stop-order concession does not mean that employers are to engage "in bargaining at individual plant level with developing black trade unions "

It goes on to say that the negotiating mechanism is through "collective bargaining between respective trade union and employer parties to the National Industrial Council and *at that level only* "

Although some union spokesmen agree that a centralised body is theoretically a plausible idea, they feel it should only deal with wage-related issues — not problems that arise on the factory floor

But Errol Drummond, Seifsa director, argues that the answer to domestic issues is the works council system and that the industrial council is the most effective

ALUMINIUM FM 23/5/80 (189)

Doubling up?

Although a final decision on whether or not to go ahead with the mooted R250m doubling of Alusaf's capacity will be made only in September the 85 000 tons-a-year aluminium producer has committed R1 1m on earthworks and advanced engineering and design

Since the plant came on stream in 1971, it's been producing at full capacity At that stage this was 52 000 t pa increased to 78 000 t in December 1974 Present capacity installations were carried out in February 1979 Last year local sales totalled 45 000 t and exports 40 000 t (worth about R50m), but because of the buoyant local market and despite rocketing world prices exports this year will be trimmed to 10 000 t

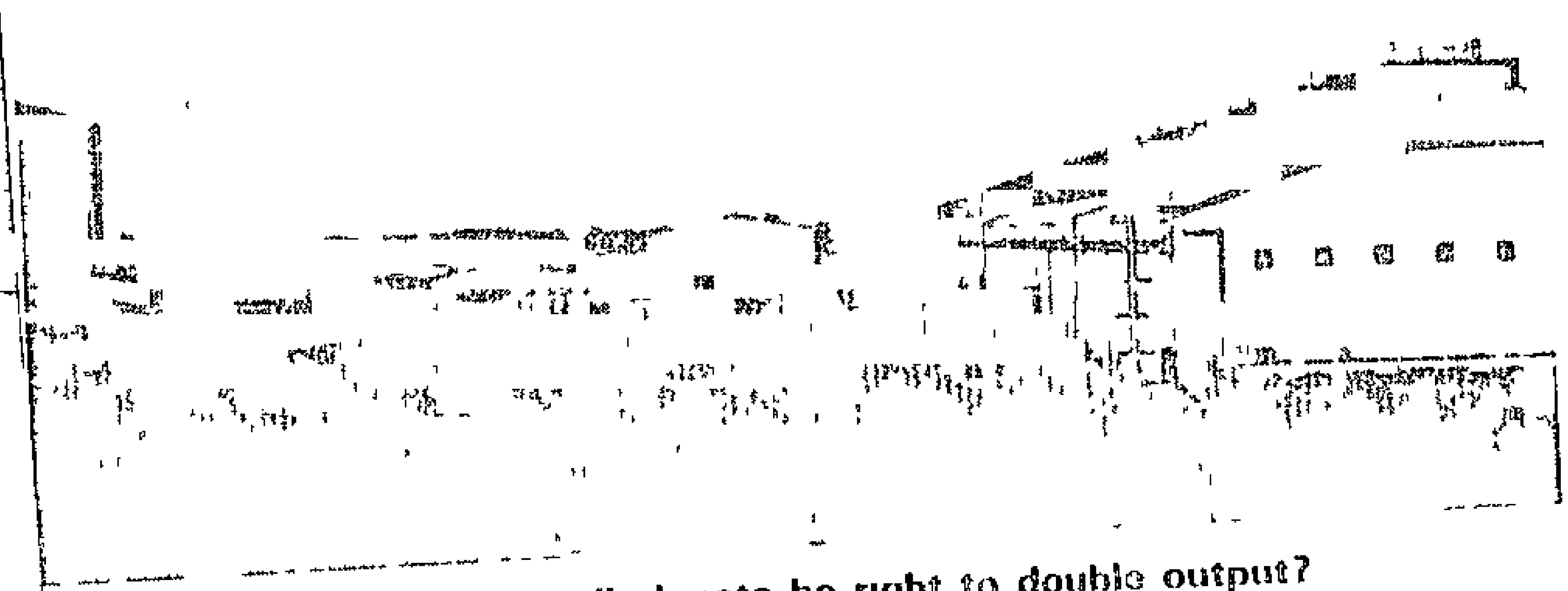
Alusaf's Johannes Diemont points out that export prices have increased dramatically The present Alcan producer price (used as an export price benchmark) hovers around \$1 750/t — in January this was \$1 235/t — "although spot market prices have exceeded this substantially at times" says Diemont

Huletts Aluminium MD Louis Sennett says that Alusaf will only be able to meet local demand until next year so expansion will also have to be orientated toward the local market Although Alusaf will be looking closely at levels of export that can be expected as the US and Europe move into an economic slump as well as what the rand can be expected to do against the dollar before making a decision what is clear is that SA has a tremendous advantage where cheap energy is concerned Energy is the major cost component in aluminium production

"A third of the smelters in Japan where energy is dependent on oil have closed and will never re-open" points out Sennett Because of the worldwide demand for aluminium scrap reserves (15% to 20% of aluminium component in SA and 30% of that in US) are almost depleted These are all plus factors in favour of expansion at Alusaf But with long term export contracts the major criterion in any decision it could well be that a partnership agreement with an energy-starved producer (such as Japan) could be on the card

Annual per capita consumption of aluminium in SA at 3 1 kg lies well behind that of developed countries In the US it is 21 kg West Germany 14 kg and the UK 11 kg Sennett however foresees dramatic growth in SA in the medium term, as has been evidenced already as the economy moves ahead

Biggest offtake thus far has been in the building and domestic appliance industries while the move to lighter motor cars has also contributed "There is also very strong demand from packaging and the overhead cable business The conductor market was low but with the electrification of Soweto and the SWA/Namibia powerline this has rocketed" says Sennett Huletts is actually importing packaging foil to meet present demand



Alusaf ... will climate be right to double output?

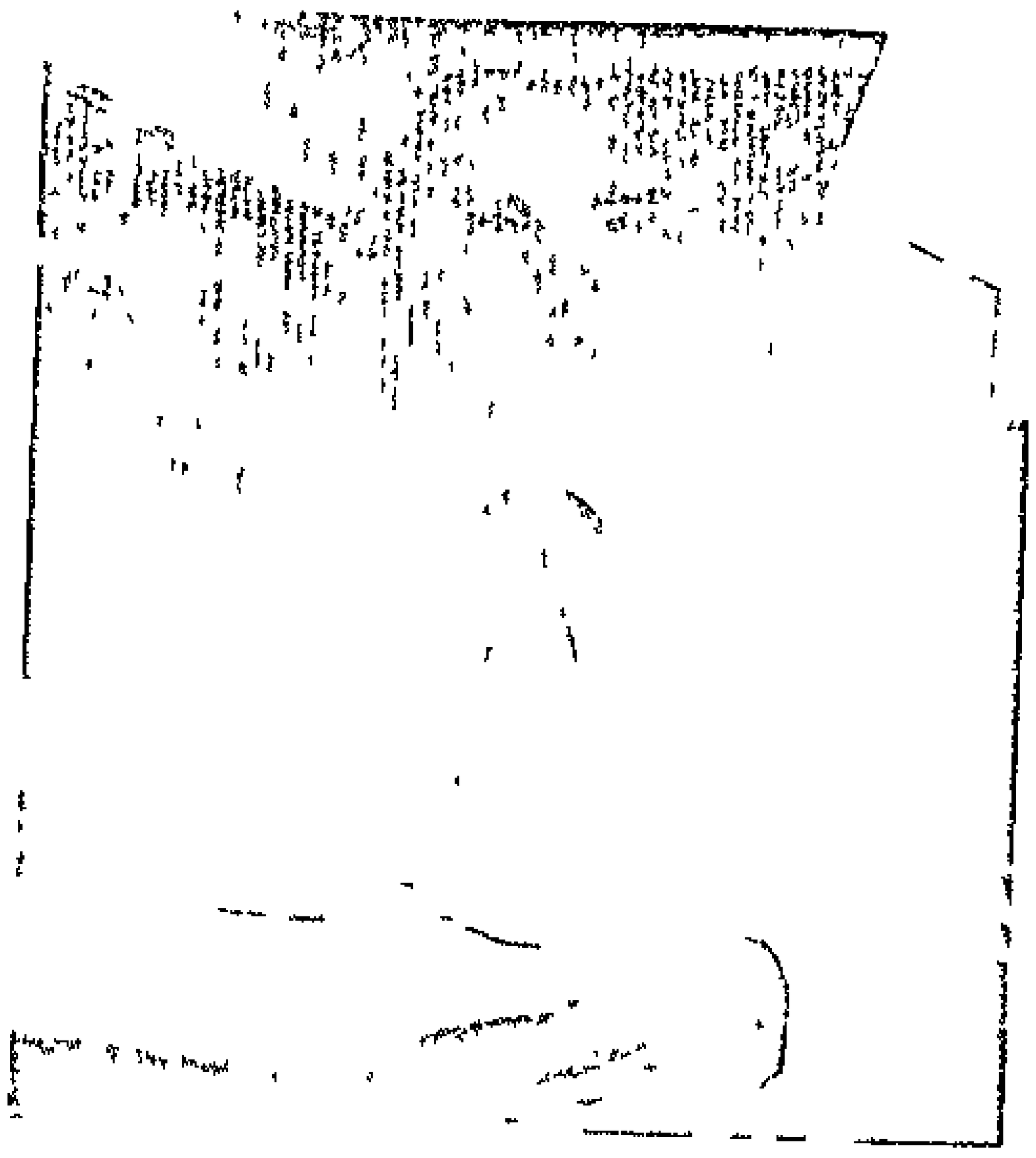
DORBYL FM 23/5/80 (189)

Slow growth

After a 31% earnings improvement in 1979 Dorbyl has reported an 11,6% taxed profit increase to R5,6m (R5m) for the six months to end March The forecast for the rest of the year however remains at that stated in the annual report when chairman Doug Ellis predicted increased earnings and dividends

Pre tax profit in the first half increased 21,6% to R9 7m (R8m) which after a higher 36 7% (31 8%) tax rate give earnings per share of 34 2c (31 2c) This takes into account the two-for-one share split and the issue of 284 000 new ordinaries to holders of the 1% convertible debentures and executives in terms of the management incentive scheme

Dorbyl gives no indication of where the increased profits were earned, nor if there



Doug Ellis restructuring the group

were any problem areas However the interim statement says the industry is plagued by shortage of skilled staff and some raw material For example the lead time in steel deliveries has lengthened no doubt as a result of the improving conditions in the economy On the manpower side Dorbyl is one of the largest training operations in the industry, and has also been recruiting overseas

During the half-year, the group operational structure was changed to rationalise many of the acquisitions of recent years By placing similar or related specialist operating facilities under common managements, Dorbyl hopes to improve customer service and save on overheads No immediate effect is expected in earnings, but longer-term benefits should filter into shareholders' hands The new structure means all group trading activities are now conducted through seven wholly-owned subsidiaries

The first half also saw the establishment of three new facilities to serve the mining and marine industries as well as Iscor The largest was a R1,2m workshop at Sishen which will repair Iscor's off-highway vehicles

Contract completions

The second half's results are impossible to predict without knowing the completion times of group contracts The directors warn that the first half's results cannot be considered an indication of what the whole year might bring This is because many group activities are jobbing operations, and profits depend on contracts completed and brought to account during the financial period Nevertheless, in the past five years the second six months has produced the bulk of earnings

Since the weekend, the share has advanced 25c to 610c to yield an historic 5,1% This discounts a dividend of about 35c, (31c) which could prove to be a conservative estimate Even so, with a rising curve for construction starts, the longer term is sound

Des Kilalea

55 held after stoppage

~~152~~ ~~179~~ 189

RDM 27/5/82

Staff Reporters

FIFTY-FIVE black workers were arrested yesterday after a work stoppage at a Boksburg company, Rely Precision Castings

They have been refused bail and will appear in court this morning

A police spokesman said the workers had been charged with holding an illegal strike

The company's managing director, Mr H G Thomson, said he had dismissed all the workers "That settles the matter," he said.

He declined to comment further beyond saying that not all the company's workers had joined the stoppage

Sources told the Rand Daily Mail that the company's entire black workforce had participated, while coloured workers had remained at work

A spokesman for the unregistered Metal and Allied Workers' Union, which says it represents the most workers at the plant, said yesterday that a workers' dismissal on Saturday had sparked the stoppage

Asseng pushes up profit, div

(189)

RDM 27/5/80

Financial Editor

ASSOCIATED Engineering has increased its interim dividend from 9c to 12c on earnings a share up from 35,7c to 44,2c for the six months ended March 31.

Taxed profit rose by 30% from R1 104 000 to R1 430 000 but earnings were diluted slightly by an increase in shares through option schemes to executives

Turnover was 28% higher at R39-million

A statement says "The general trading pattern has shown a satisfactory growth for the first six months of this financial year

"Traditionally, the second six months have always been better than the first six months and we are confident that the same trend will be noted

"The stimulatory efforts by the Government and the buoyancy in industry should have advantageous effects on our future results"

COMMENT. Asseng makes and distributes motor components and is 56% owned by Associated Engineeing (UK).

Last year the group earned 92,1c a share and paid a total dividend of 30c

The 33% hike in the interim dividend and the group's optimistic view of business conditions suggest a final payment of 28c and a total dividend of 40c this year could be possible

At 460c, that puts the share on a prospective yield of perhaps 8,7%, certainly a minimum 8% Solid enough.

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FILE
NUMBER,SUM,RAWPR,RAWM
115
ERTOT,RAWPR,RAWM,CORF
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          PRINT 285, TLAST(K)
          PRINT 170, TMEAN(K)
          PRINT 295
          WRITE (5,300)
C
        * RAWPR=TNUM(K)
          IF(ITEST(K).EQ.(K*1000))RAWPR=TNUM(K)+1
          RAWM=TMEAN(K)
          PERTOT=TLAST(K)
C
          K=K+1
          KSTOP=K*1000
C
120       CONTINUE
          WRITE (15,260) NAME,NUMBER,SUM,RAWPR,RAWM,CORPR,
C
125       CONTINUE
130       CONTINUE
C
C PRINT INPUT RECORDS
C
          PRINT 225
          PRINT 230, DATE
          PRINT 235
          PRINT 305
          DO 135 I=1,M
          IF (ITEST(I).EQ.(I*1000)) WRITE (5,IW) ITEST(I)
135       CONTINUE
          PRINT 310
          DO 140 I=1,ISUM
          WRITE (5,IW) SNUM(I),(SANS(I,J),J=1,N)
140       CONTINUE
          WRITE (5,300)
          WRITE (5,205) IMOD
          WRITE (5,220) ISUM,IERR
          IF (INDEX.EQ.0) GO TO 145
C
```

Cullinan gets McWade

189

RDM 28/5/80

Financial Reporter

CULLINAN Refractories has taken over McWade Productions (Pty) for R875 000

This follows the buying a month ago for R1 200 000 of the Martco operation from Delta Metal Holdings

Martco makes and supplies specialised electrical components, mainly to the mining industry.

McWade is a non-ferrous foundry making a range of aluminium items which are sold as components to the electrical industry

Cullinan says that both Martco and McWade should make a useful contribution to earnings in the year beginning July 1

"Cullinan does not see this move as the end of the expansion road in this area Over 10 years ago the group planning team consciously made the decision to steer the group out of its total dependence upon refractories, and, therefore, the steel industry.

"We are fast approaching the time when the electrical division will contribute equally with the refractories division to group profits"

GIC FH 30/5/80 189

Advance continues

A continued strong profit performance last year is being backed by financial restructuring to put GIC on a firmer base And shareholders are benefiting through both an increased payout and capital appreciation on their shares

All subsidiaries, involved mainly in the machine tool and mechnical handling sectors, showed improved results last year and even the formerly troublesome Koppel Engineering made fairly steady progress Turnover was up 47% to R35,4m (R24,1m), of which 66% accrued in the final six months to end-March Growth in profits was even more spectacular, thanks to improved margins Pre-tax profits rose to R4,6m (R1,9m) and net profit to R2,8m (R1,2m) With further expansion of manufacturing activities and order books substantially higher, management expects a further improvement in the current year

Despite a larger share capital as a result of last July's rights issue, earnings were up 93% to 79c (41c) This indicates that the funds raised eight months ago to purchase a trading property of Koppel Gilbert, and to provide working capital, have given an adequate return

Financial reorganisation is currently underway, due partly to the further restrictions on local borrowing capacity occasioned by the increased holding of around 60% (54,6%) of UK parent B Elliot This came about as a result of Elliot s having underwritten the rights issue Short-term borrowings and import facilities have been reshuffled to provide more flexibility and, coupled with this, working capital has come under tighter control Liquidity is said to be sound

With a strong balance sheet, the share at 215c looks attractive, having appreciated sharply since July, when the price was around 100c

The 17c (10c) dividend total has justified this rise giving an historic yield of 7,9% against a sectoral 5,8% Although cover has risen to 4,6 times on the weighted average calculation of earnings, this does not indicate a policy of increased retentions as the total cost of the dividend rose in line with profits This year, the share should offer both increasing capital value and a probable higher payout

Fiona Haise

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R1m belt order

30/5/80

PORT ELIZABETH — An order worth more than R1-million for the supply of 5,7 kilometres of steel-reinforced conveyor belting has been received by Goodyear for manufacture at its Uitenhage plant

The belting will be used to carry iron ore from the pitface at Iscor's Sishen mine and is due for delivery early next year The 1,8 metres wide belt will be installed by Krupp South Africa

This is the second big order for steel-reinforced conveyor belting received by Goodyear in the past few months

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UCT

Hulamin raises final to 27c

(18)
RDM 30/5/80

Financial Editor

HULETTS Aluminium has increased its final dividend from 20c to 27c to give a total of 38c (27c) for the year to March 31.

The group showed a large increase in turnover in the second half of the year, from just over R46-million to more than R59-million to make R106 million for the year.

Earnings showed the effect of the business upturn. For the full year they were 71,1c a share against 29c at half-way.

At the interim net taxed profit was up by 17%, but for the year the rise was by 27% from R4 106 000 to R5 333 000.

COMMENT: Hulamin shows that on historic cost depreciation earnings would have been 95,5c against 76,2c the previous year.

The group is, therefore, much better protected against inflation than the two times dividend cover suggests.

At 570c the shares yield 12,5% on earnings and 6,3% on dividend which is reasonable in the present market.

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                                    ,SUM,RAWPR,RAWM,
                                    NUMBER,SUM,RAWPR



C
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      NRITE=0
      NRONG=0
      NLEFT=0
      TRITE=0.
      TRONG=0.
      TOTAL=0.
      PERTOT=0.
      ABSENT=.FALSE.
C
C SCAN NUMBER ARRAY FOR MATCHING NUMBER
C
      DO 50 I=1,ISUM
      IF (SNUM(I).EQ.NUMBER) GO TO 55
50    CONTINUE
      ABSENT=.TRUE.
      TOTABS=TOTABS+1
      GO TO 80
C
C SCAN REST OF ARRAY FOR DUPLICATES
C
55    CONTINUE
      RAWPR=RAWPR+1
      INEXT=I+1
      DO 60 IDUPL=INEXT,ISUM
      IF (SNUM(IDUPL).NE.NUMBER) GO TO 60
      INDEX=INDEX+1
      IF (INDEX.GT.10) GO TO 150
      ICOPY(INDEX)=NUMBER
60    CONTINUE
C
C MARK STUDENT ANSWER PER MODEL ANSWER
C
      TOTPRS=TOTPRS+1
      DO 75 J=1,N
      IF (SANS(I,J).EQ.0) GO TO 65
      IF (SANS(I,J).EQ.MODEL(K,J)) GO TO 70
      NRONG=NRONG+1
      TRONG=TRONG+DEDUCT
      GO TO 75
65    NLEFT=NLEFT+1
      GO TO 75
70    NRITE=NRITE+1
      TRITE=TRITE+1.
75    CONTINUE
      TOTAL=TRITE-TRONG
      PERTOT=TOTAL*4.
      IF(PERTOT.LT.0.)PERTOT=0.
```

Exports the next step for Armscor

189 254 74 (DM 30/5/80

THE SENATE — South Africa had reached a high degree of self-sufficiency in arms production and exports were the next step, the Deputy Minister of Defence, Mr Kobie Coetsee, said here yesterday

He was introducing the debate on the Second Reading of the Armaments Development and Production Amendment Bill, which is designed to give the Minister of Defence the power to control the export and marketing of certain types of armaments through a permit system

Provision is also made to protect the armaments industry from unauthorised disclosure of information on its activities Contravention of this provision carries a maximum fine of R15 000 and/or eight years jail

'In view of the Republic's unique position in the world, it has become more necessary for us than for any other country, to ensure that our national strategy is not adversely affected by unco-ordinated armaments exports

"A thoughtless marketing programme can not only sink a comprehensive marketing programme but could also damage South Africa's political ties

"It is therefore considered essential that the control of armaments exports be centralised through a single body

"Armscor is obviously the best qualified to do this, but will do so in close consultation with the State Departments concerned, as well as industries

"In practice it will mean that the Minister of Defence, by publishing a notice in the Government Gazette or directing it at a specific person, will place the export and marketing of certain types of armaments under his control

"Within this framework, Armscor, in close collaboration with the SADF, will decide on which armaments, components and related materials can be exported without affecting the preparedness of the Defence Force"

Mr Coetsee pointed out that because of the United Nations arms embargo, South Africa was particularly vulnerable to international pressure regarding its programme for the procurement and marketing of armaments

"The present conflict situation, of which subversion, sabotage and terror constitute important facets, has caused the armaments industry to be the main target in the struggle insofar as its personnel, plants and means of transportation are concerned

"In the interests of State security as well as the safety of its personnel and assets, this conspicuously sensitive area requires urgent protection against possible disclosure of its activities"

Although the reporting on and the furnishing of information regarding the armaments industry were to a degree controlled by overlapping provisions of the Official Secrets Act, it was felt that more specific provisions should be embodied in the Armaments Production and Development Act as recommended by the recent report of the Steyn Commission

The commission had drawn attention to the danger of the unpremeditated disclosure of Armscor's activities in court cases or other legal proceedings and recommended that a system be designed to protect Armscor's interests, as well as the rights of its contractors and sub-contractors

"The difficult reconciliation between the security interests of the armaments industry and the rights of persons wishing to institute legal proceedings to enforce rights arising from armaments transactions, is effected by placing a prohibition on the disclosure of security information, but at the same time providing for the disclosure thereof with the consent of the Minister of Defence or someone authorised by him"

The Bill was introduced in the Senate, where the chief Opposition spokesman on defence, Senator Charles Henderson (NRP) supported the measure on behalf of his party — Sapa

Huletts Aluminium income soars

STAR 30/5/80

189

On a 21 percent rise in turnover to R105m Huletts Aluminium increased its net income by nearly 30 percent to R5,3m in the year ended March

A final dividend of 27c has been declared, bringing the year's total distribution to 36c a share

Earnings on a historic cost basis rose 19,3c to 95,5c a share, but after accounting for the effects of inflation the rise was 16,4c to 71,1c a share

The capital commitments amounting to nearly R2m will be funded by depreciation and net income retentions

FM 30/5/80 (189)

MOTOR INDUSTRY

Diesel dictatorship

Local motor component sales are set to almost double by 1985 as a result of the Atlantis Diesel Engine (ADE) project. This year the market is worth R681.8m and the ADE project should push it up another R600m by 1985.

A spokesman for IDC, which is backing the R308m ADE scheme, says that ADE will buy R1.2m of engine components each working day (R286m a year) from the local industry during 1985, which will give a 65% by value local content. Says he: "The fact that we are totally committed to buying from SA suppliers will give a lot of stability to the industry."

Manufacturers of non-engine components will also cash in on the boom. For truck and tractor manufacturers will stop importing almost completely-assembled vehicle kits, as they do now, and will shop around more for local components. By 1985 their purchases of non-engine components could come to more than R300m a year.

The ADE factory will employ 1 600 workers and it will create 2 500 new jobs in engine component factories. Almost the same number of new jobs could be created in factories of non-engine components.

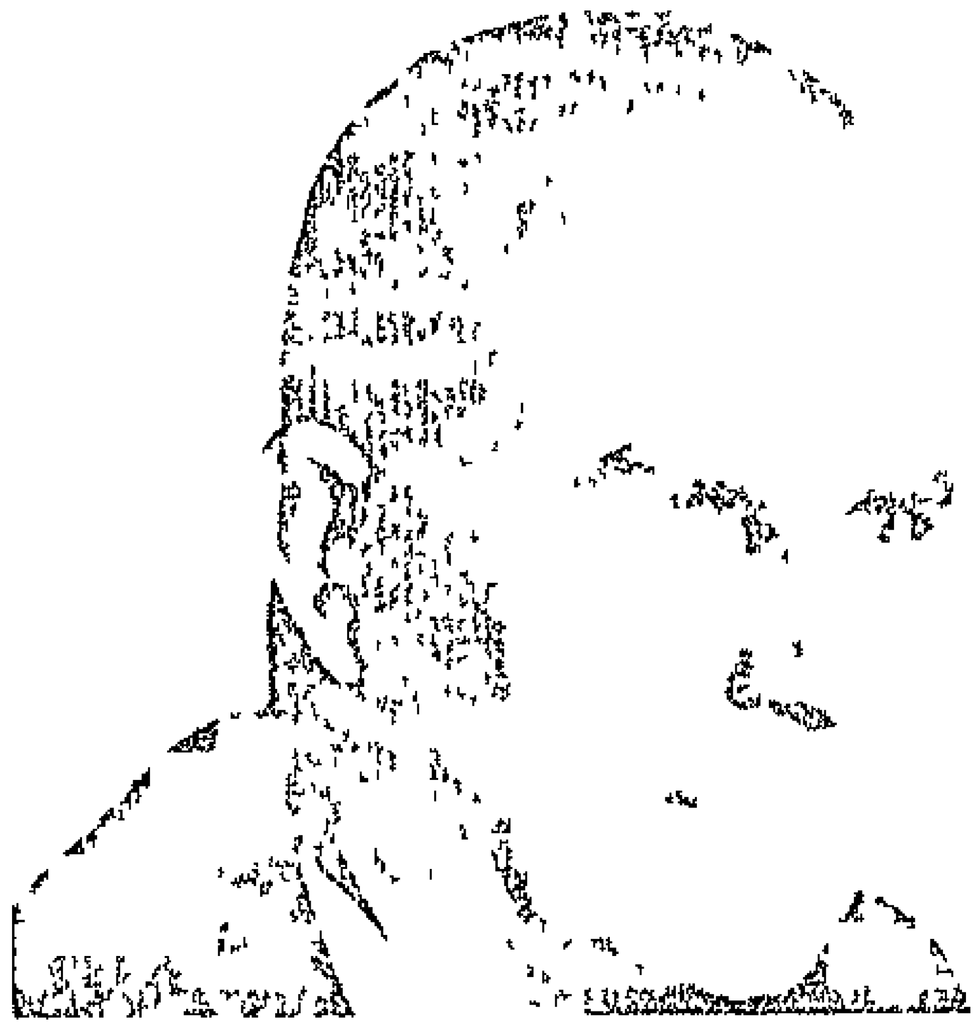
ADE will make only 11 different basic diesel engine designs which have high parts interchangeability. These will replace the 200 different engines which are presently imported. Production runs on some components will be very high — often much higher than the production runs for similar items produced now for the car and light commercial industry. These volumes should bring down component costs for cars and light commercial vehicles.

The scheme will encourage technical know-how agreements between local and overseas companies, such as the deal between the British Concentric Pumps company and a local firm for the manufacture of oil pumps. Similar agreements on fuel injectors, turbochargers, valves and forgings are in the offing.

These agreements should attract foreign capital as existing component factories are expanded and improved to produce greater quantities of high-technology items.

Having to buy their engines locally and then fit them to vehicle chassis will also force the truck and tractor companies into a greater degree of self-sufficiency. Up to now most tractors and trucks have been imported in kits which demanded little expertise to assemble and a pitifully low local content beyond tyres and batteries.

The ADE project is likely to drive a number of makes and models off the market. The 12 different makes of tractor sold only 10 506 units between them last year — all of them imported. As this is less than the entire output of many single European and US factories which produce



Atlantis MD Hartmut Bockurts spending R1m a day

only one make, there are bound to be casualties here.

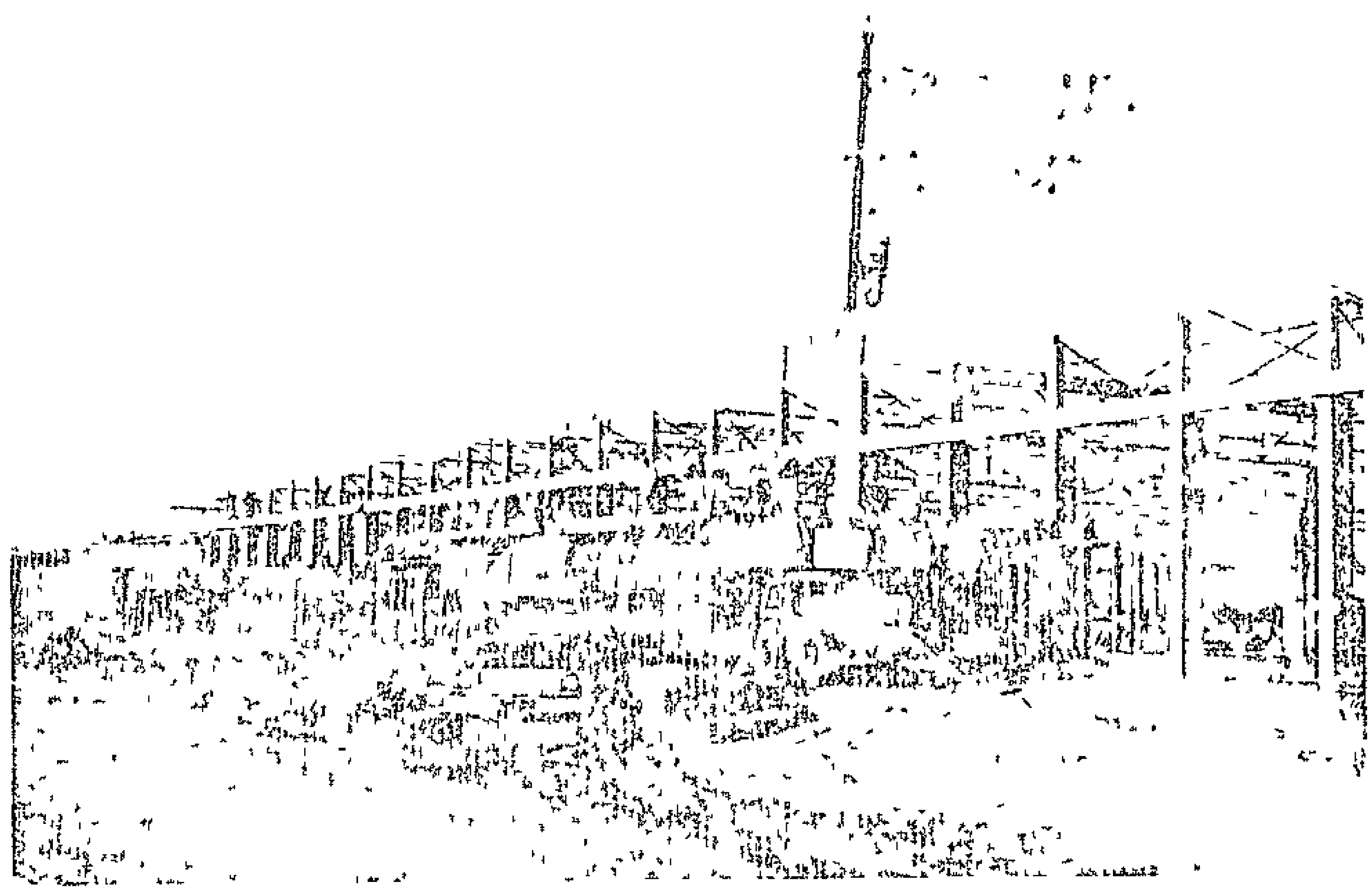
The ADE programme will push up prices of trucks and tractors — some say by as much as 30% . ADE engines will cost about 10% more and manufacturers will have to bear extra costs of installing these engines in their vehicles. They may lose further from low deletion allowances given by their overseas suppliers for buying the vehicles minus engines and other components.

Although purchase prices will rise, spares should become cheaper. It is no secret that many companies sell their trucks and tractors at just above cost and make their profits from sales of high markup spares sold to a captive market. When all makes are using the same range of engine, the high production volumes will cut costs of spares, and distributors will be able drastically to reduce their inventories. The standardised engine designs will also bring down workshop and mechanic training costs.

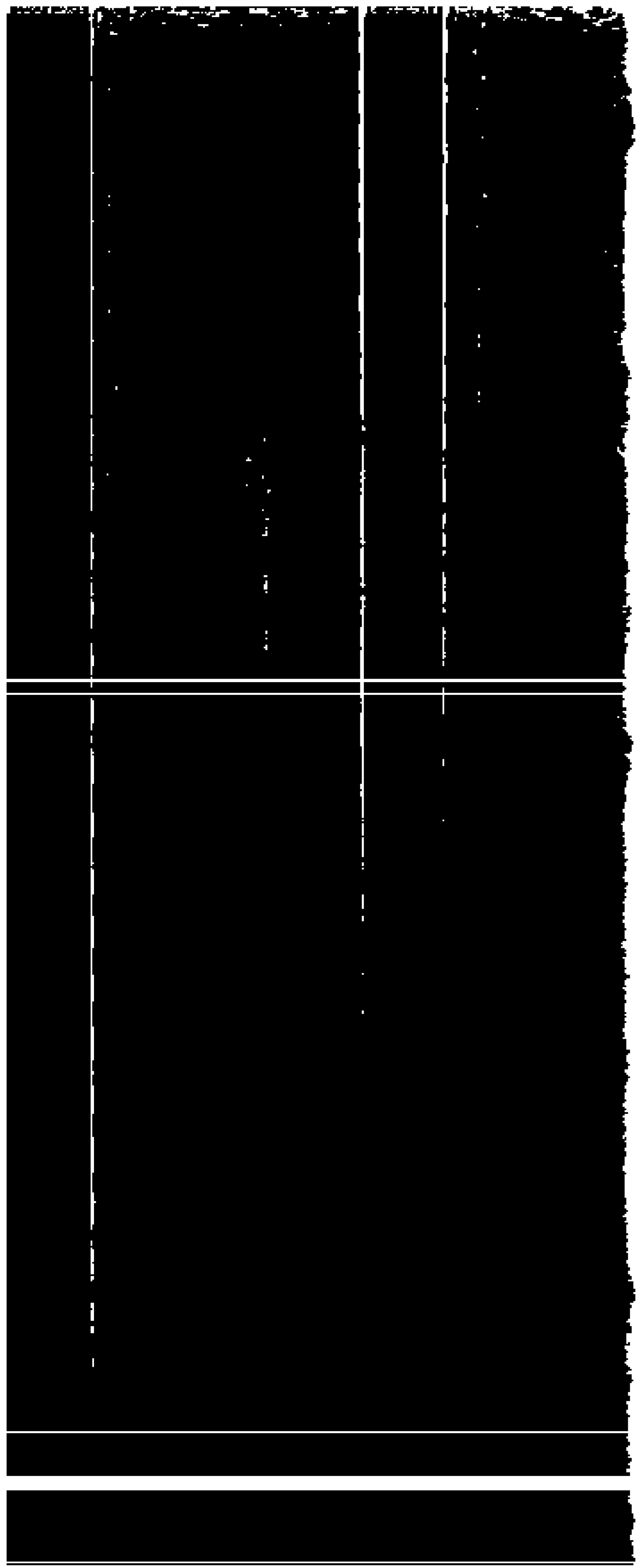
In addition, truck and tractor operators now tied to franchised distributors will be able to shop around among competing distributors for the best prices for identical parts. A "pirate spares" industry may even develop as distributors bypass ADE and buy spares such as pistons, con rods and bearing shells direct from the component manufacturers. These items will not be endorsed by ADE and may be of inferior quality, but should help keep down prices of the genuine article.

Total costs to operators may therefore not be significantly affected and price escalations on vehicles with the local engines should be smaller than they would have been on imported vehicles.

Even though the giant factory at Atlantis has barely reached roof level, operator training starts next April — just three years from the date that the then Economic Affairs Minister Chris Heunis asked the IDC to investigate supplying the coun-



ADE project under construction ... sparking a components boom



try's diesel engine needs

The IDC invited all companies selling diesel engines in this country to prepare proposals for local manufacture Five responded — significantly, none were from the US or Japan Daimler-Benz and Perkins were finally chosen because they already had high market shares in SA and the rest of the world, while they had low capital, components and manufacturing costs in SA, along with relatively good fuel consumption Their modular engine design was another plus factor as it allows great interchangeability of parts

So far ADE has signed only a few agreements with local component manufacturers although many are said to be close to conclusion One of the first was with Leyland for the supply of flywheels and ring gears Leyland was one of the unsuccessful contenders for the engine manufacture scheme

Other agreements have been made for engine castings and "interface components," which had to be specially designed for the SA market to match the ADE engines to the different makes of vehicles they will be fitted to They include items such as clutch bellhousings, manifolds and engine mountings

ADE's agreements for the supply of fuel injectors will be closely watched as they could indicate its thinking on the methanol question If diesel engines are to continue to run on diesel fuel, conventional injector technology will suffice But if the methonal route is followed a variety of options are opened

The ADE project is undoubtedly a massive intervention by the authorities into the private sector, and it will shake up an entire industry, crushing some makes and enhancing the fortunes of others. But IDC claims it will attract capital, improve self-sufficiency and expertise, save foreign exchange, create thousands of jobs, and ultimately keep down prices through greater volumes of vehicles

SAR will give big boost to tool industry

STAR 30/5/80

189

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By Frank Jeans

South African Railways will have to undertake a total capital outlay amounting to R12 390m over the next five years to meet the increasing demand for its services

And it will be an expansion programme which will give a tremendous boost to the ancillary industries, not least of which is the machine tool manufacturers

Opening the new machine tool premises at Heriotdale, of one of South Africa's biggest tool manufacturers, Robert Skok and Sons, the general manager of SAR, Dr J G H Loubser said that since 1977 there had been a constant increase in sales figures of machine tools, and the expected figure for 1980 of about R250m represents an increase of 57 percent over 1979

"What is even more significant," said Dr Loubser, "is the export figure for locally-manufactured tools, which has since 1973 been of the order of R2m to R5m a year"

Dr Loubser said that with the improvement in the economy long-term projects of SAR was likely to raise spending on machine tools to more than R30m this year

"In 1977-78, the total value of materials purchased was R793m of which R631m were for local purchases," said Dr Loubser.

Workers charge police

By JOE THLOLOE

ELEVEN workers who were last week arrested for an alleged illegal strike have laid charges of assault against the police, according to a statement by the Metal and Allied Workers Union.

And yesterday a police spokesman, Brig B S Pieterse, confirmed that charges of assault had been laid but could not say how many people had complained

RDM 3/6/80

The eleven were part of a group of 55 workers who were arrested at Rely Precision Castings in Boksburg on May 26. They are alleged to have gone on strike after the dismissal of a fellow worker the Saturday before.

After spending the night in the police cells, the 55 appeared before Mr G van Niekerk at the Boksburg Magistrate's Court and were remanded to June 10

They are on R80 bail

A spokesman for the Metal and Allied Workers Union said the eleven had laid charges against the police last Wednesday

The police are investigating.

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Fedmech moves to mining supplies

(189) RDM 6/6/80.

Financial Reporter

FEDMECH Holdings has acquired Arban Engineering (Pty) from Federale Volksbeleggings for an undisclosed consideration

Arban Engineering, formed in 1935, provides specialised consumer goods to the mining industry and industrial manufacturing sectors

Dr Leon Knoll, deputy chairman and managing director of Fedmech, says that although its major activity remains that of manufacturing and marketing Massey-Ferguson, Safim and Slattery farm machinery lines and Hanomag construction machinery through subsidiaries, this development reflects the new Fedmech policy of broadening is activities into other mechanical engineering fields

The policy of FVB is to rationalise its interests in this sector under Fedmech control

Mr Angus Walker, managing director of Arban, says the company's incorporation into the Fedmech group makes good business sense He foresees a boost to operations from the support that Fedmech can provide in the technical, marketing and financial fields

Arban's most successful imported product line are Hoyt white metals, Mastabar conveyor belt fastening equipment, Jacksons conveyor belt fastening equipment and Etta engineering plastics

Hoyt white metals, a range of Jacksons fasteners and certain proprietary items are being made in South Africa

After buying two small companies in 1974, the company gained access to the polyurethane elastomer market, resulting in the manufacture of hydrocyclones, flotation equipment and allied products for the mining industry

Last year Arban bought Isaac Jackson South Africa (Pty), enabling it to make plate-type conveyor belt fasteners to SABS specification

Since the Federale group took control of Arban in 1971 its sales volume has increased from R431 000 to more than R4-million

Arban's head office is in Isando It sells to the mining industry throughout South Africa and in neighbouring countries and exports to Zambia and Zimbabwe

HAGGIE/SAMUEL OSBORN

Re-bidding ~~Battle~~

FM 6/6/80 (189)

Samuel Osborn minorities who rejected Haggie Rand's December 1978 offer to buy them out are once again being wooed. With the listing suspended and negotiations at an "advanced stage," it appears that this time two or three major institutional holders will accept.

Haggie bought control of the mining machinery and machine tool company in December 1978 but, as it was then unlisted could make only a cash offer to minorities. The 500c offer was an acceptable premium to Osborn's 390c pre-suspension price. But there was then a shortage of top-rate industrial stock for the institutions to reinvest in so the minorities stood fast and Haggie had to settle for a 74.49% holding.

Following its August 1979 listing, Haggie is now in a position to offer a share swop to the institutions. The terms of the current proposal give the minorities a choice — either 650c cash for each Osborn share held (a premium of 19% on the pre-suspension price of 545c) or 85 Haggie shares plus R30 in cash for every 100 Osborn shares. At Haggie's current 750c, the share option values Osborn at 667.5c a share.

It appears that Haggie has made the share offer the more attractive because this is where the interest of the institutions lies. The cash offer has taken into account the profit performance of Osborn over the past year but those taking the 650c will not receive the interim dividend normally declared in August. The Haggie interim, which could be 20c to 25c, will be payable on the new shares.

The proposal will have no material effect on Haggie's net worth or earnings. So in terms of both capital gains and prospective dividends, the second choice remains the more enticing and the almost certain choice of all the minorities. *Liona Hulse*

RDM 6/6/86 (0107) 249

Steel price likely to rise

Pretoria Bureau

THE Government is expected to authorise an increase in the price of steel of about 13% from the beginning of July, according to Pretoria sources

A higher steel price will push up prices of a wide range of household goods steeply

Iscor has been bombarded by massive production cost increases during the past twelve months, the sources said These included coal, fuel, railway rates and power

The increase, sanctioned by the Government, must also take into account the increased wages which will be paid to the corporation's more than 50 000 workers from the end of July

The sources claim the rises will be "plus or minus 13%"

The corporation's total wage and salary bill for the current financial year is R361 million

The fact that the chairman of Iscor, Mr Tom Muller, is confident the corporation will end the financial year with a R90 million surplus — the first surplus for a number of years — will have little effect on the extent of the price rise

Iscor spokesmen have said that the steep rise in costs can be measured generally by the fact that merely to transport raw materials to the Iscor works and from one works to another, cost R36 million more this financial year than in the previous year

Malbak fires on all cylinders

(184) RDM 9/6/80

By DAVID CARTE
Deputy Financial Editor

A SURGE in demand for agricultural machinery in the second half improved packaging, plastic and motor profits and a full year's contribution from new acquisitions, Maccabee and PCI, lifted Malbak to a record 50% earnings increase in the year to March 31.

Earnings a share for this low-key industrial conglomerate in the first half were 20% ahead at 19,1c Second-half earnings surged 76% to 31,3c for a total of 50,4c to give Malbak its 12th consecutive earnings and dividends record

The latest results mean that earnings a share have grown at an average compound rate of 17,2% a year since Malbak's creation in 1969 in spite of murderously tough times in motors and agriculture in recent years

Group sales for the year rose 28% to R129-million, pre-tax profit 57% to R9 100 000 and earnings for shareholders 50% to R5 200 000 The dividend was raised 33% to 18c (13,5c) Dividend cover has long been conservative, averaging 2,6 since the group's inception, but this year s 2,8 is a high Still, with Malbak already earning nearly 25% on shareholders' funds with better to come, few will object

Bakke, which makes and sells packaging, plastic products and mining supplies, contributed 42% of earnings and Maccabee, the light engineering division, 15% Other contributions by division were Malbak Motor Holdings 8%, Malcomess 13%, and Group Services, boosted by PCI, 22%

Malbak is firing on all cylinders pretty well for the first time since its creation and things look bright for all divisions in the immediate future It is a tightly run, conservative operation, which should do even better than it already has At 300c the tightly held shares yield 6% on the new dividend, which is attractive

There seems little danger that even in an acquisitive climate such as this that a predator will move in on Malbak Most of the shares are scattered among a number of heavyweight institutions

HLH rights at 400c

9/6/80

Deputy Financial Editor

HUNT Leuchars & Hepburn, the R206-million-a-year family-controlled timber, steel, building products and engineering group, is to issue 1 197 899 new shares at 400c in a rights issue to raise R4 800 000.

The register will be closed on June 13 to determine shareholders eligible for the rights. The letters will be listed on June 16 and letters will be posted to shareholders on June 20 The last day for dealing in the letters will be July 9 and the new shares will be listed from July 10.

The new shares will be eligible for the dividend for the six months to August 31 to be declared in October

With the share price on 455c — down in line with the market and, perhaps, in anticipation of the rights issue — from a high of 570c in February, and issued share capital rising only 10% as a result of the issue, the issue is attractively pitched on a historical 7% dividend yield

UAL, the underwriters, are unlikely to have to take up any stock. There should be a fairly lively trade in the few letters outside family hands

Chubb final up record total

189 RDM 11/6/80.

By ELIZABETH ROUSE

CHUBB Holdings has cashed in on the economic upturn and the growth in the security business in the past year.

It has raised the final dividend to 14c from 10c, making a record total of 18c against 13c last year. Earnings a share almost doubled to 34,3c from 18,7c and pre-tax profits rose by 76%.

Group turnover rose by nearly 18% from R20 400 000 to R24-million. The preliminary profit announcement says this reflects the general improvement in the economic position of South Africa, but competition in all sectors remains keen.

In spite of this competition, the significant rise in profitability illustrates that increased efficiency was obtained and Chubb's market share was successfully retained.

The extent of the increased efficiency which came in the wake of reorganisation and rationalisation was reflected in the rise in pre-tax profits from R1 200 000 to R2 200 000 on the turnover increase of 17,7%.

Tax took R760 000 (R465 000), leaving consolidated net profits 84% up at R1 411 000 (R767 000).

Retained earnings have almost trebled from R233 000 in 1979 to R671 000 in the year to March. This will help to finance expansion in the wake of the economic recovery and the improvement in the building industry. The current asset ratio has narrowed to 1,85 from 2,16.

A feature of the latest results was a strong turnaround in the alarm division, which showed pre-tax profits of R234 000 against a loss of R150 000 in the previous year. The fire-fighting division also turned in a strong performance by trebling its pre-tax profit from R121 000 to R363 000. Pre-tax profit in the physical security division rose from R1 300 000 to R1 600 000.

The directors say it has been shown that the incidence of crime always rises in a strong economy. This, coupled with the growing awareness of the importance of security, must cause increased demand for security systems.

It is reasonable to assume that Chubb can turn in an even better performance in the current year.

Market price of 180c is not far below net asset value of 188,1c. The shares should move as they are a snip at the current earnings yield of just over 19% and a dividend yield of 10%.

Alderson stakes R1,4m

12/6/80

Own Correspondent

CAPE TOWN — Aldersdon & Flitton Holdings is moving into the appliance electronics field and has bought an 80% stake for R1 400 000 in the Cape Town based Siman Enterprises appliance distributors.

The deal, financed in the main from existing cash resources, is expected to add about 4.3c a share to Alderson's earnings in the 1981 financial year. The effective date for the takeover is January 26, 1980.

Mr Solly Simanowitz, the present chairman of Siman, and Mr Les Kacev, the managing director, are to be appointed joint managing directors and will hold the remaining 20% of the equity.

The Cape Town consortium of Mr Johan van der Burgh and Mr David Abbott who bought a 41,5% stake in Alderson in March for R1 400 000 at 60c a share are expanding the group from its motor base.

Metbox on the way back to blue-chip ranks

(189)
RDM
12/6/80.

By ELIZABETH ROUSE

METAL BOX South Africa has broken through to a higher level of profitability after a three-year flat trend and appears set for a return to blue-chip status in the packaging sector

Yearend results are impressive reflecting management's more dynamic approach to marketing, the group's successful diversification into tubing and the economic upswing

The 1980 results still show the effects of losses at the Walvis Bay can plant (closed last April) and some losses in the machinery and engineering division Shed of these prospects look bright judging by the profit growth achieved in spite of hindrances in the past year

Earnings and the dividend payment are higher than expected at the halfway stage The preliminary report shows earnings up 41% to 47c a share in the year to last March from 33.4c A 3c lift in the final dividend to 20c brings total distribution to 30c — a 20% rise on 1979's 25c

Earnings growth accelerated from the interim's 31% improvement to 14.1c a share to 46% in the second half of the year, helping Metbox to surpass its dividend total forecast of 27c and analysts' expectations of yearend earnings of around 40c a share

The group had an operating profit return of 9.38% on sales of R273 632 000 compared with 1979's return of 8,17% on sales of R215 327 000 The relevant advances in sales were 27% and in operating income 46% on 1979 levels

The preliminary announcement indicates that this improvement stemmed from a combination of factors, including trimming losses, a full year's and a better contribution from MRT Bartons and good performances by new members of the family — Quadrisection, African Detinning Works and Aries Plastics

The rise in turnover is attributed to most divisions but especially to the good deciduous fruit crop in the Western Cape

The loss in the machinery and engineering division was cut by R800 000 and the operating loss at Walvis Bay was halved to R1 000 000

The closure of the Walvis Bay plant resulted in a non recurrent loss of R614 000 Written off against profits were non-trading items of R1 310 000 arising mainly from group policy of writing off goodwill on acquisitions over a number of years

Net interest paid was modestly higher at R3 761 000 (R3 310 000) resulting in a pretax profit of R22 910 000 — an impressive improvement of 53.2% in what is usually accepted as the most meaningful level of profits

The losses and allowances saw the incidence of tax further lowered at R8 234 000 (R5 616 000) for net income before non-trading items to show a 57,4% rise to R13 678 000 (R8 687 000) The Walvis Bay write-off reduced the taxed attributable profit advance to 34% at R11 270 000 (R8 395 000)

At the current market price of around 510c earnings yield is 9,2% and dividend yield is 5.9%

(189) RDM 13/6/80

Stronger, says Seifsa

CONDITIONS in the metal and engineering industries in April reflected a further general strengthening in the improved levels of activity reported in the first quarter of 1980, according to the Steel and Engineering Industries Federation of South Africa (Seifsa).

Seifsa says order intake and production levels in most Seifsa sectors "are now benefiting from the current broadening of expansionary trends in the overall economy"

Sectors associated in particular with the mining industry, building and consumer durables report production performances approaching the levels achieved in the peak month of 1974.

"Reports to Seifsa during April also confirm improved output levels in the large general engineering sector Further, the current expansionary phase in the mining industry is beginning to flow through to the heavy engineering sector where some spare capacity is now being taken up, enhancing prospects of a reasonable increase in workload during the second and third quarters of the year

"The gathering momentum in the Seifsa Group of industries is further reflected in the basic iron and steel industries where workload continues to increase, stimulated by the strengthening domestic demand for rolled and drawn steel products.

"Plus factors are also seen in the improved levels for overall manufacturing production, up 10,5% during the first quarter of 1980 as compared with the corresponding period a year ago It suggests that a new phase of investment expenditure in the metal and engineering industries should get under way during the second half "

13/6/80

METAL BOX FM 13/6/80 (189)
Canning profits

The troubles of the SWA fishing industry could have hit Metal Box hard But a timely diversification programme, as well as an excellent deciduous fruit crop in the western Cape, enabled it to increase sales by 27% from R215,3m to R273,6m in the year to end-March

At the same time, a generally more buoyant market has allowed operating profit margins to rise from 8,2% to 9,4% As a result, operating profits grew from R17,6m to R25,7m The improvement in group earnings was aided by an R800 000 reduction in the loss attributable to the engineering division to about R700 000 Some of the division's major contracts, it seems, took longer to pay out than was anticipated, but management is hopeful that the division will move towards break-even this year Even so, the group is keeping its options open

Last year the operating loss of the Walvis Bay can plant was more than halved, but the operation was closed down shortly after the year's end Closure resulted in a one-off loss of R614 000 Though a skeleton staff has been maintained to service limited demand, the factory and warehouses are effectively mothballed However, though some of the equipment is already being shifted for use in other divisions, the group will keep the premises on the books and sit out the fishing doldrums — for a while at least

On the credit side, sales were boosted by the consolidation of Bartons, which contributed around 20% of earnings Additional revenue came from new subsidiaries Quadrisection (tube reformers), African Detinning and Aries Plastics Exports improved, but still do not constitute a significant portion of earnings, according to MD Derek Jacobs

Though the group's growth must largely depend on more acquisitions, Jacobs insists there is "nothing on the boil at the moment " The group is seeking compatible companies, and there are no cash constraints

Even if the deciduous fruit crop returns to more normal levels this year, earnings should not suffer, adds Jacobs, although a disaster crop would have some effect

After a moderate decline in borrowings in fiscal 1979, the group appears to have further reduced the debt burden or at least restructured borrowings to take advantage of lower interest rates Even so, the interest bill rose by 13% to R3,8m (R3,3m) The increase in the previous year was 17%

The share has risen sharply over the past 10 months from about 300c to the current 510c At this level it yields an historic 5,9% This year's prospects are not altogether certain because of possible acquisitions At the least, a dividend hike to 36c is possible, putting the share on a 7% prospective yield basis *Scott Hawker*

Metal Box . . . broadening the product line

Tongaat aims for 100c a share

Sugar 189 RDM 14/6/80.

By DAVID CARTE
Deputy Financial Editor

TONGAAT GROUP is aiming at earnings of 100c a share in the current year — a 25% improvement on the 80c earned in the year to March 31 — says Mr Chris Saunders in his chairman's report.

The report is generally optimistic for all branches of the group except electrical engineering and electronics

Mr Saunders says the group aims at growth in earnings a share of 25% a year until 1983 — the end of the current planning period

On turnover of R308-million (R231-million) in the past financial year, Tongaat lifted taxed attributable profits 34% to R16 91 000 (R12 567 000) Earnings grew 32% to 80,1c, while the total dividend of 30c (23,2c) was a 29% improvement Profits are stated after additional depreciation of R3 862 000

Reporting on the divisions, Mr Saunders said the sugar division performed highly commendably, contributing R7 084 000, or 31%, of group earnings In 1979, sugar profits were R6 117 000 — 34% — of the total

Because of drought, the industry will not be able to take advantage of current high world sugar prices and there will be a "material reduction" in sugar profits in the current year

The building materials division, which last year contributed R6 500 000 or 28% of earnings (1979· R3 632 000 or 20%), is expected to achieve "even better results" in the year ahead Transvaal brick-making capacity is being stepped up by 200-million bricks a year

Mr Saunders takes a bullish view of the textile division Without any benefit of the Hebox acquisition, textiles last year brought in R4 271 000 or 19% of group taxed profit, compared with R3 991 000 or 22% in 1979 Mr Saunders is looking for "substantially increased profits" in the current year

The purchase of Hebox Textiles will be of "immediate 'benefit" to the division and there is significant scope for rationalisation of the product range

Investment income of R3 543 000 (R2 590 000), representing mainly dividends from the 26,7% stake in Huletts, contributed an unchanged 15% of the total

The foods and feeds division contributed R1 916 000 — 8,4% — of earnings, compared to R1 109 000 or 6% in 1979 The purchase of H Lewis will have "a major effect on both turnover and profitability" Lewis will make the division more self-reliant in protein supplies

Capital expensiture last year was R21 402 000, an increase of R9-million The acquisitions of Hebox, H Lewis and Isando Milling will cost R33 800 000 In addition the building materials division plans to spend R11 500 000, food and feeds R6 700 000 and textiles R6 500 000 Capex will be funded from reserves and the proceeds of the issue of preference shares and will not stretch a balance sheet in which debt is only 22% of capital employed

Tongaat raised R3-million through privately placed prefs last year and plans to place a further R9 500 000 of these in the current financial year

Row flares over Genmin gearbox bid

RDM 16/6/80

189

By HOWARD PREECE

A MAJOR battle has flared between the motor manufacturers and General Mining over Genmin's R60-million bid to secure an effective monopoly in the production of truck gearboxes and heavy truck axles.

The outcome will have an important effect on truck prices

The National Association of Automobile Manufacturers claims that "the decision by the Department of Industries and Commerce to create a monopoly is totally opposed to the Government's stated intention to support and encourage a free market capitalistic system"

It is seeking an urgent meeting with Dr S W van der Merwe, the Minister of Industries and Commerce

Naamsa also claims that the move could harm the Atlantis Diesel Engine project — although the gearbox and axle plan is intended to slot in with Atlantis

The motor manufacturers are counting on powerful backing from Atlantis in their attempt to force a Government rethink, at least on timing

Atlantis is the State-sponsored plan to give a monopoly of diesel engine production to Mercedes and Perkins for strategic and local content reasons

According to some estimates, the combination of higher prices for diesel engines and for gearboxes and axles could add 50% to the cost of new trucks

The Genmin subsidiaries involved are AS Transmissions & Steering Boxes, which has asked for a 15% duty on trucks fitted with imported gearboxes rather than its ZF gearboxes, and SA Axles which reportedly wants a 20% duty on trucks fitted with imported axles

A statement by Mr Colin Adcock, managing director of Toyota and chairman of the Naamsa heavy vehicle subcommittee, says "Naamsa must record its total opposition to the granting of a monopoly in respect of the proposed manufacture of truck gearboxes and heavy-duty axles

"The decision was reached without any reference to the industry and, apparently, without any alternative sources of supply being investigated

"The industry has at no stage ever opposed a local content programme in medium and heavy trucks, but has only asked that this be planned in conjunction with it and in such a manner as to make it as economical as possible for both the manufacturer and the consumer"

Mr Adcock says the Genmin move could give some truck producers major advantages over competitors (Mercedes has been cited as a particular beneficiary in one report)

He says that "at the very worst, Naamsa believes that the manufacturing rights to gearboxes and axles should have been granted on a similar basis to that used for the granting of engine manufacture That is, the right to manufacture should have been advertised and prospective manufacturers should have been in a position to submit proposals which could have been discussed with the industry, thus ensuring an acceptable and broader choice of product"

Mr Adcock says Naamsa has "emphasised that the request that the transmissions and axles be localised concurrently with the launch of the Atlantis diesel programme was totally impractical and any attempt to do so would undoubtedly delay the launch of this project It is admitted that a limited number of manufacturers who currently use the engines which form the basis of the Atlantis project and the gearboxes and axles which it is proposed to manufacture in South Africa could meet this timing

"The management of the Atlantis Diesel Engine project confirmed that they could not accept any changes which might jeopardise the timing of their programme

"Naamsa is happy, therefore, to have the assurance that ADE will support it in avoiding any action which might be detrimental to the present programme in which all manufacturers have already invested considerable sums of money

"Finally, while Naamsa accepts the strategic need to build gearboxes and axles locally, it feels that if this new programme is designed to offset the cost of South Africa's strategic and independence, then there are better ways to achieve this"

Naamsa opposes Genmin application

STAR 16/6/80

189

An application to grant protection to Genmin's truck gearbox and axle subsidiaries has resulted in Naamsa's heavy vehicle sub-committee chairman, Colin Adcock, totally opposing the application

Adcock says the decision reached by the Department of Trade and Industries was reached without reference to the industry and that while Naamsa has never opposed the local content programme, the granting of sole rights to the Genmin subsidiaries can create a situation where certain manufacturers could have a major advantage over competitors

In addition, Naamsa has emphasised that the request to manufacture gearboxes and axles to coincide with the launch of the Atlantis diesel engine programme was totally impractical and would delay the project if implemented

Otis marks time, pays 20c again

189

RDM 18/6/80.

By DAVID CARTE

Deputy Financial Editor

OTIS, South Africa's biggest lift and escalator company, more or less marked time in the half-year to the end of May, with pre-tax profits at R3 906 000 only 2% up on the R3 803 000 made in the first half of 1979.

Taxed attributable profit was 3% ahead at R2 233 000 (R2 161 000) while earnings a share rose in line to 13,1c (12,7c) Once again the dividend exceeded earnings, with an unchanged interim of 20c

The intention is to pay a static 20c final for a total of 40c for the year If Otis does this, this will be the third year dividends have been paid out of capital

The interim report says "the low value of construction contracts completed has militated against any meaningful improvement in profit" Although activity in the lift and escalator market is increasing, "a considerable time must elapse before this can be reflected in our profit"

Competition between lift manufacturers remains fierce in an oversupplied high-rise market Demand for lifts from the mines is described as "spasmodic"

Otis takes installation profits to account only on completion of contracts, so given the low level of high-rise activity, most of these profits must come from servicing With several "pirate" lift maintenance firms competing, this area is looking distinctly less lucrative than it once was

The good news is that, as activity in central and suburban Johannesburg indicates, high-rise building is due for a takeoff soon that could be dramatic With its advanced new Elevonic 101 lift, which uses less current and moves people faster, Otis could have a technological edge on its rivals It is still dominant in the market and must one day come right

To the JSE, the burning question about Otis is how sustainable are the dividends? Distributable reserves declined from R6 330 000 in 1977 to R2 982 000 last balance sheet, so this could well be the last year in which dividends are paid out of capital

Nevertheless, it seems safe to assume that Otis can pay dividends equivalent to 75% of current earnings and it would be surprising if it did not manage to equal last year's 27,8c of earnings This would indicate a sustainable dividend of about 21c, which would put the share on a prospective 7% yield compared with the historic yield of 14%

On the face of it, Otis looks a good long-term hold Not only is high-rise building almost certain to come back, as it has dramatically in the USA, but perhaps one day Otis's parent, United Technologies, might have an attack of social conscience and be prepared to sell to South African owners at a respectable premium

Strikes spread 4 350 now out

187

Cape Times 18/6/80

Own Correspondent

PORT ELIZABETH — Strike figures at Uitenhage factories swelled to about 4 350 yesterday when black workers at two factories joined the 3 500 who downed tools at Volkswagen on Monday and who marched through the centre of the town yesterday

Work came to a standstill at the Hella automotive lighting equipment plant when 700 assembly line workers 620 of them women were sent home at lunchtime

At SKF Bearing Manufacturers about 150 workers were sent home when they refused to go back to work after lunch

Hella's managing director, Mr Fred Polacsek said workers started to gather in groups from 9 30 am They later demanded an hourly rate of R5

This was absurd Later most of the women expressed fears of being beaten up if they did not leave For their safety I decided to close the factory and send them home

At Volkswagen, where workers have demanded a minimum R2 an hour the plant has been closed until further notice

Management said in a statement to workers late yesterday that negotiations with union officials would continue

Earlier the Volkswagen public affairs manager Mr Ruben Els had said workers were addressed by the secretary of the United Automobile Rubber and Allied Workers Union, Mr Fred Sauls after gathering on the factory floor after 8 am

Workers rejected calls to carry on while negotiations were in progress and left on their own accord They were told management needed more time to consider the demand

Mr Els said the strikers would not be paid during the stay-away

Teargas used on strikers as more join in

(193) (192) (329) (189) (33)

RDM 19/6/80

By RIAAN DE VILLIERS
Labour Correspondent

POLICE used teargas and dogs to disperse striking workers in Uitenhage yesterday as labour unrest spread, bringing the number of workers on strike to more than 5 000

Among new firms hit by strikes yesterday was Borg-Warner, a transmission plant, where the total black and coloured workforce walked out after lunch following a rejection of a management wage offer

And a construction company, Link Construction, closed both its depots in coloured and black townships after workers at one depot went on strike

In another development, the Volkswagen plant, where the strike wave began on Monday, was closed down until further notice

Borg-Warner is the third major motor component factory to be affected, the others being Hella, which manufactures electrical equipment, and SKF Bearings, a ball-bearing plant

Sources in the motor industry yesterday expressed fears that the strikes could soon affect production at other motor manufacturing plants

A spokesman for Borg-Warner said yesterday 250 black and coloured workers walked out after lunch and the rest of its total black and coloured workforce of 285 was not expected to turn up for night-shift

Workers gathered on the lawn outside the plant after meeting in the canteen during lunchtime, where black and coloured shop stewards demanded a minimum wage of R2,50 an hour for sweepers, the lowest paid workers

The present minimum rate prescribed by the industrial council agreement for the steel and engineering industry is R1 per hour

Management made a counter offer but workers rejected this and walked out

Production was continuing with the help of white staff but was "obviously affected", the spokesman said

He added "This is no longer a company problem alone but has become an area problem"

A Volkswagen spokesman, Mr Reuben Els, said the factory had been closed until a new industrial council agreement was reached in the motor assembly industry

The closure was announced to a group of about 200 workers outside the factory yesterday morning

He could not say when the factory would reopen but added that negotiations were in progress and the firm hoped the wage issue would be settled as "soon as possible"

He said the 3 500 strikers among the factory's black workforce of 6 000 would not be fired but would not be paid during the closure

The plant had lost a "few hundred units" during the past few days

At SKF, a company spokesman claimed workers had rejected a management offer to increase the minimum starting rate of R1,15 an hour to R1,70 She said workers were demanding R2 an hour, as are Volkswagen workers

However, a worker representative at the plant said yesterday workers had moderated their wage demand "some days ago" They were now demanding R1,65 an hour, he said

He complained that "our demands are being exagerrated to make us appear unreasonable".

Workers were told they would be fired unless they were back at work tomorrow morning According to management, production is continuing with the help of white personel, including office staff

Meanwhile, sources in the motor industry claimed the strike wave was not primarily over wages

One spokesman said workers were expressing "political, economic and social grievances", and were using the strikes as a way to compel attention

A source in industry in Port Elizabeth said the strikes were being viewed with a "great deal of concern" as they could spread easily.

Another spokesman said: "The strikes are obviously not about economic issues, but political issues We will just have to sweat it out"

Steel price set to jump by 12%

(159) RDM 19/6/80.

Pretoria Bureau

SOUTH Africa's 14% inflation rate will be given another boost from the beginning of July when the steel price is expected to rise by "at least 12%", it was learnt in Pretoria yesterday

This would mean prices of a wide variety of goods and equipment, including motor vehicles, would have to be reviewed and raised.

Although Iscor's chairman, Dr Tom Muller, announced earlier this year he expected the financial year to end with a R90-million surplus — the first time Iscor has been out of the red for a number of years — this is expected to have little influence on the extent of the steel price rise.

Economists said yesterday a steel price increase could hardly be witheld against a background of the enormous cost rises in the steel industry

One major cost factor is the increase of about 14% expected to be granted to Iscor's 62 000 workers from July

This would take the total wage and salary bill to a record R400-million

The seven unions representing 20 000 technical workers met yesterday to consider a management offer of 14%. Deadline for the unions' response is tomorrow

A senior Iscor official said the 11 000 administrative and senior technical staff could also expect a rise of about 14%.

The 30 000 black workers are expected to get a bigger percentage rise in terms of a policy to narrow the wage gap

Last July Iscor workers were granted an 8% increase.

(189) (132)

Man fired — so 300 down tools

RDM 19/6/80

By STEVEN FRIEDMAN
Labour Reporter

MORE than 300 black workers at an Elandsfontein factory, Steel Pipe Industries, stopped work yesterday after a dispute over the dismissal of a colleague

The workers are expected to return to the factory this morning, although it is not yet clear whether the stoppage will continue

A company spokesman said the entire workforce was involved in the stoppage, which occurred yesterday morning. The company is a subsidiary of African Gate and Fence

The stoppage is the first walkout by a sizeable number of black workers in the Transvaal for some time.

The company's managing director, Mr D D Barnard, said the dispute had been prompted by the dismissal of a "boss-boy" on Tuesday night. The dismissed man had been "an instigator" but had not been dismissed for this reason, he said.

He alleged that the dismissed man had stopped work early and had therefore been fired

Workers held a meeting during yesterday morning's tea break to discuss the man's dismissal Afterwards they "failed to return to work" and demanded a meeting with a management representative, Mr Barnard said

A meeting was then held with management at which workers demanded that the dismissed man be re-instated as they feared he had been victimised

According to Mr Barnard, workers said that the dismissed man should be re-instated and threatened to stop work if this was not done

"We could obviously not be threatened in this way and I told them that they could leave if they were not prepared to work All the workers then left the factory," he said

The workers, he said, had not raised complaints about working conditions

Gallo offered 265c by Prem Mill

RDM 19/6/80

189

Financial Reporter

PREMIER Milling has confirmed that it is the bidder for Gallo at 265c a share The takeover will not, however, be 100%.

Premier is to acquire 55% of the shares of the controlling shareholders — Mr E G Gallo, Mr A G McGrath and Mr P A Gallo — and is extending the bid to 55% of the shares of minority holders

The present controlling shareholders have agreed to sell additional shares should any shortfall from minorities need topping up to make Premier's stake 55%

A statement issued by Barclays National Merchant Bank on behalf of Premier and Gallo says "Gallo has, subject to shareholders' approval, agreed to acquire from Premier its bookshop division, the consideration for which will be the issue to Premier of approximately 1 683 000 new ordinary shares in Gallo

"The bookshop division includes 15 retail outlets throughout the Republic, a specialist subscription agency for technical journals and publications, a wholesale distribution operation and printing and publishing

"The directors of Gallo estimate that the earnings of the company for the year ended June 30 will be not less than 50c a share, before adjusting for any convertible preference shares converted into ordinary shares in terms of the company's executive share incentive scheme

"There will be no material effect on the net asset value of Premier, but the acquisition would have resulted in an increase in Premier's earnings for the year ended March 31 of approximately 3c a share"

COMMENT· Gallo makes and distributes records and tapes, consumer electonic products and audio-visual equipment

Under the direction of Mr Gerald McGrath, the company last year returned a record-breaking profit after three miserable years before.

Premier Milling is, of course, a large and diversified food group which last year reported a solid profit rise after two previous disappointing years

The cost of the 55% stake will be around R7-million

300 black strikers face sack in dispute

S. Star 19/6/80 (189) (12)

East Rand Bureau

More than 200 black Elandsfontein factory workers faced dismissal following a breakdown of negotiations with management today.

The entire workforce of Steel Pipe Industries in North Reef Road went on strike yesterday afternoon after a dispute over the dismissal of a colleague.

About 100 workers met management outside the factory gates at about 9 am today. The rest of the workforce stayed away.

Ten policemen armed with batons and a pump action shotgun kept a close watch on the tense situation.

The workers told the company's managing director, Mr D D Barnard, they would not return to work until their colleague had been reinstated.

Mr Barnard was adamant in his refusal to re-employ the man who was fired on Tuesday evening. "He was a trouble maker and we fired him because he was loafing on his job," he said.

Some workers made clenched fist salutes at passing vehicles. After the breakdown of negotiations they dispersed. The police left soon afterward.

Mr Barnard claimed more than 95 percent of the workforce wanted to return to work but were [illegible] to because they were being threatened by a small group of [illegible] [illegible].

Police active as strikers grow to 5 000

APP TIMES 19/6/80

189 182 182

Own Correspondent

PORT ELIZABETH — Police used teargas and dogs to disperse striking workers in Uitenhage yesterday as labour unrest spread, bringing the number of workers on strike to more than 5 000

Among new firms hit by strikes yesterday was Borg-Warner, a transmission plant, where the total black and coloured workforce walked out after lunch following their rejection of a wage offer

Another firm, Link Construction, closed both its township depots after workers at one depot went on strike, and the Volkswagen plant closed till further notice

Borg-Warner is the third major motor-component factory affected, the others being Hella, which manufactures electrical equipment, and SKF Bearings, a ball-bearing plant

A spokesman for Borg-Warner said 250 black and coloured workers walked out after lunch and the rest of its black and coloured workforce of 285 was not expected to turn up for nightshift. A minimum wage of R2,50 an hour for sweepers was demanded

The present minimum rate prescribed by the industrial-council agreement for the steel and engineering industry is R1 an hour

A Volkswagen spokesman, Mr Reuben Els said the factory had been closed till a new industrial council agreement was reached in the industry

He said the 3 500 strikers among the factory's black workforce of 6 000 would not be fired but would not be paid during the closure

A spokesman for SKF claimed workers had rejected management's offer to increase the minimum starting rate of R1,15 an hour to R1,70, and were demanding R2 an hour

However, a worker representative said workers had moderated their wage demand "some days ago" and were now demanding R1.65 an hour

He complained that our demands are being exaggerated to make us appear 'unreasonable"

Sources in the motor industry claimed the strike wave was not primarily over wages

One spokesman said workers were striking to bring attention to ' political, economic and social grievances '

300 walk out at Rand steel factory

189

CAPE TIMES 19/6/80

JOHANNESBURG — More than 300 black workers at an Elandsfontein factory, Steel Pipe Industries, stopped work yesterday after a dispute over the dismissal of a colleague.

The workers are expected to return to the factory this morning, although it is not yet clear whether the stoppage will continue.

A company spokesman said the entire workforce was involved in the stoppage, which occurred yesterday morning. The company is a subsidiary of African Gate and Fence. The stoppage is the first walk-out by a sizeable number of black workers in the Transvaal for some time.

The company's managing director, Mr D D Barnard, said the dispute had been prompted by the dismissal of a "boss-boy" on Tuesday night.

He claimed that the dismissed man had been "an instigator" but said he had not been dismissed for this reason. Mr Barnard alleged that the man had stopped work early and had been fired for that reason.

SECTION A

Steel price

RDM 20/6/80

goes up

(189) (~~244~~)

from today

By GERALD REILLY
Pretoria Bureau

THE price of steel will be increased from today by an average of 14,1%, an Iscor spokesman announced in Pretoria yesterday

And economists and industrialists warned that the increase — which varies from 9% to 17% — will rip through the economy inflating prices of a wide range of products from pins to motor cars

The new price applies to all steel produced in South Africa, not only to Iscor steel

The Iscor spokesman said the effect on the inflation rate would be no greater than 0,4%

For instance, the effect on a small car would be R17, on a medium sized car, R23, and on a large car, R37

Giving other examples, Iscor said the estimated price rise of a refrigerator would be R4, an electric stove R3, a three-roomed house R97 and 100m of fencing R3,40

The spokesman stressed that during the past year costs of raw materials and other basic production input items like power, fuel and transport had increased greatly

He said that Iscor expected to show a profit of about R100-million for the financial year which closes at the end of the month This was mainly because of the big 21% increase in local demand for steel products

The increase in the previous year was 6% and the projection for the new financial year was 7%

During the past twelve months Iscor exported 32% of its production, earning R130-million in foreign exchange Earnings were slightly higher than production costs

The spokesman emphasised that Iscor customers were not made to pay for export losses

Volkskas chief economist, Mr A S Engelbrecht said yesterday the higher steel price, together with other inflationary pressures, would send the overall rate up above 15% by the end of the year

He said there was a whole sweep of products and industries affected to a marked extent by the price of steel

These included the motorcar industry, household equipment and the building industry

Group economist of Standard Bank, Mr A Hamersma, said yesterday that in the current economic environment a rise in the steel price was serious

"It will have a widespread effect It will filter through to virtually every manufacturer in the country in one form or another"

Hopefully some companies would try to absorb the increase but with the current high demand for industrial products, it could only be a hope, he said

you are answering.

3 Blue or black ink must be used for written answers. The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

4 Names must be printed on each separate sheet (e g. graph paper) where sheets additional to 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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6	9	
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Examiners' Initials		

WARNING

No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

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

EDSON 18253

PUBLIC FINANCE

Firms paralysed

EL workers strike then return

UITENHAGE — The Eastern Cape's economic backbone, the motor industry, was severely hit yesterday when labour unrest spread here.

A combined 7 000-strong striking workforce has paralysed seven factories here and observers view it as the worst labour unrest to hit South Africa since the Durban strikes in 1973.

In East London nearly 800 workers at the Langeberg Koop downed tools yesterday.

They alleged management failed to deal with their trade union.

However, the workers returned to work five hours after the stoppage when management discussed the issue with representatives of the African Food and Canning Workers' Union.

The manager of Langeberg, Mr J R Burg, said the problem had been "sorted out" and the company had agreed to fly up a senior personnel officer from Cape Town to meet the union executive.

"The workers downed tools during the morning tea-break because they wanted to know our attitude towards their union," Mr Burg said yesterday.

"We discussed the matter with them and answered their questions, as well as talking to the executive members of the AFCWU.

"Everything was sorted out and the people were back at work by about 3.15."

The general secretary of the union, Mr Jan Theron, said the workers had only gone back on condition the union executive could meet the senior personnel officer from Cape Town.

Mr Theron said they had also been "angered" by security police presence at the factory.

Mr Burg disputed the claim that the company was ignoring the union.

"We have been dealing with the AFCWU since February so I don't see how they can say we are ignoring them," he said.

The head of the security police here, Col A P van der Merwe, confirmed his officers were at the factory and had discussed the situation with the trade union officials.

Goodyear is the latest Uitenhage plant to be hit. It has been shut until Monday after fruitless wage negotiations with 600 workers.

A management spokesman said production was stopped at 9.30 am and a mass meeting was held where workers were invited to elect five representatives to put forward wage proposals. But they decided to negotiate en masse.

They demanded a minimum starting rate of R3 an hour instead of the present R1,10. Management rejected this and when no agreement was reached by 10.30, management asked workers to leave.

The other motor Uitenhage plants hit were National-Standard, a steel wire firm, Gubb and Inggs, a wool-washing plant, and Guestro Industries, the fourth motor component plant to be affected.

Developments at other Uitenhage plants were:

A spokesman for Hella, the motor vehicle light fitting firm, said workers had returned and production was normal. But Ford announced that Cortina plant would shut until Monday because of the shortage of parts normally supplied by Hella.

A spokesman for Volkswagen, where the strike broke out on Monday, said discussions with unions were still in progress but the situation was unchanged.

In other developments around South Africa yesterday:

The work stoppage at Steel Pipe Industries in Elandsfontein, Johannesburg, continued after management told workers to accept the dismissal of their works committee chairman and return to work or be paid off.

The strike by Cape Town meat workers continued, and

A brief work stoppage took place at the Coca-Cola plant in Port Elizabeth. — DDC

Union protests, page 2

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GOVERNMENT NOTICE

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

No. R. 1320 20 June 1980

PRICE CONTROL

MAXIMUM PRICES OF CERTAIN STEEL PRODUCTS

By virtue of the powers conferred on me under section 4 of the Price Control Act, 1964 (Act 25 of 1964), I, Elias George de Beer, Price Controller, do hereby amend with effect from date of publication hereof Government Notice R. 1208 of 20 June 1975 by the substitution of the Schedule thereto by the following Schedule:

SCHEDULE

Column 1 Category of steel product	Column 2 Manufacturer's maximum selling price per 1 000 kg f.o.r. factory*
	R
1 Sections	
(a) Angles and T-bars 152,4 united mm and under	312,25
(b) Channels and angles over 152,4 united mm	312,25
(c) I-section (Taper Flange)	318,75
(d) Universal beams, universal columns and bearing piles	315,75
2 Reinforcing bars (including coiled rounds)	309,75
3 Black bars (excluding reinforcing bars)	
(a) Rounds, 6 mm to under 45 mm diameter (including coiled rounds)	309,75
(b) Rounds, 45 mm diameter and over	341,75
(c) Squares, under 55 mm side	309,75
(d) Squares, 55 mm side and over	341,75
(e) Flats, 20 mm to 50 mm wide	325,75
(f) Flats, over 50 mm wide	325,75
(g) Flat bars	325,75
(h) Wire rod	356,75
4 Rails, 10 kg per m and over	343,25
5 Plates, 4,5 mm and over	344,75
6 Hot rolled sheets (coils, cut lengths and slit strip in coils)	337,25
7 Cold rolled sheets (coils, cut lengths and slit strip in coils)	396,25
8 Galvanised sheets (coils, cut lengths and slit strip in coils)	458,75
9 (a) Galvanised profile sheets (prime material)	476,25
(b) Galvanised profile sheets (second grade material marked by means of identification on the side every 1 to 1,5 m)	385,75

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN HANDEL EN VERBRUIKERSAKE

No. R. 1320 20 Junie 1980

PRYSBEHEER

MAKSIMUM PRYSE VAN SEKERE STAALPRODUKTE

Kragtens die bevoegdheid my verleen by artikel 4 van die Wet op Prysbeheer, 1964 (Wet 25 van 1964), wysig ek, Elias George de Beer, Pryskontroleur, hierby, met ingang vanaf datum van publikasie hiervan, Goewermentskennisgewing R. 1208 van 20 Junie 1975 deur die Bylae daarvan deur die volgende Bylae te vervang:

BYLAE

Kolom 1 Kategorie staalproduk	Kolom 2 Fabrikant se maksimum verkoopprys per 1 000 kg v.o.s. fabriek*
	R
1 Profiele	
(a) Hoekprofiele en T-stawe 152,4 saamgestelde mm en minder	312,25
(b) U-profiele en hoekprofiele van meer as 152,4 saamgestelde mm	312,25
(c) I-profiele (Tapsflens)	318,75
(d) Universeelbalke, universeelkolomme en draheipale	315,75
2 Wapeningstawe (insluitende gehaspelde rondstaal)	309,75
3 Swartstawe (uitgesonderd wapeningstawe)	
(a) Rondstaal, 6 mm tot minder as 45 mm in deursnee (insluitende gehaspelde ronde profiele)	309,75
(b) Rondstaal, 45 mm deursnee en meer	341,75
(c) Vierkantprofiele, minder as 55 mm syvlak	309,75
(d) Vierkantprofiele, 55 mm syvlak en meer	341,75
(e) Platprofiele, 20 mm tot 50 mm wyd	325,75
(f) Platprofiele, meer as 50 mm wyd	325,75
(g) Platstawe	325,75
(h) Walsdraad	356,75
4 Spoorstawe, 10 kg per m en meer	343,25
5 Grofplaat, 4,5 mm en meer	344,75
6 Warmgewalste fynplaat (rolle, gesnyde lengtes en smalband in rolle)	337,25
7 Koudgewalste fynplaat (rolle, gesnyde lengtes en smalband in rolle)	396,25
8 Versinkte fynplaat (rolle, gesnyde lengtes en smalband in rolle)	458,75
9 (a) Versinkte profielfynplaat (primamateriaal)	476,25
(b) Versinkte profielfynplaat (tweedegraadse materiaal, gemerk met 'n teken op die kant, elke 1 tot 1,5 m)	385,75

Coal industry critic says: 189

~~215~~

Iscor coke mine threat to steel price

RDM 20/6/80

By ADAM PAYNE

ISCOR's developing Grootegeluk blend coking coal mine in the Ellisras area, North-Western Transvaal, could become a cost burden in steel production because of high capital and working costs, amortisation and leasing costs, says a leading executive in the coal industry.

The private sector supplies blend coking coal to Iscor and Highveld Steel & Vanadium Corporation at about R30 a ton, and early estimates suggest that blend coking coal from the State-run Grootegeluk mine could cost about R73 a ton because of poor quality basic coal and high infrastructure costs in the back blocks of Ellisras

Because the cost of coke is one of the principal ingredients of steel costs, this could contribute to higher steel prices, with a ripple effect through the mining, construction and other industries I am told that at least 0,8 ton of coking coal is burned to produce one ton of steel

According to the coal industry executive, Iscor's costs of coke made from Grootegeluk blend coking coal will rise astronomically

Grootegeluk is planned to produce 1 800 000 tons of blend coking coal a year, starting later this year

About R250-million is invested in Grootegeluk To amortise that sum over 30 years will call for R8-million a year

Interest on this same sum in the private sector would be about R37-million a year — probably more Iscor is launching the project by leasing the surface plant, so it will not be cheaper than R37-million

The coal executive says that working costs will not be less than R5 a ton As Grootegeluk will mine 15-million tons a year, working costs will total R75-million in round figures

The preparation costs on the type of coal to be mined will not be less than R1,50 a ton, totalling about R23-million

All these costs total R143-million which, divided by 1 800 000 tons, results in R79 a ton

Iscor has negotiated a contract to supply 2 300 000 tons of middlings steam coal, from the preparation process, to Escom

Assuming it receives R5 a ton for it — the price is not known — there will be a credit of R11 500 000, leaving total costs at R132-million for 1 800 000 tons of blend coking coal, or R73 a ton

This high cost is attributable to the mining of 15-million tons a year to gain at most 12% of it in the required product, blend coking coal A further 18% will be in steam coal middlings supplied to Escom at a low price and the remaining 70% will be discard

There will be a 70% discard because of the poor quality of the raw coal

"On these figures, Grootegeluk will be one of the costliest coal enterprises in the world," according to the executive

Not so, says Iscor

ISCOR was asked to comment on the mining executive's views. Its mining department replied that years ago the demand for coking coal indicated that additional coal resources would have to be found to supplement the dwindling supply.

The disappointing response by private industry to sustain supplies at that time and also its inability to comply with Iscor's quality parameters prompted the corporation to launch an in-depth study into the problem of future supply

After many deliberations and the weighing of all aspects, the corporation was given the green light to open a new coal mine in the Waterberg coalfield

Iscor says it obtains coal from 18 sources, the tonnages varying between 1 000 to 26 700 tons a week The cost of Grootegeluk coal as calculated by Iscor compares favourably with the price paid by Iscor for coal obtained from the new mines

The Iscor statement continues "The average industry figure includes the supply of coal from old mines which were established when the capital required was much lower than is [cur]rently the case

"Our cost of Grootegeluk [co]al is calculated on the basis [of] industry-wide applicable principles Because of the large contribution of capital cost to the total cost it is clear that Grootegeluk coal will not in future cause an 'astronomical rise' in coke costs

"In fact, the converse is the case, as it can be expected that Grootegeluk will in future perform better cost-wise than the expected industry average because it is less labour-intensive, being open cast

"During Iscor's past two financial years the purchase price of coal increased on average by about 16%

"The Waterberg coalfield contains large reserves and Grootegeluk will ensure a continuous supply for a very long time

"The establishment of an Escom power station in that area ensures the utilisation of the middlings at a reasonable price to Escom In fact, more coal than stated will be sold to Escom, resulting in a greater credit to the cost of coking coal

"The reference to poor quality is incorrect The 70% discard consists of shale, which is separated from the coal and does not affect the quality of the coking coal fraction, which can in fact be described as a superior blend coking coal

"The corporation says categorically that the working cost figures stated are far too high Iscor's cost estimates are backed up by considerable expertise in the open-cast mining field as is borne out by its production of more than 120-million tons a year from its own open-cast operations

"As the infrastructure at Grootegeluk, which heavily contributes to the capital cost, has now been established, an increased output from the mine will result in a substantially lower coal cost

"It is calculated that a 100% increase in output will result in a 25% decrease in cost Here again, one must not lose sight of the rise in prices of purchased coal"

Iscor says that its expertise in open-cast mining is of the best in South Africa This, together with the factors of large reserves, full use of the deposit, economy, acceptable quality and continuity of supply, will ensure that Grootegeluk can in no way be considered a cost burden

Iscor is not prepared, it says, to be drawn into a situation where divulging of cost figures relating to its mining operations could be advantageous to other parties

Over 7 000 on strike as labour unrest spreads to more firms

(152) (189) (189) (180) CDM 20/6/80

By RIAAN DE VILLIERS
Labour Correspondent

LABOUR unrest in Uitenhage spread to four more factories yesterday bringing the total of black and coloured workers out on strike to over 7 000, and severely hampering production throughout the motor industry

Work stoppages started or continued in several other centres

New plants in Uitenhage hit by labour unrest include the Goodyear tyre factory, which has been shut down until Monday after fruitless wage negotiations yesterday

Workers also went on strike at National-Standard a steel wire firm Gubb and Inggs a wool-washing plant, and Guestro Industries, the fourth motor component plant to be affected

In other developments yesterday

- A short work stoppage occurred at the Koo factory in East London against a background of growing worker dissatisfaction in the area with the liaison committee system
- A work stoppage at Steel Pipe Industries in Elandsfontein near Johannesburg continued after management told workers to accept the dismissal of their works committee chairman and return to work, or be paid off
- The strike by Cape Town meat workers continued,
- A brief work stoppage took place at the Coca-Cola plant in Port Elizabeth
- Ford shut down its Cortina plant due to a shortage of components until Monday
- UCM Milling another Uitenhage firm, yesterday dismissed its entire black workforce of 250 and a company spokesman said it had begun to employ new workers

However, the management at Hella, one of the strike-hit component firms in Uitenhage said yesterday that staff had returned to work and production was back to normal

A spokesman for Goodyear said 300 black and coloured workers on night shift request ed a meeting about pay when they came off duty yesterday morning

Management agreed to a request for the morning shift to join the talks and production was stopped at 9 30am

Workers demanded a minimum starting rate of R3 an hour instead of the present R1 10 Management rejected this and when no agreement was reached by 12 30pm asked the workers to leave

The plant would be closed until Monday morning when workers who did not return to work would be subject to normal disciplinary procedures — which could include dismissal a management representative said

Production at National-Standard was brought to a standstill when workers walked out after negotiations with management during which they demanded an minimum starting rate of R2 an hour

A management spokesman said the company would not dismiss workers but was available to negotiate with the workers committee until a settlement was reached

A spokesman for Borg-Warner in Uitenhage said shop stewards agreed to ask workers to return at a meeting yesterday morning after the firm offered to implement immediately wage increases due in terms of the steel and engineering industrial agreement on Jul 1

He added We are fairly confident the workers will return

During talks with worker representatives SKF management agreed to postpone its deadline for workers to return from today until Monday

Workers are demanding a minimum wage rate of R2 an hour while management has offered a minimum of R1 40 and an average of R1 82 The current minimum rate is R1 15

A spokesman for Volkswagen where the strike broke out on Monday said discussions with unions were still in progress but the situation was unchanged

Link Construction said its strike-affected plants would remain closed until workers specified their demands

'Meeting ban action'

CDM 20/6/80 (152) (134) (327)

By STEVEN FRIEDMAN
Labour Reporter

A BAN on a union meeting over the weekend triggered off "long-standing frustrations over wages" and led to the strike wave in Uitenhage, a key East Cape unionist said yesterday

In an interview yesterday, Mr Fred Sauls, general secretary of the National Union of Motor Assembly and Rubber Workers, said wages in the area were "not enough to live on — even if they do conform with poverty datum levels."

He also rejected suggestions that political organisations were behind the strike wave

Mr Sauls, an advisor to the United Auto Workers Union, which has members in most of the strike-hit plants, has been trying to negotiate a settlement.

Most minimum wage levels in the area are above the various poverty datum lines drawn up by researchers and this has led some observers to suggest that wage grievances are not behind the strikes

Mr Sauls said yesterday that some local employers did not pay above these levels But he added "Many employers regard the pdls as some sort of bible Their magic figure is R1 an hour and if they're above that they think they're paying very well

He said that the ban on a union report-back meeting over the weekend "set off the chain reaction we are seeing " Workers in the area worked near each other and they all lived in the same townships Frustration at Volkswagen spread to other workers

"I am 90% sure there would have been no strikes if the meeting had not been banned Workers simply lost patience with negotiation after this happened and the Volkswagen action convinced others to do the same," he said

Mr Sauls confirmed that at le[illegible] nine [illegible]tories were out on strike and nego[illegible]ations at most factories were being conducted by worker committees

These committees, he said, were all attached to the United Auto Workers Union or other Fosatu-attiliated unions in the area

22 not taken back as strikers return

STAR 20/6/80

(188) (189)

More than 200 of the striking black workers of Steel Pipe Industries on the East Rand resumed work today but 22 were not taken back.

Those of the more than 300 strikers who stayed away again today because of fear of reprisals from troublemakers also would be taken back, said Mr D D Barnard, the managing director.

The 22 who had "dismissed themselves" by striking were intimidators, he said.

A spokesman for the Workers' Project of the Federation of South African Trade Unions said workers were sure that more than 30 were turned down when they returned to work today.

The men had returned because Mr Barnard had promised to reinstate all strikers and to recognise the workers' committee.

But after this message was conveyed to the strikers, Mr Barnard said he would not take back instigators and would not recognise this committee.

By then it was too late to convey the message to the workers, the Workers' Project spokesman said.

Workers face the sack

189

Post 20/6/80

MORE than 300 black Elandsfontein factory workers face dismissal unless they return to work.

The entire work force of Steel Pipe Industries in North Reef Road stopped work on Wednesday after a dispute over the dismissal of a colleague.

The managing director of the company, Mr D D Barnard, said yesterday he was not prepared to negotiate or compromise with the workers

'INSTIGATORS'

"We won't be dictated to by the masses, those who want to work are welcome back and those who don't will be paid off."

He claimed that more than 95 percent of the work force wanted to return to work, but they were being terrorised by a handful of "instigators".

"These instigators are using the dismissal of one of their colleagues as an excuse. They are really trying to promote industrial unrest," said Mr Barnard.

Workers were expected to hold a meeting yesterday.

Prospecton firm pays off entire staff of 80 workers

NATAL 21/6/80 (189) (15/2)

Mercury Reporter

THE entire staff of 80 workers at the KBW Valve factory in Prospecton — part of the Associated Engineering Group — were paid off yesterday after a two-day strike over a wage dispute.

The workers downed tools after their tea-break on Thursday.

Mr Elwyn Seekins, the factory manager, said yesterday that the workers had demanded more money but had not specified an exact amount.

'They agreed to negotiate but demanded that all workers be allowed to participate and refused to be represented by the industrial committee or to elect a spokesman '

Workers said they had asked for a 20 percent increase and when their request had been refused they had downed tools

Workers complained that in some cases nealy half their take-home pay was spent on travelling expenses

'Some of us travel from Phoenix and we find it extremely difficult to make ends meet,' said one worker who supports a family of three.

Staff is paid off after pay dispute

RDM 21/6/80

Own Correspondent

DURBAN — The entire staff of 80 workers at the WKBW Valve factory in Prospecton — part of the Associated Engineering Group — was paid off yesterday after a two-day strike over a wage dispute

The workers downed tools after their tea-break on Thursday

Mr Elwyn Seekins, factory manager, said yesterday that the workers had demanded more money but had not specified an exact amount

"They agreed to negotiate but demanded that all workers be allowed to participate and refused to be represented by the industrial committee or to elect a spokesman.

"They were told it was impossible to negotiate with the entire staff We invited them back to work on three occasions and said we were prepared to negotiate with a spokesman only when they had returned to their jobs

"They refused A notice was put up saying that the management understood that all employees who had not returned to work had resigned and new applicants would be considered on Monday," Mr Seekins said.

He said he had met the industrial committee on Wednesday and they had not mentioned anything about pay increases

A spokesman for the workers said they had asked for a 20% increase and, when their request was refused, had downed tools

Workers complained that in some cases nearly half their take-home pay was spent on travelling expenses

They also wanted shift allowance payment for all workers

"At present a shift allowance is paid for the 6pm to 11pm workers There is no allowance for the 6am to 2pm workers This is unfair," the spokesman said

He claimed there was hardly any difference between the pay of the factory teamaker and a quality controller

Police open fire on Uitenhage strikers

(189)

RDM 2/6/80

By RIAAN DE VILLIERS
Labour Correspondent

POLICE opened fire with bird-shot on striking workers in Uitenhage yesterday as industrial unrest continued.

Police also used teargas to disperse over 1 000 striking workers who marched through the town after collecting their pay at stricken motor industry plants.

One man was wounded in the legs and a number of arrests were made, police confirmed.

In another development three giant Eastern Province motor assembly firms yesterday made new wage offers to trade union officials in a bid to end the unrest.

The police action came as workers entered the black township of Kabah accompanied by a convoy of riot vehicles and an armoured car. Earlier workers massed in front of the shut down Goodyear plant after collecting their pay packets with police standing by.

At midday the area appeared calm but the atmosphere was described as "very tense" by trade union officials.

Two strike-hit firms, Goodyear and National Standard, announced that workers who failed to return to work on Monday would be paid off.

Yesterday's new wage offer was made by the three employer parties to the local industrial council for the motor assembly industry — Ford, General Motors and Volkswagen — in a meeting with officials of the National Union of Motor Assembly and Rubber Workers and the United Auto Workers Union.

A special meeting of the full industrial council has been called for next Tuesday. The offer was to be submitted to the joint committee of the two unions at the Volkswagen plant in Uitenhage — where the strike wave started on Monday — last night.

It was not known whether the committee was likely to accept the offer.

Employers have suggested that the strike wave has been mainly politically motivated. But union officials have insisted that the strikes were triggered off when a report back meeting for Volkswagen workers on industrial council negotiations were banned last Sunday.

The general wage demand by striking workers in the area — a minimum of R2 an hour — is the demand submitted by the unions during negotiations which started some time ago.

Strike hit firms were reduced to nine as all workers at the Borg-Warner motor component plant returned to work.

Three companies unaffected by the strikes, as well as the Uitenhage municipality, sent workers home claiming they feared for their safety.

Another component firm, Hella, announced it had dismissed the majority of its workforce on Wednesday after they had refused to return to work. It said all plant operations had resumed from Thursday onwards.

A second firm, UCM Milling, has paid off striking workers and started re-engagements.

A spokesman for National Standard said yesterday workers were told they would be paid off if they failed to return to work on Monday morning.

Managements said it would be prepared to negotiate with workers after they had returned to work.

The steel and engineering industry wage increase for July 1 had been brought forward and management would also be prepared to negotiate further increases as well as incentive bonuses.

Workers were also paid at SKF, where production was said to be continuing with the help of white office staff.

At Goodyear workers remained massed outside the factory gates after being paid and repeated demands for a minimum wage of R3 an hour.

A management spokesman said there were no negotiations as the workers had not yet elected representatives. He added the firm hoped representatives would be appointed on Monday after workers had returned so that the matter could be thrashed out.

A spokesman for Ford and General Motors in Port Elizabeth said yesterday the unions were in control of the situation through shop stewards and were in the throes of negotiations with managements.

The Volkswagen Worker's Council, ending a two-day meeting at the West German parent plant in Wolfburg, declared its solidarity yesterday with black workers on strike in South Africa.

Guns for Access

R.D.M. 21/6/80.

Own Correspondent

DURBAN — Marshall Guns, the Durban-based importer and distributor of guns and ammunition, has sold a 51% interest in the company to the JSE-listed Access Investments for R300 000 and 287 400 Access shares

The company started business in Durban when Mr Dennis Monk and his associates bought the trading licence and stock from the Marshall Industrials group which went into liquidation

Access, which was carved out of the Gooderson hotel empire, has sold two Klerksdorp property-owning companies to Mr J G Terblanche for R381 000 Access will receive R181 000 in instalments after deduction of a R200 000 mortgage bond

The properties have been leased to Century Hotels The transaction dates from March 1 and will be concluded in March 1982 with the last payment

In a notice to shareholders a director, Mr L Wolf, says that after writing off goodwill equal to 6c a share on the Marshalls Guns transaction it is not expected that the two deals will have any effect on the net asset value

It is expected that earnings for the year to August 31 will rise from 2,5c to 3c a share

22/6/81

Aluminium lift-off

SUN TIM 81

(189)

By BILL CAIN

BIG CUTS in aluminium exports are imminent as local conversion demand mushrooms.

Heavy investments being poured into the lightweight metal industry indicate a virtually unlimited boom after many doldrum years.

Alusaf managing director, Danie van Vuuren, tells me "A sudden surge means we'll be selling much less overseas Exports are being cut back drastically "

He adds that no decision has yet been made on a R250-million Richards Bay expansion plan though, with domestic markets growing rapidly and long-term overseas potential at least optimistic, the go-ahead is probably only weeks away

Hulett's vice chairman, Norman Duncan, says his company intends increasing total aluminium input by 19% this year to around 45 000 tons — more than half of Alusaf's full capacity production now running at 86 000 tons annually — while other main users are also putting in higher orders

Almex (Aluminium Extrusions) general manager, Bill Seiga, says his Germiston-based company plans to increase output by at least 25% soon after a R2 million expansion scheme (including a R1,3-million press on its way from the US) comes on stream in October

He estimates that Almex at present has 28% of an estimated R55-million extrusions market it shares with Huletts

Karl Schmidt managing director, Klaus Daams, says the die-casting section of the aluminium sector is picking up at a phenomenal rate

He adds "In 18 months the industry generally has gone from 60% capacity of single-shift working to full utilisation on extended and double shifts The only thing holding us back is manpower "

A timeous boost from the motor industry's Phase 5 local content programme also looks like diverting a lot of work towards die casters

The major shift will come from the Industrial Development Corporation-backed Atlantis Diesel Engines plant north of Cape Town which, at full capacity in 1985, will need up to 800 000 locally-sourced pistons (apart from other aluminium components) for 50 000 engines annually

Mr Daams tells me his company, Karl Schmidt, and Lauf Lumenite will be expected to produce at least 125 000 pistons each when Atlantis is fully operational in four years

The six-member Aluminium Die Casting Association (Karl Schmidt and associate company NF Die Castings, Dialoy, Lauf Lumenite Silverton Engineering and Zealous Pressure Castings) a year ago had about 70% of a R25-million annual castings market with the remaining 30% shared by 40 other companies that survived a spate of take-overs and disappearances for five tough years

Value of the total die castings sector has by now probably doubled with much more work expected from electrical industries

Apex in big expansion programme

SUN TIMES 4/1/80

(189)

By ANDREW McNULTY

IN THE biggest single move yet to a decentralised area, the Apex Group, an expanding steel engineering producer, is spending R24-million in a move from Vereeniging to Isithebe in KwaZulu

The seven companies in the R34-million group operate foundries producing iron, steel and non-ferrous products and specialised products that include valves, truck components, mining and agricultural equipment

The managing director, Johan de Kok, tells Business Times production capacity is being more than doubled — to some 30 000 tons a month from the booming foundries — to meet growing domestic and export demand

Two 30-ton induction furnaces — to be the largest in the country — are being imported from Holland for operation by January, to help lift melting capacity from 2 200 tons a month to 6 000 tons

The group's turnover has risen from last year's R27-million and growth to R40-million is budgetted for 1981

Some 30% of income is derived from exports, which are planned to contribute 45% in 10 months

Current export orders exceed R87-million

"Worldwide, there is increasing demand and decreasing supply for castings," says Mr De Kok

"Locally we are experiencing strong demand from mining, motors, agriculture and many industrial projects"

His foundry business started with sales of R3 500 some 10 years ago

Two main reasons for the move, he says, are that Isithebe, near the mouth of the Tugela River, is close to Richards Bay and Durban, and that, while needing a large capital outlay, the industry is labour intensive and therefore suited to a State industrial growth-point

Employment and training will be provided for 1 100 blacks, including about 200 being brought with the group from Vereeniging, and 135 whites

Total employment could rise to 1 500 by the end of 1980

22/6/80

Mr Takeover does it again

SUN TIM RI

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dow-frame manufacturer which had produced some spectacular losses

Following stringent re-organisation, cut-backs and changes in areas of operation, profits of R189 000 were garnered in the half year to end-December last

The first of the recent acquisitions was Ace Engineering, a components manufacturer in Springs This was followed by Forge Products and Benoni Forge and Engineering

Both companies were acquired mainly with Morlite shares, the total outlay being 750 000, plus R290 000 over a period

Still on the takeover trail, Mr Haslam says he will now be looking "at engineering companies with turnovers of not less than R2-million a year"

S. Post 22/6/80

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Business as usual!

By MATHILDA MASIPA

THE Barlow Appliances and Television Company will not withdraw its paraffin refrigerators from the market, said the director and general manager of the company, Mr O M Dinsdale.

The statement follows reports that several refrigerators manufactured by Barlows Appliances and Television Company have exploded and injured several people

No plans to stop sales of paraffin fridges

The company has over 100 000 paraffin fridges in the market distributed over 12 years, according to Mr Dinsdale

"We are certainly not considering withdrawing the refrigerators from the market as we believe there is nothing wrong with the product Every refrigerator is tested in our laboratory by experts before it leaves our factory," he said

His belief, however, was that the so-called explosions were genuine accidents caused by wrong usage by consumers

He could not identify a specific cause because he had not examined the exploded refrigerators

"We have only been able to examine one so far. Even then we could not establish the cause as the accident happened in December last year Apart from the fact it had not been properly cared for, we could find nothing wrong with it," he said.

Asked whether customers were instructed properly on the usage of the product, Mr Dinsdale said his company ran product knowledge sessions with sales people from various traders and the traders were in turn required to pass this knowledge on to the consumer.

Besides, every unit had a docket of instructions sealed in it when it left the company. There was a possibility, however, that second-hand units would not have an instruction booklet.

But anyone who needed an instruction booklet or had problems with his unit could contact Barlows at 786-2340 for help, said Mr Dinsdale.

People known to have been burnt by paraffin refrigerators are Mrs Evelyn Balovi, a Sebokeng housewife who was injured in the face, Mrs Selina Ngwenyeni, also from Sebokeng, who was burnt on the face, hands, chest and body and Mr Albert Raluliml, who was burnt on the arms while trying to rescue her

Others are Mr Phineas Lediga of Katlehong, Mrs Benita Bengover and Mr Simon Puma of Randfontein, who was burnt in the face, chest stomach and hands Mr Puma is still a patient in Leratong Hospital.

A common feature in all affected refrigerators was smoking followed by an explosion

Mr Dinsdale could not say what the cause of the smoking could be but stressed the importance of adhering to instructions since a blocked chimney (flue) meant the fridge could not work very well

Mr Dinsdale said the company had asked the South African Bureau of Standards to test its paraffin refrigerators some time ago but this has not been done since the SABS has no specification for paraffin refrigerators.

Flashback — the awesome aftermath of a paraffin fridge explosion.

SUN TIMES 22/6/80

Mister Takeover does it again

Jimmy Haslam

By STEPHEN ORPEN

THE fifth takeover in almost as many months has been engineered by the chairman of Morlite, Jimmy Haslam.

The company's latest acquisition involves 100% of the Boksburg-based group Boksburg Foundry and Boksburg Sales

The foundry companies specialise in manganese steel castings and cost Morlite some R2-million.

Mr Haslam, who owns 40% of Morlite, was earlier responsible for engineering and real estate group Maccabee's sizzling rise in profits. Under his direction, Maccabee's pre-tax figures climbed from a mere R14 000 to more than R2-million in some five years.

The new Morlite takeover becomes effective from July 1 Morlite will pay R1,355-million in cash and a balance of R420 000 in 350 000 new Morlite ordinary shares at an issue price of 120c

Morlite's assets and earnings will not be affected in the (virtually) past financial year to end-June. But Mr Haslam expects earnings for 1980-81 to be lifted by 4c a share and net attributable assets to be boosted by 5c a share.

The Boksburg foundries currently enjoy a turnover of some R3-million annually, with orders worth some R1-million now on the books.

Until Haslam stepped in, Morlite was a beleaguered win-

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Cape strike force face day of decision today

By DIAAN DE VILLIERS
Labour Correspondent

IN WHAT is expected to be a crucial day in the Eastern Cape many striking workers in Uitenhage today must choose — return to work or be fired

Increasing attention is being focused on the strike-hit town as relative calm returned to other trouble spots after last week's unrest which left 32 people dead, mainly in Cape Town

Among Uitenhage firms which have issued ultimatums to their workers are the tyre plant Goodyear, with 1 300 black and coloured employees, and National-Standard

A third firm, SKF, is understood to have withdrawn a similar ultimatum

It is believed more than 7 000 workers at 11 factories are still on strike

Meanwhile, restrictions on Press operations in Uitenhage have been partially lifted.

Pressmen no longer need permission to work in Uitenhage or the town's industrial area, but the restrictions would still apply to black areas, he said.

Chances of a settlement at Volkswagen, where the strike started last Monday, appeared to recede at the weekend when a joint trade union committee at the plant rejected a new wage offer.

A special industrial council meeting is to be held tomorrow

The strike at VW broke out after a union report-back meeting to workers on industrial council negotiations was banned the previous day.

Meanwhile, trade union sources have described the situation at Ford and GM in Port Elizabeth as "very tense".

Workers face deadline today

CAPE TIMES 23/6/80

From RIAAN DE VILLIERS

JOHANNESBURG — In what is expected to be a crucial day in the Eastern Cape labour unrest, many striking workers in Uitenhage today face deadlines to return to work or be paid off

Among Uitenhage firms which have issued ultimatums to their workers are the Goodyear tyre plant, with a black and coloured work force of 1 300, and National Standard

A third company, SKF, is understood to have withdrawn a similiar ultimatum

It is believed over 7 000 workers at 11 factories are still on strike

Meanwhile, restrictions on the operations of newsmen in Uitenhage have been partly lifted

This emerged from a meeting yesterday between Brigadier E S J van Rensburg, Divisional Commissioner for the Eastern Cape, and the editors of the Evening Post and the Eastern Province Herald

On Friday, police declared the whole of Uitenhage an "operational area", which reporters could enter only with written permission and under police escort Photographers were banned completely from the area

At yesterday's meeting, Brigadier Van Rensburg said, instructions from police headquarters in Pretoria had been clarified

Newsmen would no longer be refused permission to work in Uitenhage or the town's industrial area, but the restrictions would still apply to black areas, he said

- Chances of a settlement at Volkswagen, where the strike wave broke out last Monday, appeared to recede on Friday night when a joint trade-union committee at the plant rejected a new wage offer

We won't take them back — MD

STAR 23/6/80

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East Rand Bureau

Management at the Elandsfontein steel factory where more than 300 workers went on strike last week, are adamantly refusing to re-hire 22 of the dismissed workers

"They were instigators and responsible for keeping others away from work," said the managing director of Steel Pipe Industries, Mr D Barnard, today

He said more than 250 had returned to work and another 20 were expected to return either today or tomorrow

Mr Barnard was unruffled by reports that those dismissed were considering legal action for "victimisation"

"They dismissed themselves and we refused to take them back," he said.

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Haggie, Iscor's wire giant

RDM 25/6/80

By DAVID CARTE
Deputy Financial Editor

SOUTH AFRICA'S largest wire-making company, with prospective turnover of R80-million a year, was formed yesterday with the merging of the mild wire interests of Haggie Limited and Iscor in a deal believed to be worth at least R30-million

The new company is to be called Consolidated Wire Industries (CWI) and will be owned equally by Iscor and Haggie Limited, the listed wire and cable manufacturer, which is controlled 35% each by General Mining Union Corporation and Anglo American Corporation

The parties are not yet disclosing sales, profits or even the value of the new venture, but a rough idea of turnover can be gained from a statement that the new company will control "over half" the R140-million, 275 000-ton a year wire industry Industry estimates are that turnover will top R80-million

Wire Industries dividend to Haggie in the last six months of last year gives a vague suggestion of the value of the new company This was R475 000 and represented only half the dividend, which on an annual basis must have totalled around R1 500 000

Taking into account earnings retained and price-earnings ratios obtaining today, authoritative industry sources close to the deal say CWI must be worth at least R30-million

Before the merger, Haggie bought the 50% of Wire Industries it did not already own from Wispeco for an undisclosed sum, taking sole control Iscor obtained its 50% stake in CWI for all of its mild wire interests throughout South Africa

The new company will employ 1 700 people and make wire and welded mesh for agriculture, public authorities, industry and security, as well as such diverse products as electric cable armour and insulation, reinforcing, wire for bolts and screws and welding, rivets, staples, household utensils and even supermarket baskets and trolleys

Consolidated Wire Industries main manufacturing facilities will be the present extensive Wire Industries works at Vanderbijlpark and the huge wire plant within Iscor's Pretoria works The latter will run completely independently of Iscor in future

Haggie will manage the operation

The deal suits Iscor, which sees its main function as manufacturing basic bulk steel rather than a semi-tertiary private sector product such as wire It accords with Government's undertaking to withdraw as far as possible from the private sector

More important, Iscor, which has been short of high quality profit-motivated management in the past now has access to some of the best private sector management available

The deal will also be immensely beneficial to Haggie

"We are very excited says Haggie chief executive Mr Richard Savage, ' especially taking a longer view "

Effectively, Haggie has paid a relatively full price for the joint venture, so, although there will no doubt be some immediate benefit for earnings and assets, these are unlikely to take off immediately as a direct result of the deal Otherwise the share would have been suspended

Haggie has never consolidated its 50% interest in Wire Industries, but in future it will be too important an asset to exclude and indications are that it will be consolidated in future This alone should benefit Haggie earnings

But more important are the longer-term strategic considerations

The deal makes Haggie much less mining and export dependent Its dependence on mining has dented its earnings curve badly in the past The ever-strengthening rand has been a threat on the export side

The merger diversifies Haggie's product range out of wire ropes, into such new domestic growth markets as agriculture, homeland consolidation, security and industry The rationalisation of people, plant, production and products will be another spin-off

Haggie and Consolidated Wire Industries will be Iscor's biggest single customer, using 300 000 tons of steel a year

But Haggie and Iscor stress that CWI, with just over half of the total mild wire market, will still have formidable competitors and will be far from a monopoly

Because it was a share and asset swopping exercise, the latest deal hardly cost Haggie a cent of its large cash holding and, with R13 million of cash and unused facilities as yet untapped, Mr Savage says Haggie remains "very much in the hunt for suitable industrial acquisitions"

So much so that Mr John Feek, formerly chief executive of Abercom and more recently of Eddels South Africa's biggest shoe-making company, has joined Haggie as group manager, diversification and long-range planning

There seems little doubt that this deal will push the Haggie share price to levels as yet uncharted

Motor firms offer 'huge' pay rises

(172) (157) (189)

RDM 25/6/80

By RIAAN DE VILLIERS
Labour Correspondent

THREE Eastern Cape motor employers yesterday offered substantial wage increases to thousands of workers in an attempt to end the spate of strikes and ward off further labour unrest

Full details of the offer were released in a statement after crucial wage talks between employers and unionists in Port Elizabeth

Attention has now shifted to mass meetings to be held today when black and coloured motor workers will decide whether to accept the offer

Trade unionists will meet striking Volkswagen workers today and address a mass meeting of Ford and General Motors workers tonight

The wage offer was described by an employer source yesterday as "massive" It was also emphasised that it was a final one

But it does not immediately meet worker demands for a minimum wage of R2 an hour, and there are still fears that Ford and GM workers could join VW workers on strike

Meanwhile, workers at all strike-hit firms in Uitenhage, except Volkswagen and Goodyear, were believed to have returned to work Some firms have been selectively re-employing workers after paying them off

The motor employers' offer yesterday entails a series of four six-monthly minimum and across-the-board increases over the next 18 months

Average wages will up by almost 20% next month, about 15% in January, 12%-14% in July 1981, and 10%-12% in January 1982, the employer sources said Minimum wages will increase to R1,40 an hour next month and reach the union demand of R2 an hour in January 1982

Workers are to receive either the across-the-board increase or new minimum rates, whichever is the greater Increases in shift premiums, short-time pay and end-of-year gratuities have also been offered

The immediate increase of the lowest minimum rate to R1,40 will boost the lowest wages at the motor plants to about R263 — higher than the Household Effective Level for the area, which in turn is 50% higher than the Household Subsistence Level (or poverty datum line)

According to the statement, it was agreed that the proposal would be taken back to union members and the council would meet again next Friday

The council also unanimously called on striking workers at Volkswagen to return to work "as soon as possible"

Unionists would not comment on whether workers were likely to accept the offer

But it is believed it does not differ substantially from that made to unions at an informal meeting last Friday — which was later rejected by a union committee of Volkswagen workers

In another development, a meeting of the industrial coucil for the tyre and rubber industry yesterday unanimously rejected a wage demand by striking Goodyear workers for a minimum of R3 an hour

Goodyear will begin re-employing workers tomorrow after paying off all workers who failed to return to work on Monday

Striking workers at SKF Bearings returned to work yesterday after union negotiations with management

Workers at National-Standard also returned yesterday after negotiations on Monday

STEEL PRODUCERS

Earnings bloom

2/11/80

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price increases

Last week's 14,1% steel price increase sent shivers down the backs of consumers but it has been happily received by the steel producers Although the annual controlled price reviews do not always match cost increases the current hike comes at a period of rising demand for steel in most sectors Consequently as a large proportion of the industries costs are fixed higher throughput is likely to result in better margins this year and in most cases, consolidate recently improved results

The latest price increase is the twelfth since 1970, before which the price had remained pegged between 1952 and 1970 It [illegible] has been welcomed by Iscor [illegible] Tommy Muller [illegible] it will enable [illegible] cost increases of 15% to be absorbed without difficulty Iscor expects to show a profit of about R100m for the financial year to end-June 1980 the culmination of its first 18 months in the black after six years of losses

Private producers have [illegible] reporting higher profits and although most are moving from a low base the market appears to think that [illegible] performance can be sustained For [illegible] Steel index has appreciated from a low of [illegible] this time last year to a current 358 [illegible] three major companies have performed equally well – Highveld moved from 316c to 470c Dunswart from 100c to 220c and Union Steel from 50c to 135c

The market's optimism has been prompted in part by the latest statistics for steel production For the first four months of 1980 steel mill output was 4 8% higher than the previous period and pig iron output 4% higher Foundry output rose by 5 7% in the case of steel castings 16 2% in the case of iron castings and a [illegible] 19 5% for non-ferrous castings As long as the steel producers can meet the growing demand from fast-rising sectors like construction and motors, prospects for the year ahead are good Ironically, the softening in the world markets has come at the best possible time Because higher freight costs and dropping prices are lowering the returns on steel exports, producers are being forced to cut back on their overseas trade — which has in the past represented, in some cases, over 30% of total sales And this is enabling them to switch supplies to meet growing local demand

With higher margins in the local market, the substitution should have been highly successful But producers are faced with other difficulties and the extent to which each company can meet them will determine its benefits from the current economic upswing On the other hand, export markets have been established over a number of years and, some argue, must be maintained despite the current low profitability to hold market share The proportion of production able to be switched to the local market could thus be limited In addition, most of the producers are running at 100% capacity, so additional local sales will have to be largely at the expense of lower exports In the short term, growth potential could become restricted

Increased costs

The industry also continues to grapple with the two problems of escalating costs and possible scrap metal shortages Rising rail and electricity tariffs and soaring wages paid to "overcome" the serious skills shortage, could average out at a 19% increase in overall costs for private producers this year Demand for scrap metal remains high and quotas are being fully taken up, although Ferrous Scrap Dealers (FSD) MD Peter van Andel denies that there are shortages This week, FSD's board will announce a rise in scrap metal prices, expected to be much the same as steel's 14% But the ability of steel producers to meet current demand will rely heavily on the availability of sufficient scrap metal

Despite these troublesome factors, private sector producers are optimistic about the year ahead Highveld is the only one which has maintained a steady upward trend — even through the lean years of the mid-Seventies Last year, of its three basic components — steel, vanadium and ferro-alloys — alloys enjoyed the largest increase in world demand The 1978 acquisition ferro-alloy producer Rand Carbide, contributed 11% to group earnings in its first year of consolidation

Last year's turnover of R268m translated into earnings of 40,2c Although 43% of total production was exported, this percentage is being reduced as conditions favour the local market Nevertheless, the group remains vulnerable to world steel demand Chairman Graham Boustred's forecast for the year to end-June 1980 stresses that the sound start to the year will ensure that profitability is maintained, but that an improvement will depend on a reasonable level of demand from abroad

Installation of a ninth pre-reduction kiln and the erection of an additional oxygen plant will result in an increase of about 10% in steel and vanadium slag production Further expansion plans aim to increase annual steel output to 900 000 t by 1982, compared to 752 000 t last year

This will maintain Highveld's position as the largest of the private sector producers With capital commitments of R25m for the year, some of which will be funded internally, and dividends traditionally twice-covered, the payout at year-end could be little more than last year's 20c

Steel . . . optimistic outlook

total Yielding an historic 4,3%, the share already discounts steady profits growth

At a competitive advantage with its sponge iron plant, Dunswart is not heavily dependent on scrap metal for its steel production Although most of its sponge iron was used in group operations, a total of 9 000 t was sold to other steel companies, and the possible installation of a second kiln would make larger amounts available to the industry After scrap metal, sponge iron is currently the second cheapest building block for steel and the gap is closing

After a downward earnings trend in the early Seventies culminated in a loss in 1977, Dunswart's plant was overhauled and there were management changes Both are now paying off Turnover for the year to end-December rose 25% to R68,5m, while earnings per share increased from 8,3c to 77,2c with the utilisation of a taxed loss Improved profits have been forecast for the first six months of 1980, due to be re[illegible] the interim announcement on July 18, as once again no tax will be paid

In this highly capital intensive industry capex of R7,9m will cover only the replacement of heavy equipment and the building of a training centre About R20m needed for the proposed sponge iron kiln would be raised elsewhere A share option scheme is currently underway to increase Dunswart's fund-raising capacity — its debt equity ratio is 71% If all the options are taken up, the number of shares in issue will increase from 4,8m to 11,1m, affecting both earnings and net asset value per share at year-end

On this basis, last year's 10c payout appears to be an indication of what this year's dividend could be on the greater number of ordinary shares On a probable cover of 2,5 times, a possible 12c total would put the share on a prospective 5,5% yield

Although it has diversified into special steel products which are not price-controlled, Union Steel has followed a similar earnings trend MD Jan de Waal took over in 1976 when the company was heading for a R2m loss, and 1979's earnings of 31,7c (13,1c) indicate that the group is getting back on to its feet It has, in fact, been the steel division, rather than copper and aluminium, which has shown the most convincing recovery and is responsible for more than half total turnover

Last year, the group was listed in *FM's* Top 100 with its impressive earnings growth, but it was moving from a low base and has yet to prove that such profitability can be maintained Turnover of R202,8m (R137,2m) placed it second to Highveld in size, but it paid a final of only 8c yielding an historic 5,9% As a supplier to both the automotive and engineering industries, the group can anticipate higher earnings this year But if capex of R4,1m is to be funded internally, and last year's conservative cover is maintained, prospects of a significantly higher dividend are slim

Deciding which of the three shares is the best has to be hedged Dunswart and Union still have recovery attractions for individuals But institutional investors looking to longer-term earnings quality may see things differently

Last year Highveld exported 43% of its steel, and has considerable near-term scope for boosting earnings by switching sales to the currently higher-margin domestic market And though vanadium has been under restraint recently, the picture could be fast changing, particularly with improving demand for vanadium steels for the UK's ambitious gas pipeline construction programme Couple this with the fact that Highveld is one of the world's lowest cost steel producers and that its management has demonstrated an ability to cope with market setbacks, and for medium-term investors the share is probably the best bet

Fiona Hales

STEEL PRICES

Sanity at last

FM 27/6/80

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Prices across the whole spectrum of the steel manufacturing industry rose last week by an average of 14%, accompanied by widespread portents of inflationary doom But in terms of return on capital in the state-owned steel maker, Iscor, the rise was modest indeed

Iscor spokesmen have said the increase will affect the consumer price index by no more than 0,4% Other economists have argued that its effect throughout the economy on a wide range of production costs will be more severe

The steel price is reviewed annually by the government in consultation with the industry It rose 12% in June 1979 According to Iscor's GM designate Floors Kotzee, production costs over which the state steel-maker has no control have risen over 15% in the last year The prices of raw materials production goods, fuel and transport are all higher So the steel price increases are barely keeping up with costs

Iscor is set to show a profit when the current financial year ends in just under a week, the first net profit it will have achieved since 1973 The 1979/80 profit is estimated to be about R100m and is based on a 21% increase in local sales over the year an improvement in productivity reckoned to have saved the company about R37m and higher export prices

Moreover, says Kotzee Iscor's crippling debt burden is being steadily reduced Last year, for instance, financing charges converted a net profit of R103m into a R38m loss This burden is a legacy of the massive expansion programme announced in 1968 In the early Seventies five years before the completion of the programme, the maximum debt ratio (set at 40% in 1968) fell victim to a drastic decline in the availability and tenure of foreign loans an increase in domestic interest rates and accelerating inflation The debt ratio was 65% in 1978 59% in 1979 and is now around 50% according to Kotzee By the end of the 1979/80 year loan liabilities will have been reduced by a net R234m compared to a reduction of R205m in 1978

Towards a dividend

Further evidence of increasing corporate health is that the government did not contribute to the servicing of debt last year, after granting R70m in 1978 And its share capital injection of R105m in 1978 fell to R50m last year There is a good chance,' says Kotzee 'that we will not have to ask the government for any more assistance We are in fact working towards a dividend

But, he points out, on a total asset base of R3 000m, profits of R300m to R400m would be required to be comparable to private sector targets

Steel export prices are not taken into account when reviewing the local price so domestic consumers do not subsidise export losses, adds Kotzee Sales abroad, which absorbed nearly 40% of Iscor's total production in 1978-79 dropped to 32% in 1979-80 as local demand picked up They are projected to fall to about 26% in 1980-81, which is not too bad since international demand is weak and export prices are lower than local prices

'We would have earned R200m more in 1979 if we had sold exported steel locally,' says Kotzee "But we do not lose on exports We have never been in a position where we have not recovered our variable production costs, plus an appreciable portion of our fixed cost In fact we are one of the few steel companies that can still compete successfully in export markets

But there is some concern over the effect on exports of the appreciation of the rand against the dollar since most steel sales are made in dollars So the situation will probably deteriorate

Other steel manufacturers agree that a straight comparison cannot be made between local production costs and buying prices in countries of sale in an attempt to determine whether steel is being exported at a loss Argues Kotzee Export prices are lower than domestic prices But our export operations nonetheless contribute to our profit by pushing up plant capacity utilisation and enabling us to recover fixed costs We don't dump steel overseas Or if we do, then everybody does

In any event, the increase in the steel price is probably no more inflationary than is inevitable as it is clearly about the minimum necessary to keep Iscor in the black

(189) 27/6/80

IRON AND STEEL

FM 27/6/80 (189)

End of the scrap

It seems that scrap metal merchants have finally broken the price stranglehold of Ferrous Scrap Distributors (FSD), the buying organisation for their steelworks and foundry customers.

"We have reached a new understanding with FSD," says Harry Drucker, chairman of the Metal Merchants Association (MMA) which represents the merchants. "If our relationship with FSD last year was like chalk, this year it's like cheese."

FSD is a non-profit company made up of 50 members which use scrap iron. For years it has used its near-monopolistic position to pay prices which were often well below world prices. And scrap merchants have been powerless to sell overseas because government has refused to give export permits for a commodity considered to be in short supply.

The crunch came last July after the fuel price rises when the MMA refused to supply FSD unless immediate price adjustments were made. Fuel is an important cost component in scrap collection. This forced some foundries, which desperately needed scrap, to negotiate their own deals with the merchants. The move was well-timed because export commitments made during the recession by scrap users and the upturning economy were increasing the demand for scrap.

MMA sells about 1.25m tons of ferrous scrap a year valued at R75m. Tonnage growth of scrap is put at about 5% a year. Steel output is now expanding faster than the rate of scrapping and the increasing proportion of exported steel is reducing the scrap available for recycling in the future. This realisation has forced a new sense of responsibility both in scrap merchants and scrap users.

"Our raw material supplies are not unlimited," says Drucker, "and scrap exports should never happen again."

Scrap users too are realising that to keep their furnaces going they will probably have to supplement local scrap with more expensive imported scrap. Otherwise, like Dunswart, they will have to take the even more costly route of installing their own sponge iron plants, or using pig iron like Scaw Metals.

FSD allocates scrap quotas to its members and GM Pieter van Andel says that this year, "everyone is prepared to take up his full allocation and more."

This puts MMA in a good position because, following the latest steel price increases, FSD and MMA will meet on July 8 to thrash out new prices for ferrous scrap. Says Drucker: "We will have to see if our customers can pay the higher prices."

Revamped Salect pays 2c

(189) RDM 25/6/80

SA Selected Holdings, reporting for the first time since the company was restructured late in 1979, achieved an attributable profit of R1 200 000, annualised for the 12 months to last February

As the contribution from the Intercontinental machine tool and engineering subsidiary covered 14 months, the figures omit turnover and profit of R1 500 000 and R64 000 respectively, being that portion derived from the first two months of Intercontinental activity

Based on the 12-million shares in issue, earnings a share translate to 10c, out of which a 2c dividend has been declared

Market expectations must have been more optimistic as the share rose to a high of 100c to close at 95c yesterday, which the dividend yield just over 2%

Because of the restructuring and change of activities within the group, comparative figures would be meaningless

The chairman, Mr Robert Skok, says group order books are at record levels with a high volume of both domestic and overseas work in hand for at least the next year

Salect is confident of being able to sell the 78% stake in Sinclair Holdings in the current year Mr Skok says the Sinclair interests, which accounted for a loss of R211 000 for Salect in this past year, are not compatible with the group's other activities

Moreover, the disposal of this investment will reduce the cost of short-term finance and allow for a more liberal future dividend policy

The group's move into its Heriotdale premises now virtually complete and the initial integration problems have been overcome

Overall, Mr Skok believes the outlook for the current year is positive — a minimum 50% improvement in turnover and a doubling of earnings is expected

The company's annual report will be published before the end of July and will contain a complete review of activities and a specific forecast of earnings for 1980-81.

Gold tops in grand year for Anglo

RDM 30/6/80

By DAVID CARTE

Deputy Financial Editor

ANGLO AMERICAN Corporation produced 36% of South Africa's gold, 35% of its coal and 41% of its uranium in pushing up taxed profit 52% or R104-million to R306 600 000 in the year to March, says the annual report

Pre-tax profit rose 44% to R382 500 000, earnings a share 50% to 136,1c and the dividend 52% to 70c Had Anglo equity accounted, earnings would have been 260c a share

The market value of investments rose to R5 058-million (R3 071 400 000), while assets employed totalled nearly R8 000-million The total market capitalisation of companies administered by Anglo rose to R11 000-million

Anglo's own market capitalisation rose 73% to R2 929-million

Even though all divisions, except level-pegging diamonds achieved vastly improved results the gold division outstripped all others, contributing 52% of group income, compared to 37% in 1979

Diamonds were the second biggest profit contributor, weighing in with 19%, compared to 28% in 1979

Even though Amic pushed up earnings 62% to a record industrial investments contribution fell to 13% from 17% Coal's contribution also dropped from 6% to 5% in spite of a 25% rise in Amcoal's earnings Finance contributed 4% (1979 7%), and platinum and other mining 2% (1%) each

A geographical breakdown of profits shows that South Africa's contribution rose from 74% to 81%, while the South West African contribution fell from 5% to 3% The rest of Africa contributed 5% (7%) and North America 4% (6%)

Gold production declined marginally to 260 019 kg, and uranium production rose 253t to 2 149t Working revenue of the gold mines rose 47% to R2 151 200 000 in spite of increased working costs, working profit rose 78,2% to R1 274 600 000 Dividends paid totalled R350 600 000 (R194 700 000)

During the year the South uranium plant at Vaal Reefs was commissioned and a R715-million additional shaft system and gold plant at Western Deep Levels was announced Both the Joint Metallurgical Scheme and Ergo were operating satisfactorily

While total mine output rose by 2-million carats to 13 900 000 carats, diamond sales by the Central Selling Organisation were about the same as in 1979 — $2 598-million This was a $46-million improvement in dollars, but a R27-million decline because of exchange rate movements

While De Beers diamond account income was R125-million lower because of lower stock profits and higher working costs, interest and dividend income compensated and equity earnings at R741 900 000 were almost the same as 1979's

In coal the most important development was the securing of contracts to supply two new 1 800 MW Escom power stations Sales rose 23% to 36 300 000t and pre tax profit 25% to R104-million

Among industrial holdings, Highveld Steel incorporating a full year's results of Rand Carbide for the first time, lifted earnings 30% to R27 300 000 Scaw Metals, Boart International and Mondi Paper all achieved record results, and Sigma became South Africa's biggest vehicle maker, selling nearly 59 000 units A 35% stake in Haggie Ltd was acquired

The report says mining and engineering studies of the possible exploitation of low-grade gold and uranium deposits in the Erfdeel-Dankbaarheid block, north of Free State Saaiplaas, are 'far advanced', and other Free State prospects are encouraging

Boreholes are being sunk south and south-west of Vaal Reefs with the aim of confirming reserves Exploration near Klerksdorp yielded mixed results and further drilling south of Western Areas yielded similar gold values to those obtained previously But much more work is required to confirm the gold grades of a number of reefs at great depth

Coal reserves improved in the year, increasing by 995-million tons to 7 700 million run-of-mine tons Amcoal's target of reserves of 9 000 million tons is expected to be met by the end of 1982

Further encouraging results have been obtained from the copper lead zinc discovery in the Sperrgebiet in South West Africa and further drilling is planned this year

Anglo increased its stake in Amgold from 48% to 49% in Amic from 44% to 49% and in Australian Anglo American from 37% to 41% Mainly as a result of the Charter Minorco restructuring, the holding in Anglo American of Canada fell to 22% from 39% and in Minorco to 32% from 40%

Apart from the acquisition of a 12,5% stake in Cons Gold, the most important additions to the investment portfolio were 7-million Rusplat 1 200 000 Shangani Mining, 800 000 Anglos, 1-million Huletts 3-million Sasol and 400 000 Tongaat Sales included 200 000 Deelkraal and 210 000 Loraine

Anglo is being for sued with 28 other uranium marketing companies in America by Westinghouse Corporation for allegedly violating anti-trust legislation Anglo has refused to take any notice of the suit as it argues that it is not subject to the jurisdiction of the US It is not perturbed at an injunction not to remove assets from the US, saying it has none there

The report does not mention it, but Mr Gavin Relly said at the time of the preliminary report these results were obtained on an average gold price of $306

The report also does not describe prospects This is the prerogative of the chairman, Mr Harry Oppenheimer, who reports in August But with gold still so high, prospects can only be brilliant

Bright for aluminium

(159)

RDM 2/7/80.

Deputy Financial Editor

MR CHRIS Saunders, chairman of Huletts and its subsidiary, Huletts Aluminium, tells the shareholders of Huletts that he expects "substantial growth" in aluminium earnings But he does not make the same forecast in the Hulamin annual report

All he says of prospects is 'the general upturn in the economy will continue and result in improved earnings for the company s semi-fabricated products

Although Mr Saunders mentions some pressure on supply of basic raw materials, he does not give an overall earnings forecast in the Huletts Aluminium report

Reviewing the past year, Mr Saunders says that after a sluggish first half demand improved significantly in the second half, especially for aluminium foil

Thanks to a favourable change in the product mix and better plant utilisation due to a 16% volume increase in extruded and rolled products, taxed profit rose 30% to R5 333 000 and earnings rose in line to 71 1c (54 7c) The 36c dividend was a 33% improvement on the 27c paid in 1979

As a result of the continuing demand for foil, Hulamin is considering spending R8-million on a third foil rolling mill

At 600c, the share yields 6 %, which looks fair value in view of the bright prospects

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(1983)

R.D.M. 2/2/80.

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The workers who claim SATV fired them unfairly. From left: Mr Kota, Mr Njikelana and Mr Gaca.

Daily Disp 3/7/80

Union trio claim unfair dismissal

189

EAST LONDON — Three SATV workers claimed yesterday they were sacked after being accused by management of being "trouble-makers"

But last night the firm's managing director, Mr Mike Bosworth, refused to confirm or deny the allegations.

Asked about the alleged trouble with his 1 500-strong black staff, Mr Bosworth refused to comment but said the situation was under control

The sacked trio — Mr Xolani Kota, Mr Sisa Njikelana and Mr Mthobela Gaca — alleged they were sacked for their trade union activities and because SATV did not want to recognise their trade union, the South African Allied Workers' Union (SAAWU)

Mr Kota is secretary of both the workers' committee at the Wilsonia plant and the Border branch of SAAWU Mr Njikelana is chairman of both the workers' committee and the Border branch of SAAWU

Mr Kota works as a fault finder, Mr Njikelana as a radio lab assistant and Mr Gaca as an operator

The men claimed that trouble started at the plant when management wanted to have a works liaison committee elected because they were not happy with liaison with the workers.

"They called in 38 senior black staff members to put their proposals to them but the workers later took a stand that they were satisfied with their workers' committee and did not want a liaison committee

"Forms were attached to our pay packets about the liaison committee and were to be returned but more than 80 per cent of the workers ignored the forms

"Management then came out against SAAWU saying it was not a registered trade union and by midday yesterday, the three of us were called individually by Mr Bosworth and the general manager, Mr W Winkler, and fired

"This was despite an assurance to the workers nobody would be victimised Moreover there was no strike or work stoppage of any sort and we merely talked to some of the workers

"We view our dismissal as sheer victimisation and have passed on the matter to our union "

The national organiser of SAAWU, Mr Thozamile Gqweta, said last night he had informed his head office of the matter and was awaiting further instructions

"We, however, condemn the actions of SATV as blatant victimisation and demand their reinstatement As trade unionists we are fighting for the rights of workers and for better protection against injustices and exploitation

"I have always maintained with these firms that the business of our union not being registered is not their concern. That is a matter between us and the government and we have already outlined our reasons for not registering," Mr Gqweta said — DDR

ISCOR

189 260 FM 4/7/80

New phase begins

SA's state-owned steelmaker, Iscor, which drastically cut back its capital growth during the 1976-78 recession, is planning substantial investment in ancillary equipment in the next five years, although it is not contemplating additions to basic production facilities

Some of the amounts which will be involved are R90m for a new sinter plant, R50m for two coke briquette plants, and an undisclosed sum for the expansion of present facilities

These plans will lift molten steel capacity from the present 7m t to 8,5m t by 1986

New projects slated are

□ A new sinter plant at its Vanderbijl works at a cost of R90m The plant should almost double sinter production — bringing it to 13 000 t a day — and will increase the sinter content of raw material fed into blast furnaces from 39% to 80% Sinter is ore too fine to be fed into blast furnaces untreated Tenders will go out in October Construction is scheduled for June 1981, and commission in May 1984

□ The construction of coke briquette plants at Vanderbijl and Newcastle Tenders for the R50m contract (for the construction of both plants) are being adjudicated now The capacity of each will be approximately 4 000 t a day

□ Expansion to buildings, facilities and handling equipment at existing mills Iscor is not in a position to mention final costs yet

The new facilities are ancillary equipment which will make possible increased production from existing basic capacity

Divisional GM Willem van Wyk explains "From 1975 to 1980, we were in a phase in which we concentrated on the optimisation, rationalisation and improvement of all existing facilities — without spending vast sums of money

"In the phase into which we are rapidly moving now, we still do not intend building basic capacity — such as blast furnaces — but we believe it is necessary to do everything necessary for the improvement of production — and this means the construction of ancillary equipment "

Ore smaller than 8 mm cannot be used in a blast furnace, so a sinter plant enables steelmakers to avoid wastage Increased blast furnace production is another advantage

Another good reason for the building of a sinter plant is that SA's coking coal performs poorly in a blast furnace due to the presence of alkalis But the addition of calcium chloride to the fine ore being sintered drives off alkalis and reduces the quantity of alkalis fed into blast furnaces

Briquetting plants increase the block density of coking coal by adding pitch to crushed coal and compressing the coal into a briquette A larger tonnage is fed into the ovens, which results in a stronger product

Van Wyk says that when all the new phase projects planned by Iscor come on stream — that is, by 1986 — the corporation's capacity to produce molten steel should increase from 7m t to 8,5m t, an increase of some 20%

"An increase which we will have achieved," he adds, "without the addition of major basic production facilities "

The Vanderbijl sinter plant — which will measure about 150m by 300m — is aimed to push up production for local demand According to Iscor forecasts, the corporation's share of the local market will easily be able to absorb the increased production of flat products From 1986 mainly profile products will continue to be exported

What about the financing of the new projects, given Iscor's past financial problems?

"We expect to generate the cash ourselves — from internal sources," Van Wyk says "Our debt ratio is down to 50% and we believe that by next year it will be down to below 45%

"We think we can spend this money and continue to reduce our debt ratio "

FM 6/7/80 (189)

Engineering growth

Activities: *General engineering, including the manufacture and supply of machine tools and general engineering equipment and components UK holding company B Elliot own 60%*

Chairman. *F M Russell*

Capital structure: *3,9m ordinaries of 50c Market capitalisation R9,8m*

Financial *Year to March 31 1980 Borrowings long- and medium-term, R1,7m Net cash R849 000 Debt equity ratio 22% Current ratio 1,7 Net cash flow R2,4m Capital commitments R253 000*

Share market· *Price 250c (1979-80 high 250c low 80c, trading volume last quarter, 59 000 shares) Yields 31 6% on earnings 6 8% on dividend Cover 4 7 PE ratio 3 2*

	'77	'78	'79	'80
Return on cap %	18 2	13 4	35 2	44 9
Turnover (Rm)	16 0	17 6	24 1	35 4
Trading profit (R 000)	1 679	1 916	2 617	5 225
Gross margin (%)	8 4*	5 1	9 8	14 5
Earnings (c)	15 8	7 5	41 0	79 0
Dividends (c)	10	5	10	17
Net asset value	193	172	204	226

The sale of specialised engineering services and products is providing healthy returns for GIC as the growth in the engineering industry gains momentum MD Mark Russell has reported that the current year opened with order books substantially higher than a year ago And unless there is a major economic reversal he expects a further improvement in results

The group has strengthened its financial structure at an appropriate time, as working capital requirements of the trading subsidiaries are unlikely to abate this year Former loan capital of R700 000, repayable from 1977 to 1983, has been replaced by new five-year loans of R1 700 000, repayable from 1984 Proceeds of the rights issue amounted to R1m and share capital has been increased by R565 000 to expand the borrowing capacity These arrangements, plus flexible short-term facilities and sharply increasing earnings, should enable working capital requirements to be met

Substantial expenditure on equipment and training is reaping rewards in the specialised product markets of the various subsidiaries Strip Steel encountered improved demand for its steel products which are replacing imports and the company has installed additional annealing capacity

Keppel Gilbert recorded an outstanding performance for the year, and is currently developing the market for numerically controlled and high production machinery

The combined resources of Elga Engineering and Caxton Engineering also turned in record results and continue to increase the proportion of SA-designed products being manufactured and sold Last year's black sheep, Koppel Engineering, made steady progress, and the remaining subsidiaries turned in satisfactory performances

Prospects for the current year are highly encouraging Last year, second-half turnover was 27% higher than first-half, and if this trend continues, this year's earnings could reach 100c Retentions, however, will remain high to satisfy working capital requirements However a dividend increase to 22c is possible putting the share on a prospective 8 8% yield Over the past year the share price has strengthened considerably in anticipation of earnings and dividend growth Even so, on a two-year view it still rates a buy recommendation

Fiona Hulse

METAL BOX

Realigned operations

FM 4/7/80 (189)

Activities *Manufacturer and distributor of packaging containers, closures and components in metal, plastics and board, and of machinery for the packing and related industries Makes and sells precision metal tubing and electrical accessories Metal Box Overseas (UK) owns 57,8% of the equity*

Chairman: *C Cilliers, managing director D A Jacobs*

Capital structure *25,3m ordinaries of R1, 500 000 5% red cum prefs of R2, 4,15m 10,5c div conv red cum prefs of 10c Market capitalisation R131 6m*

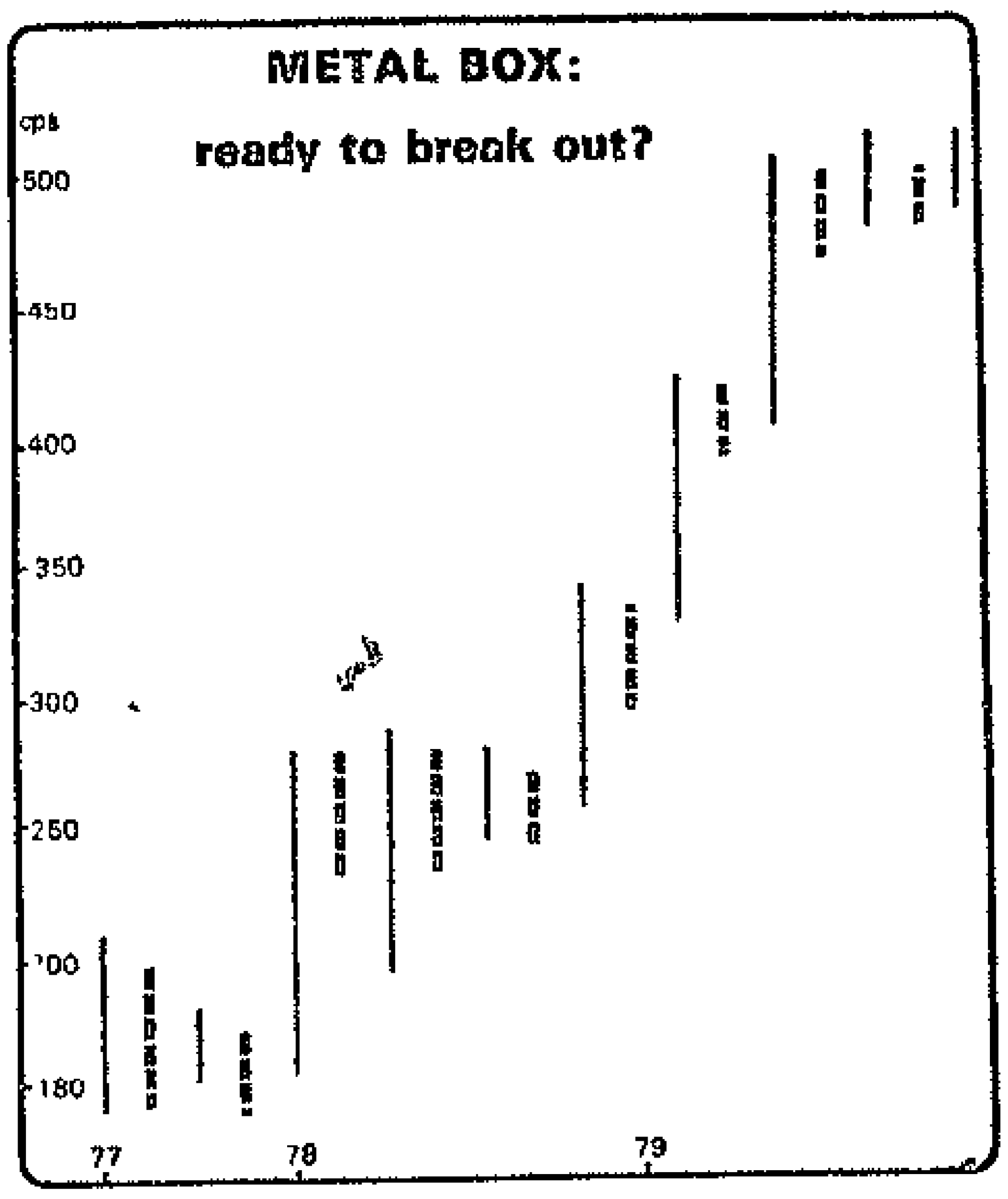
Financial *Year to March 31 1980 Borrowings long- and medium-term, R30m Net cash R537 000 Debt equity ratio 44% Current ratio 2,0 Net cash flow R11,4m Capital commitments R12m*

Share market. *Price 520c (1979-80 high, 510c low, 290c trading volume last quarter, 126 000 shares) Yields 9,6% on earnings, 5,8% on dividend Cover 1,7 PE ratio 10,4*

	77	78	79	80
Return on cap %	12 2	14 9	19 2	29 0
Turnover (Rm)	55 6	168 4	215 3	273 6
Gross profit (Rm)	11 0	13 4	17 6	28 9
Gross margin %	7 0	8 0	8 2	12 9
Earnings (c)	26 4	25 9	31 4	49 8
Dividends (c)	22	22	25	30
Net asset value (c)	217	231	235	249

Metal Box spent last year selectively diversifying and eliminating some unprofitable divisions It is thus equipped to take full advantage of the rising demand for its products Despite difficulties experienced in the depressed fishing industry, last year s earnings showed a major improvement And chairman Charl Cilliers says of the current financial year that group budgets indicate sustained growth in net operating income, with the past year s rate of increase in dividend being maintained

The improvement in last year's results has been attributed to a number of factors affecting different divisions The higher overall gross margin of 12,9% (8 2%) achieved in the wake of real volume increases is the most significant A good fruit crop in the Western Cape boosted sales in the canning division And as the group supplies a number of products to the prospering building, furniture and en-



gineering industries, volumes should continue to rise

On the other hand, the number of competitors will also grow, particularly in the electrical appliance market where many are keen to benefit from the electrification of Soweto and other areas Maintenance of margins depends partly on whether all divisions operate profitably this year Last year two of the company's divisions encountered problems Machinery and engineering, which had expected to become profitable during 1980, halved the previous year's loss to R616 000 However, a number of delayed contracts should contribute towards profits in the current year, in which case the division expects at least to break even

The food and beverage packaging division decided to close its Walvis Bay manufacturing operations from April 1980 because of the further reduced fishing quotas Closure resulted in a non-recurring write-off of R614 000

On a more positive note, the divisions involved in tubing and electrical accessories reported very satisfactory growth Although only 19,9% of last year s pre-tax profit was attributable to them, forecasts of even higher growth are being made, and the balance in this year s profit mix may well alter The search for investments yielding at least 25% on total cost continued last year New acquisitions Aries Plastics and Quadrisection, although purchased in the course of the year, had retrospective earnings for 13 months consolidated in last year's accounts Three months profit from African Detinning has also been included Compact-It was sold because its industrial waste removal was incompatible with the business of the rest of the group

The balance sheet has been strengthened by the injection of last year s increased retentions, boosted by a R2 3m reduction of stocks which eroded the Lifo base and increased net income by about R1,3m Loans were reduced by R5 7m, and cash resources after acquisitions increased by R3,9m

On this basis, working capital requirements for the new year could be funded without strain from internal resources, and the debt equity ratio of 44% (40%) leaves room for gearing up to the stated ceiling of 60% In addition installation of a can line at Rosslyn at a cost of R13m is to be financed by suspensive sale agreements It seems therefore, that the company should well be able to pay out its proposed 36c dividend on increased earnings and the share, at 520c yields a prospective 6 9% compared to the 5,4% sector average

Consolidation at 505c has ended, and the share could move to 540c before levelling off It has already moved up sharply during the year from 300c and as long as industrials continue bullish, Metal Box should go with them

Fiona Halse

COMPUTERS FM 4/7/80

Exponential growth

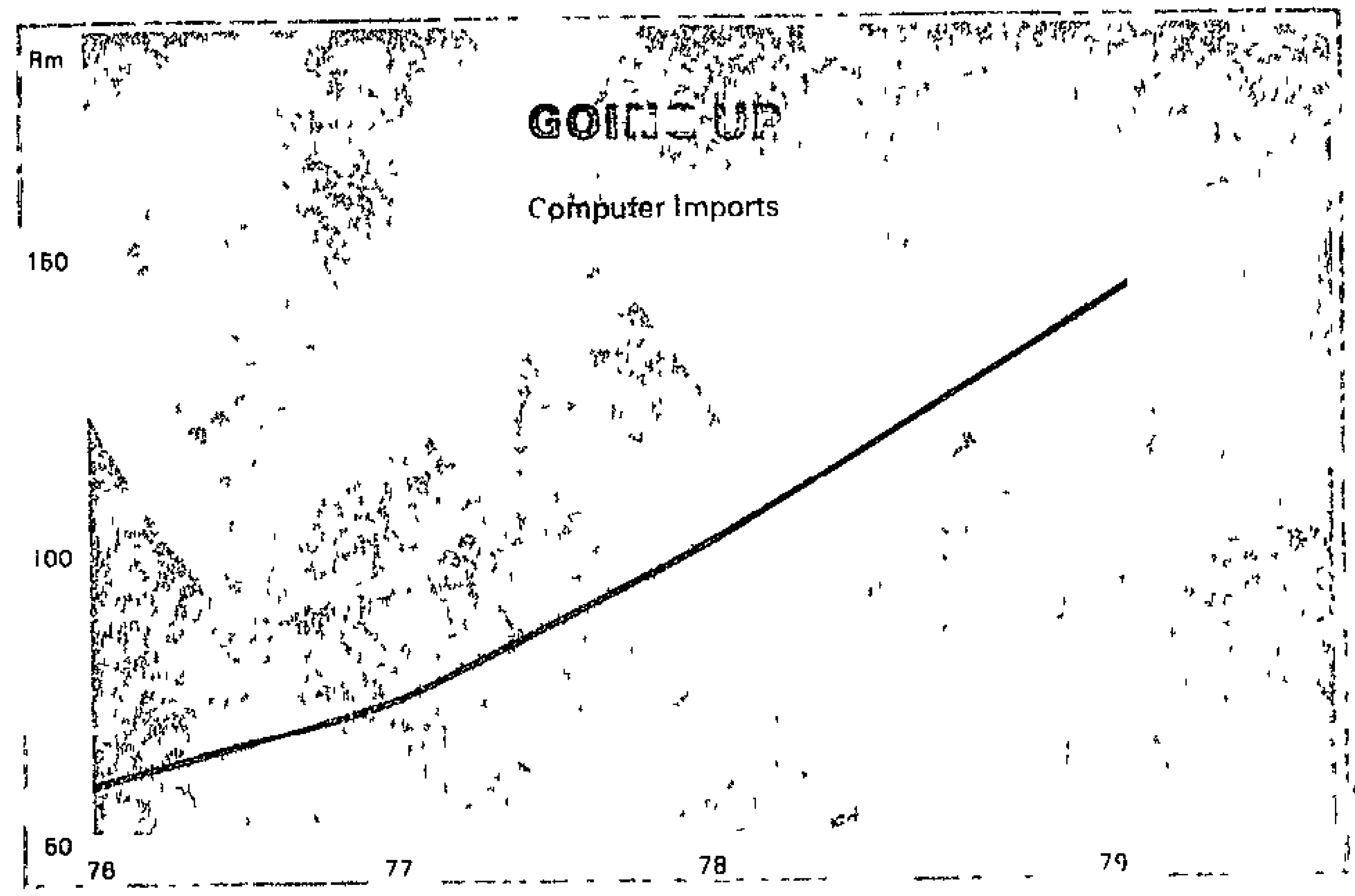
189

Getting a handle on the size of the SA computer business has never been easy. Foreign companies control something like 95% of the industry, and they are never prepared to disclose details of their local turnover.

But official import statistics show that the growth of the business is on an accelerating path. The FOB value of computer hardware imports rose by 42% last year (compared with 1978) to just under R145m. Growth in 1978 was 36% and in 1977 it was 14%.

What those FOB figures are worth in the marketplace is a matter for conjecture, but it would not be stretching a point too much to double them to cover freight costs and suppliers' profit margins. That would put a value on the marketplace last year of R290m, although some estimates are as low as R235m.

Of course, this still represents only a portion of the annual expenditure on computerisation. For example, the wage bill for the 22 000 people in the industry is estimated by Don Gray of Computer Personnel, the staff placement organisation, at R185m a year.



There are also the inputs of the computer service industry (worth an estimated R75m a year), software (which accounts for anything between 10% and 25% of total data processing costs), and maintenance. Some of these items overlap, however, making it difficult to arrive at a global industry figure. Thus much (but not all) of the software costs are included in wage costs.

Additionally, the hardware figure does not include such peripheral business as electronic cash registers and computer-linked point-of-sale terminals, or parts and accessories.

Computer Sciences executive chairman Morris Cowley estimates that hardware represents only 40% of the total turnover of the data processing industry, the rest being made up of staff, premises and software. That estimate suggests that the total amount of money now being spent in the industry in SA is R700m a year.

Another way of looking at the industry is the value of the installed base. The Computer Survey conducted by the Department of Statistics put the value of equipment purchased outright (generally, minicomputers) at R154m in mid-1977, and the total monthly rentals paid at R8,5m.

Assuming a 45-month pay-back period for the hardware, and deducting 20% for maintenance, this would put the value of the installed base of rented equipment (generally comprising bigger systems) at R308m.

The growth rates shown between 1975 and 1977 were 22% for the rented equipment, and 41% for the other. At these rates of growth, the installed base now, three years later, would be R560m for rented equipment, and R435m for purchased equipment, making a total of R995m.

There appears to be no let-up in growth. ICL, the country's second biggest supplier (in money terms), which experienced a slowdown in growth from a 50% average over the previous five years to 25%, is trending upwards again, according to GM Tony Wetton.

Burroughs, number three in the market, saw sales rise 48% last year and in the first half of 1980 has experienced further growth of 56% over the same period of 1979. NCR is expecting to match its 50% growth of last year. The small companies, growing off lower bases, are growing even faster in percentage terms.

HULETTS ALUMINIUM SET TO EXPAND IN PIETERMARITZBURG

Sow Tribs 6/7/80 (189)

HULETTS Aluminium Limited is to embark on a major expansion programme to their aluminium foil plant in Pietermaritzburg

The company is to spend R7,5 million on new equipment which will increase production of aluminium foil by 80 percent in order to meet the anticipated market demand to the end of the decade, according to managing director, Lou Sennet

Cost of the project will be met from existing resources The work is expected to be completed by early 1982.

The expansion programme involves the installation of a new foil rolling mill which will complement the company's two existing foil mills Work is expected to begin shortly.

The demand for foil products is increasing rapidly in South Africa as the food industry realises their potential for packaging of countless varieties of food products

The aluminium foil market is growing at a rate faster than the economy. A new plant will place Huletts Aluminium in a good position to meet the increased demand.

A member of the Huletts Industries Limited group of companies, Hulamin has its main plant in Pietermaritzburg. As Alcan Aluminium of South Africa, the company started production of sheet and foil in 1949. Since then the company's history has been one of continual growth in both production and sales

Huletts acquired a 60,8 percent interest in the company in 1974.

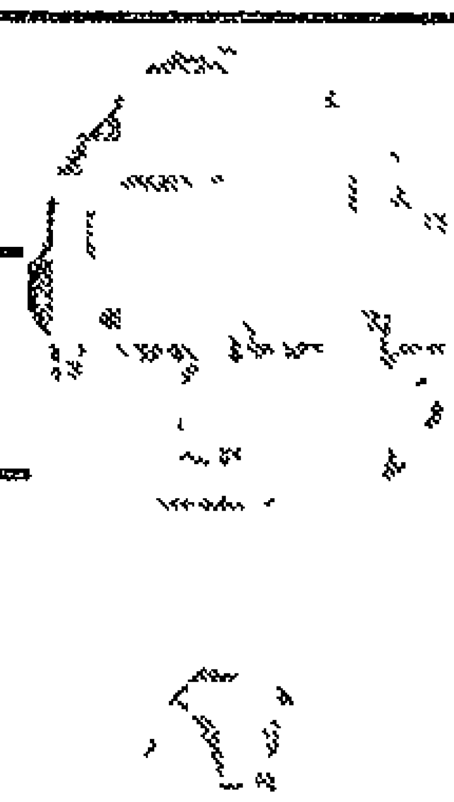
Huletts Aluminium annual sales now exceed R130 million, and its profit after tax last year was R5,3 million.

14 **BUSINESS MAIL**

Multinationals give the lie to Iscor price fears

189

RDM 9/7/80



Simon Willson

Down to business

THE GROANS of despair from consumer commentators and the fits of hand-wringing and teeth-grinding by manufacturers that greeted the increase in Iscor's steel prices two weeks ago were somewhat misplaced, if one of our most pronounced economic trends is anything to go by

The trend is that this country is becoming one of the most popular export platforms in the world

And one of the main reasons for it — one which will confound the hand-wringers and teeth-grinders — is the comparatively cheap steel available in South Africa It is making our high steel-content manufactures irresistably competitive in surprisingly prosperous parts of the world

It is also bringing to the attention of the world's major multinational corporations the profitable possibilities of establishing subsidiaries here, which could cash in simultaneously on the domestic economy as it expands by 5% a year, and on the low input costs for cheap undercutting exports

So even if steel has gone up by 14% this year — which, after all, is only the rate of inflation — it still makes the manufacture of steel-content hardware here a distinctly more cost-effective procedure than it would be in any of the contracting Western economies

Traditional export platforms have been countries like Brazil, Mexico and Nigeria in times when the attractions of South Africa were masked by greater efficiency and less labour trouble in the industrial West and South Africa's own internal uncertainties

But the successive recessions which have delivered such a disabling one-two combination to the industrialised countries already [illegible] kneed from the oil price quintupling have altered the comparative advantage that used to prevail in the North-South relationship

Now South Africa rates more serious consideration from the multinational moguls — and is getting it

The classical export platform is the developing country which hosts subsidiaries of West European and American multinationals often with concessionary rates of taxation, rebated development costs and eased infrastructure regulations

The subsidiaries then take further advantage of the other economic features usually found in developing countries — their cheap labour, land, raw materials and — more often than not — capital These comparative cost savings enable the subsidiaries to manufacture the same amount of output for less input than is required in the land of the parent company

The logical next move, and one which is encouraged by host countries because of the subsequent balance of payments benefits, is for the subsidiary to export to the country of the parent company

Transport costs, which are usually appreciable because of the distance underdeveloped host countries are from the world's major markets, still leave the export platform-produced import competitive with goods of the same type produced in the importing country

South Africa is to become a booming export platform for several European car manufacturers, principally BMW and Alfa Romeo, once manufacture expansion proposals now planned by the two companies are on stream

BMW SA is set to become the pioneer motor components export platform for West Germany and already exports fully made-up cars to its parent country

From BMW SA's 12 000 units a year output, nearly 2 000 cars are exported, and the expansion of exporting into the component field is expected to take place as the domestic local content rules increase the locally manufactured component requirement beyond the present 66%

Alfa Romeo plans to increase its annual production from 6 000 to 26 300 cars by 1984, with more than 70% of the increased production going into exports

Existing economic circumstances already make it financially worthwhile for each company to export to its parent country, but the two manufacturers are still seeking to underpin their expansion plans with firmer guarantees of export assistance from the South African Government

Transport costs are said to be the stickiest issue, with current State export rebates failing to cover c i f overheads

From cars, the export platform fashion is now catching on in mining machinery Subterranean SA is exporting box-hole and tunnel borers to the United States and has put its parent company, the original Subterranean, out of business through the competitiveness of its South African-made products

Subterranean SA's Germiston plant has produced the machines, which cost between R150 000 and R500 000, at between 15% and 20% less net cost than Subterranean's Breckenridge, Texas plant, which has consequently closed down

The subsidiary now exports a tunnel or box-hole borer to the United States at the rate of one every three months, and also exports machines to Italy and South America

Subterranean estimates the pre-c i f cost advantage of its machines to be about 30% over the equivalent United States production costs, but the transport costs for heavy mining machinery cut this down

But it is still notable that automobiles and heavy mining machinery have a high steel content, and executives readily acknowledge the importance of the steel price advantage in their effectiveness as export platforms

Even if Iscor matches the CPI point for percentage point for the next five years, that price advantage over the contracting steel industries of the industrial West is unlikely to recede

189

Now 200 on strike at NCI

ABOUT 200 workers at National Converter Industries (NCI) in East London downed their tools yesterday following the sacking of the chairman, secretary and a shopsteward, all members of the South African Allied Workers Union.

The managing director of the firm, Mr Gerdner, refused to comment. He said NCI was a private company and whatever happened within the premises had nothing to do with the Press. He then banged his telephone.

The workers said the trouble at the firm started after they had elected their works committee members, who are members of the SAAWU.

Management asked the workers instead to elect a liaison committee which they turned down, the workers said.

On Monday three members of the workers committee were fired on the grounds that they were "working against the interests of the company."

The workers have made four demands:

- The recognition of their trade union (SAAWU) committee
- Reinstatement of the dismissed workers committee members
- Reinstatement of all the dismissed workers and
- There should be no loss of renumeration.

The national secretary of SAAWU, Mr Thozamile Gqweta, said the matter was receiving the union's attention. He said while the union was playing cards close to their chest at the moment he would like to remind all the employers and managers of Prof N Wiehahn's recent statement that trade unions were a part of the industrial community and attempts to ignore them were counter productive, short sighted and stupid.

DAILY DISP. 9/7/80 (182) (189)

200 workers claim guard sacked them

EAST LONDON — More than 200 employees at a factory on the West Bank here claim they were fired by a security guard when they turned up for work yesterday morning

They said they were dismissed a day after three trade union committee members at the factory, National Converter Industries, had been fired for allegedly working against the rules of the company

The managing director of NCI, Mr H Gaertner, would not comment on the matter yesterday

He said he would speak to the Daily Dispatch reporter when he wanted to do so

Workers said a misunderstanding seemed to have arisen after the names of a workers' committee elected by the company's employees and affiliated to the South African Allied Workers' Union (SAAWU), had been submitted to the factory's management

They said they were told by the factory manager, a Mr Isherwood, on July 2 that they should elect a liaison committee The workers rejected this

They said that on July 5 Mr Isherwood was reminded by the workers that they wanted recognition of the workers' committee submitted to him

Mr Isherwood then allegedly told them his word was final and he would have nothing to do with an "outside committee"

Mr Isherwood had then given them an ultimatum to elect a liaison committee by July 7 failing which he would take further steps, the workers claimed

"On July 7 at 4 45 pm Mr Isherwood called the chairman, secretary and shop steward — all members of the workers' committee — and told them they were fired because they were working against the rules of the company," a worker said

When the workers reported for work yesterday morning they claimed a security guard, a Mr Benito, told them only cleaners should enter the premises and all others should remain outside the gate

They said the cleaners did enter the premises but refused to work because they wanted to know why the others were not being allowed to enter

Mr Benito is then alleged to have told some workers, one by one, they were fired and after some time told all those outside the premises they were fired

Mr Gaertner's reaction to a call from a reporter was "I do not know you I have no comment to make This is a private company and has nothing to do with the press"

When the reporter offered to go and see him in order to identify himself, he said "No, I will be contacting you when I want" — DDR

STAR 10/7/80

Extra payout for blast dependants

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By Elizabeth Wilson

A sum of R40 000 is to be paid out by Supreme Metals as "extra compensation" to families of 12 workers killed in an explosion which wrecked an aluminium processing plant in [illegible] last March.

Mr S F Malan, managing director of the company said this week families of the dead men were receiving benefits at twice the men's annual pensionable salary.

Each would receive workmen's compensation — calculated on the number of dependants and years of service.

One family Mr Malan quoted, would receive a death benefit from the pension fund of R4 539. This would be increased to R9 079 by the company and workman's compensation would bring the total payment to R11 7[illegible]3.

Mr Malan said a higher payment was provided for those who had wives and families.

Study and loan facilities would be provided for pre- and post-matric dependants of the dead men he said.

He added that if families were seen to be experiencing difficulties further payments could be made by the company at its discretion.

Of the nine men injured in the blast eight injured in the blast eight

Mr Enos Morokane who was seriously burned, was discharged from Coronation Hospital last week. He is still receiving treatment.

An inquest, which heard two days' evidence has been postponed to August 6.

DAILY DISP 10/7/80 1899

Workers still barred

EAST LONDON — The more than 200 workers who said they had been dismissed by a security guard at National Converter Industries on the West Bank here on Tuesday were still barred from the company's premises yesterday

They said they reported for work early yesterday and the security guard, Mr Benito, again told them they should keep off the premises

They said they would be going to the factory again at 7 15 am today to present a letter in which they list their demands to management

They want to present the letter to Mr H Gaertner, the managing director

Mr Gaertner again declined to comment on the work stoppage yesterday — DDR

Nat Trad ahead at halfway

(18) RDM 11/7/80

Deputy Financial Editor

NATIONAL TRADING Company, the engineering and building products distributor, pushed up pre-tax profits 62% to R3 497 000 (1979 R2 148 000) in the six months to the end of June and forecasts that present trends will continue until the end of the year

The company needs to make only another R1 200 000 to equal last year's pre-tax profit of R4 725 000, which itself was a spectacular recovery and a record

Taxed attributable profit was 47% better at R2 120 000 (R1 440 000), and earnings a share were 48% ahead at 35,1c (23,7c) The interim dividend was raised 33% from 6c to 8c

In order to increase working capital the company's Prospecton property has been sold for R3 500 000

If this pace is maintained, as forecast, NTC should earn 75c and pay a total of 27c for the year The historical yield at 400c is 5% and the prospective yield 6%, which looks fair value

Armscor happy with its weapons

129

RDM 11/7/80

THE South African ground forces in the recent overland attack to destroy Swapo bases in Angola had been almost entirely equipped from South African sources, Commandant P G Marais, chairman of Armscor, said in Johannesburg yesterday

Addressing military correspondents in a largely off-the-record briefing at the Press Club of South Africa, Cmdt Marais said the South African vehicles, arms, communication facilities, ammunition, clothing and other equipment, had withstood the test extremely well

Dealing with the effects of the United Nations arms embargo on South Africa, he said of the Angolan incursion "It was an operation over long distances with no roads and covering difficult terrain It was a thorough test for the Armscor equipment and reports we have received show we have reason to be proud of our achievements "

Cmdt Marais disclosed that certain items of equipment seized from Swapo on the recent Angolan raid had proved to be unknown and "of interest ' to Armscor

Armscor was now investigating all previously unknown equipment which was captured to see if they could be made in the Republic

It had done this earlier in developing the recently-announced South African multiple-launch artillery rocket system The system was similar to those captured from Cuban forces (the Russian so-called Stalin Organ) in the earlier incursion into Angola and which the SA Defence Force had found at the time to be ideally suited for use in bush warfare

"The artillery rockets we have since developed are very much better than those we seized at the time," Cmdt Marais said

Cmdt Marais said feedback from operations like the recent one against Swapo bases was constantly being used to improve locally-produced defence equipment

For this type of operation, South Africa was now virtually self-sufficient in producing the arms and equipment it needed

In addition, Cmdt Marais said, South African-developed equipment was more suitable and adapted to conditions in Africa than similar equipment used by, for instance, the North Atlantic Treaty Organisation nations — Sapa

55 strikers in court

By MZIKAYISE EDOM

A WARRANT of arrest was issued against one of the 55 Rely Precision Castings workers charged in the Boksburg Magistrates Court with illegal striking yesterday.

The strikers appeared briefly before Mr G van Wyk and their case was postponed to July 8. They were not asked to plead and they are out on R80 bail each No evidence was led.

Issuing the warrant, Mr van Wyk said that it will only come into effect after July 24, if Mr Johannes Tshabangu, who did not appear in court yesterday, does not show up within this period.

The men's appearance in court is a sequel to a sit-in strike at the Rely Precision Casting firm on May 26 after workers had demanded that an explanation be given by management why a colleague had been dismissed

The sit-in strike ended when police arrested the 55, who were later charged with unlawful sriking. They were represented by Mr M H Cheadle, instructed by the Metal and Allied Workers Union.

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Post 11/7/80

Families of explosion victims get compensation

Post 11/7/80

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A SUM of R40 000 is to be paid out by Supreme Metals as an "extra compensation" to families of 12 workers killed in an explosion which wrecked an aluminium processing plant in Industria in March.

Mr S F Malan, managing director of the company said yesterday families of the dead men were receiving benefits at twice the man's annual pensionable salary.

Each would receive workmen's compensation — calculated on the number of dependents and years service.

Study and loan facilities would be provided for pre and post-matric dependents of the dead men, he said.

He added that if families were seen to be experiencing difficulties further payments could be made by the company according to its discretion.

Of the nine men injured in the blast, eight are back at work.

Mr Enos Morokane, who was seriously burned, was discharged from Coronation hospital last week.

An inquest, which heard two days' evidence, has been postponed to August 6.

Cons. ; Tax, Investment, Imports exports

SHIPPING FM 11/7/80

In the doldrums

SA's ship repair industry has fallen on hard times, and the main reason cited is Nigeria's refusal of docking facilities to ships that have called in SA ports — whether for repair jobs or to pick up supplies

Several other factors are playing a part

□ The 1974 boom in business — caused by the closure of the Suez Canal — gave the industry a boost Now it has to gear down to a lower level of business

□ Fewer ships ply the Cape sea route than did in the past largely because of a slowing down of oil sales

□ The reinstated Suez route will be able to cope with heavy sea traffic the canal's capacity is 160 000 t for fully-loaded vessels, and 250 000 t in ballast

But, however covertly, many countries still use local repair facilities, which European research has classed among the world's best Among them Poland, Kuwait and Iraq, while Britain, Western Europe, Scandinavia and the Far East all feature among regular clients

We can't call all of them captive customers, Bob Hughes, MD of Globe Engineering Works Cape Town's biggest ship repairer, said this week There is no doubt that some ships used these ports because they had to '

A member of the Anglovaal group Globe makes use of televised scan-surveys of ships in wet-docking, eliminating enormous dry-docking costs

But, said Hughes it isn't only the sophisticated equipment in local use that attracts foreign shipping companies Prices are also extremely competitive At last year's assessment only Hong Kong was cheaper than Cape Town and Durban, which were both on a par with Singapore, the world's fastest growing commercial shipping repair port

We're doing quite well, ' says Trevor Jackson MD of Dorman Long Swan Hunter — part of the Dorbyl Group and Globe's chief competitor

Smaller specialised companies, such as Trivetts felt the slump less than the bigger ones says the company's marine manager, Helmut Sabel We are no longer waiting for the tankers The concept of our business has changed in the past six years, and we now go for greater specialisation Apart from its growing role as a manufacturer of sophisticated equipment, with good markets in Germany, Trivetts deals only in electrical repairs

Almost all the Cape Town companies have had a share of business from the Chinese shipping tycoon, Y K Pao, who agreed that ships from his massive tanker fleet should be repaired in Cape Town rather than lie at anchor in the Persian Gulf

Can SA companies handle repair work clandestinely? We've thought of just about every method of getting round the problem says Bob Hughes But it's not easy

L H MARTHINUSEN

Gearing needed?

Activities *Repairer of heavy electrical equipment, specialising in providing emergency breakdown services for the mining industry Manufacturer of transformers, rotor coils, insulators and generators Spencer African Holdings has 50,3% of the equity and ultimate holding company is General Electric (UK)*

Chairman *A L Charles, managing director I S D Tudhope*

Capital structure *3,4m ordinaries of 50c Market capitalisation R10,2m*

Financial: *Year to March 31 1980 Borrowings net short-term, R14 700 Debt equity ratio 0,2% Current ratio 2,3 Net cash flow R782 000 Capital commitments R171 000*

Share market· *Price 300c (1979-80 high, 300c, low, 200c, trading volume last quarter, 39 000 shares) Yields 12,3% on earnings, 7,7% on dividend Cover 1,6 PE ratio 8 1*

	'77	'78	'79	'80
Return on cap %	35 9	25,6	22 7	25 3
Turnover index *	196	178	188	208
Pre-tax profit (Rm)	2 7	1 8	1,8	2 4
Earnings (c)	45 2	31 8	30 8	37 0
Dividends (c)	20	20	20	23
Net asset value (c)	193	207	219	242

* Base 1974 = 100

Unless LHM moves away from its normal conservative approach to debt financing, near-term earnings growth could be constrained Despite last year's earnings rise, dividend cover was increased to "allow the company scope to adapt to changing requirements in order to maintain its position in the industry " Such a policy is unlikely to continue as chairman Tony Charles concedes that the company may well be geared up if the need arises In this event, payout prospects could be encouraging

Last year, the economic revival improved demand in the repair industry resulting in a 10% increase in turnover for the year (excluding results from the Zimbabwe subsidiary) Although this trend is expected to continue this year, stiff competition and rising costs may well affect margins Charles predicts that the worsening skills shortage could be an even greater threat to earnings, even though all branches are training staff as fast as possible

No changes occurred in the nature of group activities, but the contribution from different sources altered slightly repairs increased to 80% (75%), manufacture of components for the repair industry to 11% (10%), while manufacturing and other dropped to 9% (15%) Profits earned in Zimbabwe remained unconsolidated for the second year, but although it is hoped that the current year may see the release of the dividends earned from the subsidiary, the chances are slight

Last year's tax rate was reduced by a one-off allowance and a prior year's taxation adjustment boosted attributable earnings from the stated R1,3m to R1,5m. Nevertheless, net cash flow of R1,1m appears insufficient to service working capital requirements this year, as the company makes use of heavy equipment in its repair services With a five year history of return on capital not lower than 23%, it would pay the company to finance this year's expansion with loan capital

The balance sheet remains strong, still showing no long-term debt, but the interest bill of R56 000 indicates that short-term borrowings have been higher during the year than the amount of R15 000 reported at year end As the company is eager to expand its activities, loan finance could increase sharply this year if a suitable acquisition opportunity comes up

Once again, earnings from the Zimbabwe subsidiary have been excluded from the accounts as income could not be remitted to SA As this company is the only major subsidiary of the group, exclusion of its profits is fairly significant The situation is unlikely to alter substantially in the coming year, but if it does, dividend income at least may be forthcoming to boost earnings

Charles confirms that order books look promising for the new year and is hopeful that trading results will again show an improvement If payout is increased to a possible 25c, this would put the share on a prospective yield of 8,3% On this basis, the share has upside potential *Fiona Halse*

HULETTS ALUMINIUM

Cautious forecast

Activities *Produces and sells semi-fabricated aluminium sheet, foil and extrusion products aluminium overhead conductor and aluminium paste Holding company, Huletts owns 60,8% S & T Investments is the ultimate holding company*

Chairman *C J Saunders, managing director J S L Sennet*

Capital structure *7 5m ordinaries of R1 Market capitalisation R45m*

Financial *Year to March 31 1980 Borrowings long- and medium-term, R18,6m, net short-term, R5,2m Debt equity ratio 56,6% Current ratio 1,7 Net cash flow R5,8m Capital commitments R2m*

Share market Price 600c (1979-80 high, 600c, low, 360c, trading volume last quarter, 5 000 shares) Yields 12,4% on earnings, 6,0% on dividend Cover 2 1 PE ratio 8,1

	'77	'78	'79	'80
Return on cap %	7 6	5 8	12 3	15 7
Turnover (Rm)	62 8	72 6	87 0	105 8
Pre tax profit (Rm)	4 6	3 8	5 7	8 6
Gross margin %	7 3	8 6	10 4	11 2
Earnings (c)	49 8	49 4	55 3	74 4
Dividends (c)	24	25	27	36
Net asset value (c)	501	525	548	583

Hulamin's 30% earnings increase last year is reported after adjustments for inflation and lifo valuation, and confirms that the group has performed well in real terms Its level of order intake followed the general upswing in the economy with little or no growth during the first two or three quarters and a significant demand increase in the final months Vice-chairman Norman Duncan is predicting lower growth this year but as the group has a dominant market share in two of its three major products results are likely to be highly satisfactory

Rising demand for aluminium products towards the year's end put pressures on supplies, forcing the group to import aluminium at a marginally higher cost than available domestically But the bottlenecks should be eased by installation of a third foil rolling mill, and the possible doubling of capacity by supplier Alusat to be confirmed by September this year

Despite slight difficulties encountered in coping with the economic upswing turnover figures were 28% higher in the second half of the year And earnings gains were achieved due to favourable changes in product mix and the higher use of plant capacity In addition the interest bill fell by R200 000 to R3m, and cost increases on raw materials and wages which could have affected earnings, were largely passed on to the consumer

This year, group prospects are partially dependent on overcoming supply bottlenecks As the group has 70% of the extruded product market, 10% of the rolled product market and 20% of the cable market it must benefit from sustained demand in most sectors On this basis, Duncan is predicting a 19% growth in sales as opposed to last year's 22% The cable division, which supplies mainly overhead cables, will not benefit from the widespread electrification projects of low economic areas, but building needs could boost demand for most of the products

Duncan is hopeful that profits will at least rise by the same percentage as sales but a number of factors militate against this

As the sales growth predictions are conservative, it appears that earnings could reach 88c this year, with a possible twice-covered dividend of 44c *Fiona Halse*

SA COMPUTERS

The billion rand baby

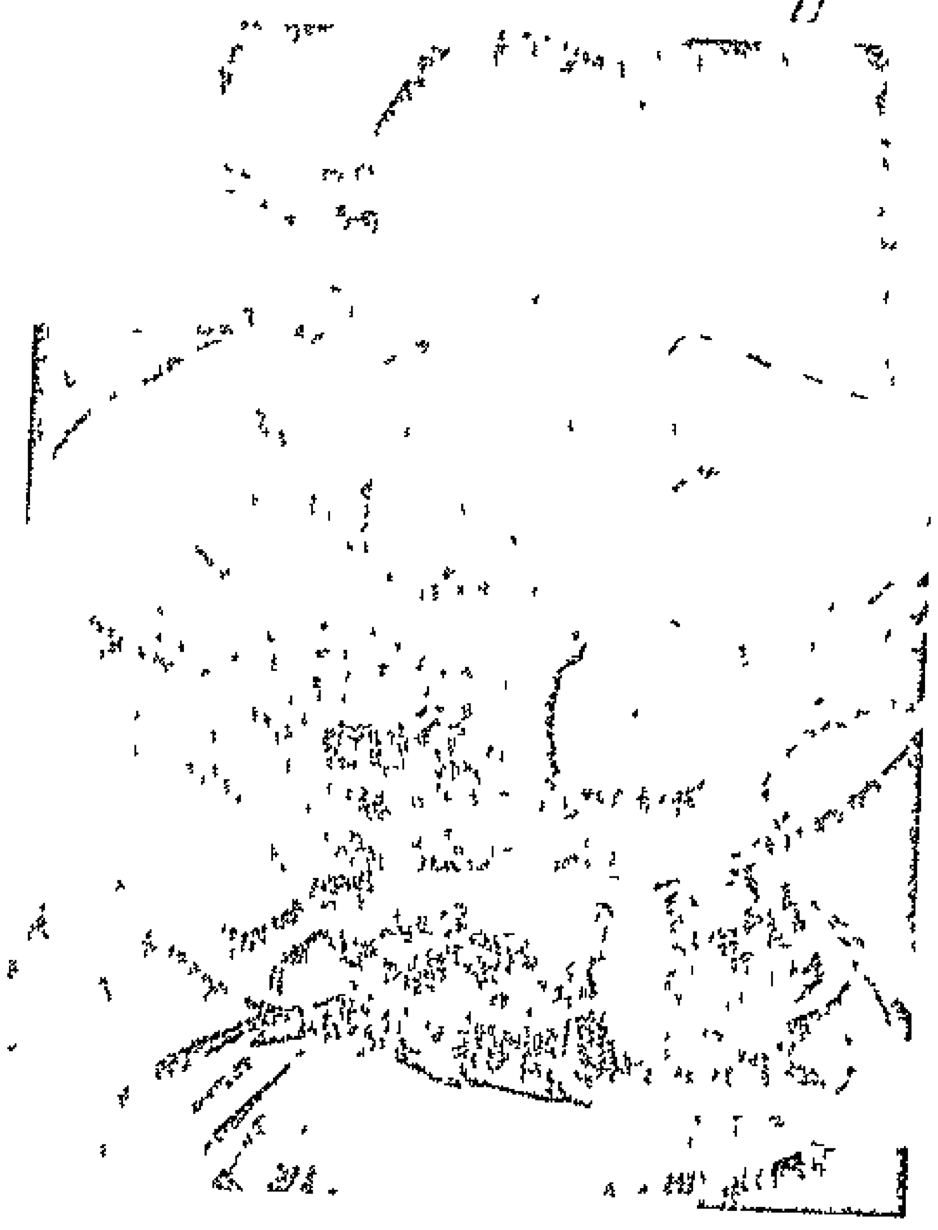
Some time this year the value of the installed base of computer equipment in SA will pass the R1 billion mark (if it hasn't already done so). Annually South African commerce and industry is now spending close to R300m on computer hardware alone and it's a market which according to import statistics grew 12% last year

It is unlikely that as much as 5% of this was supplied by SA-owned companies and considerably less than 1% was locally manufactured Few industries in SA let alone one strategically so vital are so totally dependent on foreign companies and foreign sources of supply

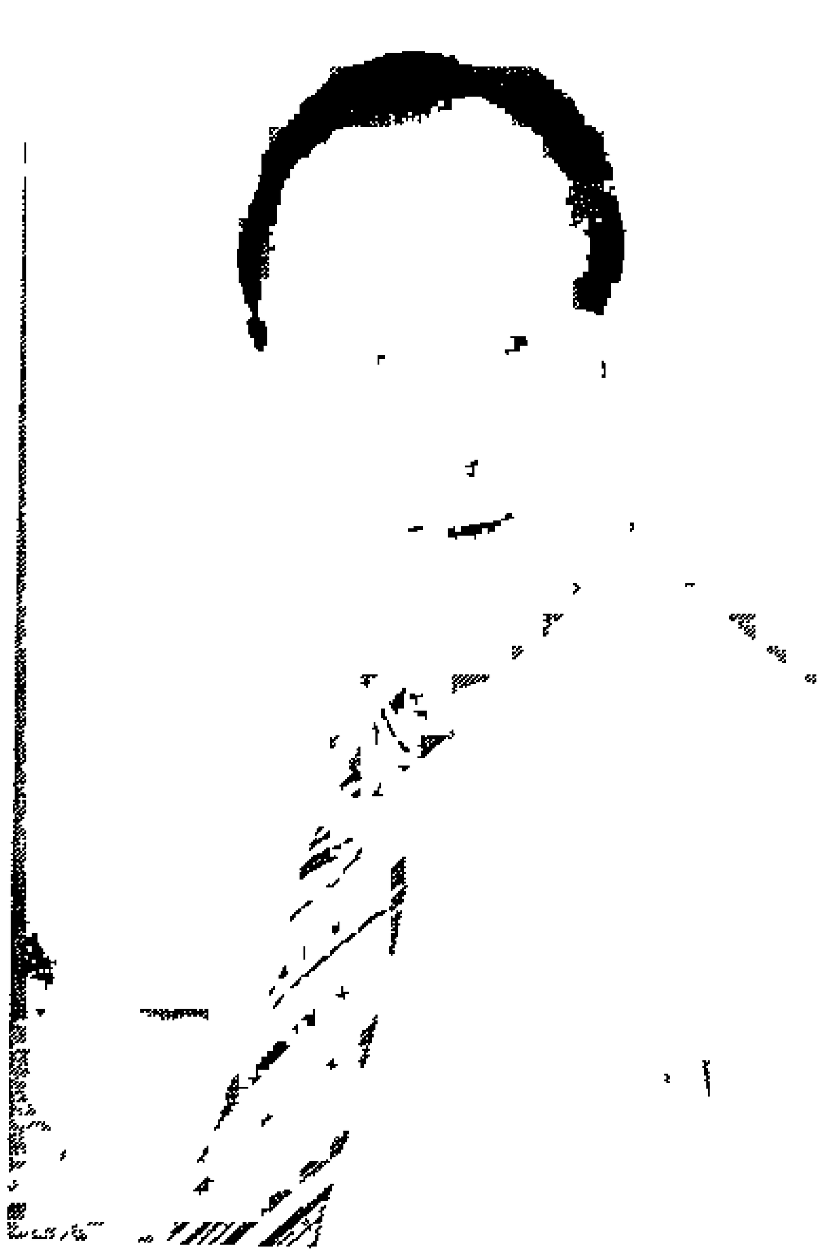
But, as the *FM* recorded last year (March 15), a local computer *manufacturing* industry has been born, though it has not yet found its feet What has happened during the past 15 months is that the handful of companies experimenting in local manufacture of data processing equipment have begun to gain a much clearer sense of direction There's been a measure of rationalisation among them and a couple at least now have the financial muscle to become significant forces in the industry

Apart from developments in military computers and electronics (about which nothing may be published without permission) the local industry has so far concentrated on production of computer terminals some with enough intelligence built in to classify them as mini computers, and such items as badge readers Local content by value ranges (depending on how you measure it) between 60% and 80% The really crucial items (microprocessor chips printers video tubes and so on) are still imported although some limited production of microchips is being undertaken by the CSIR

Terminals are being designed and assembled in SA by the privately owned Datakor group, the Swiss-owned Anker Data Systems and by Perseus for Anglo American Corporation's Computer Sciences Messina Electronics, part of the Altech group, manufactures the Commander process control mini-computer Recent orders worth R200 000 include a system to control temperature in fermenting vessels at SA Breweries



Doug Eyre shooting for R100m by 1985



Computer Sciences' Cowley leave it to private enterprise

SA Company Systems (Saco) makes a labour information system which has made something of a hit in the mining industry It's an electronic clocking-in system which provides full information on every worker, from his ethnic group to his merit rating, and also keeps tabs on where every worker is at any one time So far, says MD Steve Millard, systems have been installed at 17 gold and platinum mines, and another 10 will be installed in the next 12 months The system is modelled around an Ontel microprocessor unit, and Saco s own locally made badge reader

Perseus, the Pretoria-based company in which Barlow Rand recently bought a 51% stake, is also making rapid strides in local manufacture, much of it in classified areas 'But within a year,' says MD Doug Eyre, "we could have locally made products which will address 50% of the data communications market "

Another Pretoria company, Data Management Systems, is going into local assembly of a low-priced terminal and a matrix printer

But can the industry develop beyond this stage, where a handful of companies are producing an uncoordinated range of essentially peripheral products? The big handicap, says Datakor MD Nic Frangos, is the small size of the local market One good reason why people are making terminals is that there is a demand for some major order, such as the 25 000 which the Railways will require for its planned Transnet communications system, could provide the basis of an industry

But the minicomputer market is only about 400 a year, and that for medium-sized systems probably only 100

"From the technology point of view, there is nothing standing in the way of a company like Datakor making all of these items," says Frangos "We have the know-how But volume is the essence "

The way to get volume, he notes, is to export Datakor has tied up arrangements with two large suppliers in Europe and a bureau operation in the US to supply SA-made terminals and network systems

"Datakor is a networking organisation, and we can sell this expertise abroad," says Frangos "There are numerous openings For example, companies which have been involved purely in selling hardware know less about networks than we do What customers want are solutions — turnkey networks "

Datakor has also tied up a co-operation agreement with ICL in SA which means the British company will be marketing Datakor systems to its own customer base

Another terminal manufacturer taking the export route is Anker Data Systems, which has received its first substantial export order (worth R200 000, from Spain) for its locally produced hotel accounting systems, and is "very close to signing a fairly significant deal with Australia for receipting applications,' says MD Louis van der Merwe ADS can comfortably produce 30 units a month

Since its acquisition in March at a bargain basement price of Protea Computers, ADS has become a more rounded company, with a product line-up including the Perkin-Elmer mini-computer alongside its own range of terminals

Manufacture of the terminals is on a modular system, which makes a range of 15 models possible simply by changing the software and switching some of the modules Systems are available for a variety of applications, at prices ranging from R3 500 to R14 000 At the upper end of the price range, says Van der Merwe, the product is more like a mini-computer than a visual display unit

Local content by value is 85%, he says, though the crucial components (such as random access memory chips and erasible programmable read only memory chips) are imported

Perseus is one to watch, particularly now that it has the muscle of Barlow Rand behind it Perseus' sales leaped from R6m last year to R15m this year (the year-end was February 28), and MD Doug Eyre says that if the company is not over R100m by 1985, "we will have failed in our aims "

Sights are set on an annual growth rate of 50%, says Eyre, based on "opportunities in the market, our product skills and track record, and the fact that SA companies as a whole still have a relatively small share of the total market "

Up to now, computer companies in SA, whether locally or foreign owned, have been based on what Eyre calls the "front end" of the business — marketing and support A fully rounded company needs, in addition, to tackle the "back end" — research and development, and manufacturing of both software (the bigger portion) and hardware

' Software is a highly proprietary industry — it is what gives a company its competitive edge So even if we were to develop a computer competitive with some leading international product, we could not use it effectively without the software

"That is the Catch 22 of the local industry The multinationals may be prepared to make some vague promises of local assembly, but are not really interested in transferring technology to SA in a permanent and unrestricted manner "

So what is SA's best option? "Certainly, we have to move into areas other than military applications," says Eyre "Perseus' local content programme will be aggressively expanded into products which can be widely used in SA terminals, data communications, peripherals, high precision microprocessor-based mechanical fabrication techniques The route to this will be technology licensing through agreements with international partners "

In addition, Eyre foresees Perseus hitting the acquisition trail to complement

Datakor's Frangos we have the know-how

RDM 12/7/80

Mitcott acquisition

(189)

MITCHELL Cotts has acquired the total share capital of Lockload Safety Products (Pty) for R500 000 cash. Lockload is a Vereeniging-based company specialising in the design, manufacture and distribution of safety products — Sapa

Daily Disp 12/7/80

(189) (152) 139 (275) (134)

126 charged under Riotous Assembly Act

EAST LONDON — A total of 125 men and a 17—year-old youth appeared briefly in a special magistrate's court at Cambridge police station here yesterday charged under the Riotous Assemblies Act.

The men and the youth, who were arrested near a factory on the West Bank, appeared before Mr N R Oosthuyzen

They were charged with attending a gathering of more than ten people which has been prohibited in terms of a government notice of June 27, published in a Government Gazette issued on June 30, 1980

No evidence was led They were not asked to plead and were remanded in custody to appear in court on Wednesday, July 16

All the men are believed to be employees of National Converter Industries who were refused entry to the company's premises this week following a dispute over the operation of a trade union committee on the premises

They are Mr Bensent Goda, 60, Mr Mlindeli Reuben Siselana, 22, Mr Zola Richmond Nyaniso, 22, Mr William Makeleni, 26, Mr Petrus Salman, 24, Mr Albert Mazomba, 22, Mr Martin Kupiso, 22, Mr Wilson Jwili, 20, Mr Mzingisi Norman Maku Makuzeni, 23, Mr Andile Augustine Notshati, 22, Mr Ashton Kili, 25

Mr Mongezi Siyo, 25, Mr Luvuyo Somtsewu, 25, Mr Welcome Dikana, 31, Mr Sonwabo Mbekeni, 27, Mr Welile Ngxonono, 29, Mr Samuel Geswind, 29, Mr Cyril Cakata, 62, Mr Nqekeza Bom, 32, Mr Michael Siko, 37, Mr Cameron Ngudle, 29

Mr Herbert Jadi, 40, Mr Lungstine Ngcwangu, 24, Mr Bloem Mjilana, 33, Mr Tennyson Ndungane, 45, Mr Ernest Dunjwa, 26, Mr Headman Mayekiso, 45, Mr Bonakele Mazwayi, 21, Mr Samuel Ntsakana, 20, Mr Mzwanele Futshani, 23, Mr Lawrence Ngcukana, 26, Mr Howard Mlindi Qoboza, 66

Mr Alfred Bambelo, 23, Mr Edward Yapi, 46, Mr Jacob Hewu 20, Mr Nkenke Dukisa, 38, Mr Mitchell Salman, 27, Mr Sophitsho Rani, 29, Mr Ndyebo Ketelo, 21, Mr Lawrence Luka, 21, Mr Promise Diko, 29, Mr Leonard Goniwe, 27, Mr Manduleli Ngaka, 24, Mr Sidwell Gijana, 24, Mr Benjamin Mnyute, 34, Mr Mlandeli Matonise, 21, Mr Eric Yose, 42

Mr Thami Banjwa, 40, Mr Merriman Nohai, 28, Mr Mzimasi Xobongo, 23, Mr Alphius Gwadana, 35, Mr Matthews Suntele, 33, Mr Mthunzi Sikhaka, 30, Mr Mpumelelo Kupiso, 27, Mr Mhlangani Gxekilali, 25, Mr Mota Katse, 32, Mr Walter Kase, 20, Mr Thembinkosi Qongq 25, Mr David Ntshoza, 24

Mr Richard Gijana, 40, Mr Michael Nqoma, Mr Sandisile Vika, 25, Mr Alfred Gqweta, 40, Mr Desmond Hanabe, 42, Mr Wellington Rafani, 26, Mr Sithembele Mabula, 23, Mr Michael Mbutuma, 26, Mr Ndzonozolo Kwelimfene, 44, Mr Christopher Miseli, 46, Mr Sonwabo Mbangi, 30, Mr Nkululeko Mlunguza, 22, Mr Joseph Nonzinyana, 26, Mr Terry Dameni, 21, Mr Lunga Mahlanyana, 21

Mr Nkosi Nkohla, 39, Mr Stoto Kilani, 22, Mr Mvuka Gcaza, 19, Mr Lazarus Matsila, 24, Mr Willie Jwili, 62, Mr Gilbert Mayekiso, 25, Mr Willie Matyolweni, 23, Mr Richard Boshula, 23, Mr Boy Msongelwa, 52, Mr Wilson Nguta, 46, Mr Makapula Tora, 29, Mr Ntsikelelo Nqoloba, 50, Mr Freeman Mcaka, 24

Mr Madoda Qelo, 34, Mr Ndoda Daniso, 38, Mr Lindela Jadezweni, 27, Mr Mgoso Diko, 38, Mr Ephriam Sekhalo, 38, Mr Meshack Ndaliso, 21, Mr Hamilton Fikizolo, 38, Mr Isaac Gqirana, 39, Mr Maxixoy Best, 40, Mr Matthew Plaatjie, 47, Mr Robben Mofodi, 42, Mr Daniel Kombela, 26, Mr Otto Tokwe, 26

Mr Kholisile Ndleleni, 29, Mr Banele Godlo, 23; Mr Mongezi Makoa, 24, Mr Bernard Ketelo, 35, Mr Johnson Mbembe, 34, Mr Elliot Sintame, 36, Mr Hamilton Dikana, 34, Mr Zolile Kilana, 42, Mr Stanley Sofute, 22, Mr Maxwell Duma, 24, Mr Sampu Dunjwa, 29, Mr Alfred Daniso, 26, Mr Temba Dukisa, 30

Mr Mninimzi Gxwali, 33, Mr Darrington Matowane, 29, Mr Preston Nyila, 24, Mr Maxwell Mzini, 39, Mr Trayitshite Tsewu, 32, Mr Leonard Makala, 42, Mr Fumanekile Tona, 25, Mr Melvin Gotyana, 24, Mr Albert Magadlela, 23, Mr Clerington Hoho, 36, Mr Mntuwasekhaya Ngcaba, 52 and Mr Sydney Mbuyazwe, 49 — DDR

C.T. 12/7/80

Police arrest striking Border workers

PRETORIA — Police arrested 128 people after about 200 workers at a Border factory went on strike yesterday and tried to intimidate others into joining them, according to the Police Public Relations Directorate

The Cape Times correspondent reported from East London that a total of 125 men and a 17-year-old youth appeared briefly in a special Magistrate's Court at Cambridge police station yesterday on charges under the Riotous Assemblies Act

The men and the youth, who were arrested near a factory on the west bank, appeared before Mr N R Oosthuyzen

They were charged with attending a gathering of more than 10 people which has been prohibited in terms of a government notice of June 27 No evidence was led They were not asked to plead and were remanded until Wednesday

All the men are believed to be employees of National Converter Industries who were refused entry to the company's premises this week following a dispute over the operation of a trade union committee

Queenstown

A situation report issued in Pretoria yesterday by the directorate on the unrest in the country said that about 80 pupils at a school in Queenstown set alight school desks dragged from their classrooms Police arrested 25 youths

No serious incidents were reported in the Northern Transvaal, but police were investigating the theft of keys from five schools in Atteridgeville

At Mamelodi, near Pretoria, a nightwatchman was overpowered and the keys to a school building were taken from him

The directorate said that in the incidents in which the police were involved, only batons were used and in some cases dogs and tearsmoke

Ordered

The principal of the Hofmeyr High School in Atteridgeville, Mr Joseph Kekana, has been ordered to stay away from the school for his own safety

The regional director for the Department of Education and Training in the Northern Transvaal, Mr P G H Fealstead, confirmed yesterday that Mr Kekana had been asked by the school committee to stay away temporarily He said demands by pupils that Mr Kekana should be removed from office could not be met

After being told on Thursday that the committee had no power to remove the principal, pupils stormed his office and tried to forcibly remove him from the premises A member of the committee whisked Mr Kekana away by car

The boycott at the school yesterday entered its fifth day

Schools in the Eastern Cape were quiet yesterday after police dispersed riotous schoolchildren on Thursday and arrested 27 of them

Teargas used

No pupils turned up yesterday at the Nathaniel Nyaluza High School in Fingo Village near Grahamstown, where police used batons and teargas to break up a gathering

About 500 youths were dispersed at a school in Kwazakele after they had rioted

About 300 youths gathered inside a school hall at Port Alfred and barricaded the doors from the inside with benches Police forced open the doors after consultation with the school authorities and chased the youths out of the hall

The assistant divisional head of CID in the Eastern Cape, Colonel H J Weyers, said a post-mortem would be held on Monday on the body of Mrs Violet Psile, 56, who was shot dead on Thursday during the baton and teargas charge on pupils

Her body had two bullet wounds in the chest and was found in the backyard of a house in the vicinity

Community leaders in Kwamashu met yesterday afternoon to devise ways of breaking the 10-week-old school boycott in the township

The circuit inspector of the Kwazulu Department of Education and Culture, Mr L A Msomi, said yesterday that principals were making arrangements to discuss the situation with the pupils next week He said no press statement would be issued until Tuesday next week

Thousands of black high school pupils were expected to return to school last Monday, the first day of the third school term However the boycott continued in a number of high schools in the township

Eight Putco buses were stoned on Wednesday and two on Thursday, according to a spokesman for the company

The Divisional Inspector of Police in the Port Natal Police Division, Brigadier H Mouton said the area was quiet yesterday — Sapa

Mitcotts buys Lockload

Com 15/7/86 189

Industrial Reporter

MITCHELL Cotts has bought the total share capital of Lockload Safety Products for R560 000

Lockload is a Vereeniging-based company specialising in the design, manufacture and distribution of industrial safety products, and its products will complement items already being distributed by Mitchell Cotts Industrial Supplies

Lockload will be merged with Cotts Industrial Supplies and will operate as a separate division

Ford engineers geared-up to fit Atlantis diesel engines

CAPE TIMES 16/7/80 (45) 189 (172)

TRUCK engineers at Ford are now well into the advanced stage of their programme to adopt locally manufactured Atlantis diesel engines in all the company heavy truck lines.

Mr Derek Morris, Ford's director of product development, said that soon after the Atlantis engine programme was announced, the company assembled a team of experienced truck designers, engineers and technicians at its new truck engineering facility in Port Elizabeth, to undertake the necessary engineering programme

Pointing out that the selection of engines from the range available from ADE, had been finalized and with installation engineering now virtually completed, he added that particular attention had been given to the selection of engines to match trucks and to ensure compatible transmission and driveline systems, thus obtaining optimum vehicle performance

"The next phase of our programme will be installation prove-out and durability testing We have already completed several prototype conversions which have been reviewed with engineers from ADE and we are now ready to commence our prove-out testing

"The changes required to our trucks to accept the new engines and problems associated with installing these engines have been numerous but in all cases we have been able to find a solution," he said

Referring to the continued availability of Ford parts and service back-up for operators of Ford trucks powered by Ford and Cummins engines after the introduction of the ADE engines, Mr Morris said that it was Ford's established policy to support its customers' needs for as long as necessary

Union to probe steel's armour

RDM 15/7/80

(199)

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By STEVEN FRIEDMAN
Labour Reporter

THE steel and engineering industry's attitude to black trade unions, which has been the subject of controversy over the past few months, is to be tested soon

A black trade union, the Steel, Engineering and Allied Workers Union, has approached the steel industrial council and asked permission for stop order facilities at all factories in which it has members

This is the first such approach by a black union not linked to a registered trade union

However, employers may oppose the Seawu request, because it does not accord with controversial black labour guidelines adopted by the industry's employer federation, Seifsa

Granting of the facilities would mean that employers would automatically deduct union dues from the pay packets of members at their plants

Stop orders are regarded by unions as an important source of financial stability, and granting of this facility is regarded as a limited form of trade union recognition

Most registered non-black unions enjoy stop order facilities in the industries in which they are active, and black unions see the denial of these facilities to them as "discriminatory"

The approach by Seawu, which is affiliated to the Consultative Committee of Black Trade Unions, follows a decision by its first annual convention at the weekend

Its general secretary, Mrs Jane Hlongwane, said yesterday the union had already sent a written request to the industrial council for stop order facilities

However, the approach could well be opposed by Seifsa because the union does not yet conform to its guidelines

The guidelines, which were attacked by unionists of all races when they were released last year, advise employers not to deal with black trade unions before they receive Government registration

After negotiations with registered unionists, Seifsa agreed to relax its guidelines to allow employers to grant stop order facilities to unregistered unions

However, these unions must have applied for registration and their applications must have been gazetted, thus indicating that their constitution has been approved by the Industrial Registrar

Although Seawu has applied for registration, it has not yet received official approval for its constitution

Seifsa may thus decide to oppose the request

SINESS

Jobs shortage slowing down output rate

189

STAR 15/7/80

By Michael Chester, Financial Editor

Hard evidence has now emerged that the gradual squeezes caused by skilled labour shortages have become so bad that they are acting as a brake on production in the industrial sector.

The Steel and Engineering Industries Federation discloses in a mid-year survey released today that production performance and delivery schedules have been restrained in a number of sectors

The blame is put squarely on bottlenecks related to shortages of various categories of skilled and semi-skilled labour.

The dilemma comes at a moment when all the indicators point to still faster economic tempo in the second half of the year, fuelled by bigger consumer spending, an increased momentum in the general upgrading of black townships, plus a further pick-up in investmen in the mining and energy-related sectors

Dr E P Drummond, executive director of Seifsa, reports that the majority of sectors in the metal and engineering industries show improved levels of business with fatter order books from the motor component manufacturers, building industry suppliers and the electric cable sector.

Physical volumes of manufacturing production continued to rise as plant utilisation increased in the basic iron and steel industries.

The boom is being fed from more expansions in the mining industry, still better upturns in the construction business and higher levels of motor vehicle sales

Output is running faster in the large general engineering sector and finally spare capacity in the heavy engineering industries is being snapped up

Dr Drummond finds that only the structural steel and reinforced steelwork sectors are not yet fully benefitting from the overall economic upswing

Leyland gets R1,4m order for 40 buses from PE Tramways

CAPE TIMES 15/7/80

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LEYLAND SA has secured an order for a total of 40 Leyland Victory Mark II buses, valued at R1,4m, from PE Tramways.

The Leyland Victory Mark II is fitted with the Leyland 680 diesel engine mounted vertically at the front of the vehicle and coupled to a Leyland Self Changing Gears, five-speed, semi-automatic gearbox

The buses which will be bodied by PE Tramways, will be equipped with a single deck bodies capable of transporting 110 passengers and will be used for city and urban transport

Mostly standing room

The new vehicles will be known as "standee buses" due to the fact that the majority of passengers will stand

The object of this configuration is to allow for the transportation of the greatest number of passengers within the shortest possible time, thereby eliminating passenger inconvenience and fatigue

Leyland has already delivered the first of the buses and delivery of all 40 units will be completed by the end of the year

Cape Tramways, of which PE Tramways is a subsidiary company, operates more than 1 500 buses, the majority of which are Leyland models

Why SA can't step up local content

(189)
RDM
16/7/80

Industrial Reporter

LOCAL manufacture of office business equipment for the South African data market is unlikely in the foreseeable future, says Mr Max Muller of the executive committee of the Business Equipment Association, in the association's magazine

He believes that traditional overseas sources will continue to supply the SA market for reasons of economies of scale, especially in the more common lines of office equipment, such as typewriters, copiers and mainframe computers

"Present sources of supply are firmly entrenched in such countries as the USA, Britain, France, West Germany, Italy and Japan and the very magnitude of these producers can not be improved upon by countries such as South Africa, where unit consumption is relatively low "

Mr Muller is an executive at Olivetti, which recently asembled its 300 000th typewriter at its Robertsham plant

Of his company, he says "We're technically capable, but the South African market is, and is likely to remain, too small to warrant the introduction of full local manufacture "

He estimates that the cost of a fully locally manufactured machine could be up to five times that of the machines which are imported

Given the possible economic isolation of South Africa, Mr Muller believes this country could easily "do with what was available" as Rhodesia did during sanctions

He estimates there are about 220 000 manual and 115 000 electric typewriters In South Africa, both in and out of use

Those that are out of order could be repaired provided parts are available "Bringing them back to life would help to meet demand for some time"

The same applies to the 40 000-odd copiers in circulation in South African businesses

South African offices do not lag behind the rest of the world in making use of innovations in business equipment

"The average life of a typing machine in South Africa is seven years After this period, new designs and new capabilities make their appearance and progressive users are not slow to take advantage of these availabilities," Mr Muller says

"The recycling of machines thus replaced could triple their lives, giving them an effective lifetime of some 20 years or more — during which period attitudes might well have changed "

He says the multinational suppliers of business equipment will continue to dominate the market because they have markets of optimum size

Seifsa sees boost in orders for cars

(189) RDM 16/7/80

By SIMON WILLSON
Industrial Reporter

MORE orders for car parts are the biggest influence in increasing activity in the metal and engineering businesses, says Seifsa.

The Steel and Engineering Industries Federation of South Africa's monthly bulletin, reviewing conditions in May, says improved order intake from the car component industry, reflecting soaring car sales, is a key factor behind the higher levels of activity being reported in the metal and engineering industries

Two other important sources of industrial orders are building industry suppliers and electric cable manufacturers

Continuing expansion in the mining industry has meant increases in plant use in the basic iron and steel industries and a further upturn in the construction industry

There were improved output levels in May in the general engineering sector and greater take-up of spare capacity in heavy engineering, which enhances prospects of an increase in workload during the second half of the year, the report says

"In contrast, the structural steel and reinforcing steelwork sectors are not as yet fully benefiting from the upswing in the local economy In these sectors market conditions continue highly competitive and the volume of short-term inquiries remains unsatisfactory "

Shortages in certain categories of skilled and semi-skilled labour were beginning to restrain production performance and delivery periods in May

But the report sees a partial solution to the inquiry shortage in the higher rate of increase in real private consumption expenditure during the third and fourth quarters

An increased tempo in the general upgrading of black townships and some further pick-up in investment activity in the mining and energy-related sectors are also expected to boost orders

"The heavy electrical equipment sector, which has been operating well below capacity for a considerable period, now reports an improvement in capacity utilisation with an expected build-up in demand in the medium to long term from mining and general industrial developments, new construction programmes and public sector infrastructural projects," the report says

Seifsa expects a steady appreciation of the rand against the dollar to impact adversely on flat and structural steel export levels The gathering Western recession is also expected to cut export demand for South African ferrochrome as inventory levels are trimmed in the second half of the year

Rising world oil prices are expected to make certain plastic raw materials more expensive later this year, a factor which is holding back orders from maufacturers

128 workers face Riot Act charge

DAILY DISP 17/7/80

EAST LONDON — One hundred and twenty-seven men and a 17 - year - old youth appeared before Mr N R Oosthuizen in a special court at Cambridge police station here yesterday charged under the Riotous Assemblies Act

No evidence was led They were not asked to plead and all were allowed out on R30 bail each and warned to appear in the same court on August 20

Laying out the conditions of bail, Mr Oosthuysen said "Do not go to the premises of your employers until the case is heard If you go your bail will be estreated and you may be arrested "Arrangements have been made that those who pay bail will be transported from here by police vehicles to collect their property from the firm," Mr Oosthuysen said

All the men paid the bail

Two men whose names were scratched off the original list of workers who were arrested for allegedly attending a gathering of more than ten people near the premises of National Converter Industries on the West Bank last Friday, appeared with the others yesterday

They are Mr Moffat Ndlela, 32, and Mr Walter Kate, 25

Before the hearing the hall cum court became a pay office when employees of the company paid off the workers

Outside the court later, the attorney appearing for the workers, Mr B Ncuka of Durban, spoke to the security guard, Mr N. C Benito, who, the workers allege has sacked them, but Mr Benito denied the company had fired them — DDR

Unions may get limited rights

RDM 17/7/80

140A

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By STEVEN FRIEDMAN
Labour Reporter

THREE black trade unions could be about to granted a limited form of recognition from the steel and engineering industry

Earlier this week the Steel, Engineering and Allied Workers Union that it had applied to the industry s council for "stop order" facilities

This means that employers would automatically deduct union dues from union members at their plants and the granting of the facilities is regarded as a limited form of union recognition

The director of the Steel and Engineering Industries Federation, Dr Errol Drummond, declined to comment on the issue yesterday Seifsa represents steel and engineering employers

Industry sources said that two other unions which are affiliated to Fosatu, had also applied for these facilities They are the Metal and Allied Workers Union and the Engineering and Allied Workers Union

According to the sources, all three applications have already been approved and an announcement to this effect is expected soon

The granting of stop orders to the unions is likely to be seen as a significant breakthrough in an industry which has persistently been accused of adopting a hardline stance against black unions

But the granting of stop order facilities does not automatically entitle a union to negotiates with employers on behalf of its members

Seifsa is still opposed to negotiations between the unions and individual companies

It has now been established that non of these appplications fall foul of Seifsa s black labour guidelines which were amended after discussions with registered trade unions in May

Earlier this week, the "Mail" suggested that the union's request did not comply with Seifsa's guidelines because its application for Government registration had not been published in the Government Gazette

An application is usually published after the industrial registrar has approved the union's constitution

However, it has now been established that black unions which are able to produce proof of Government registration are eligible for these facilities even if their application has not been gazetted

FM (189) 18/7/80

COMPUTERS

A South African mini

A South African-designed and produced mini-computer was unveiled this week by Corporate Management Services, a three-month-old company set up by a group of former IBM employees

Though not quite the first local computer, the new product is the first of a kind which can find broad application in the

White, Soutar, Kennedy . . . taking a byte at the mini market

business environment Existing SA-made products include intelligent terminals, such as those marketed by Datakor primarily for networking uses and by ADS for specialised applications, and Messina Electronics' Commander process control computer

The CMS Datapac SA 100, which will cost R15 000 in a basic configuration, or lease for R400 a month, is aimed at the small business or professional man who needs to keep control of his debtors ledger, stock and so on

It was designed by Datapac, a Cape Town-based group of electronic design engineers which has formed a close marketing and product development liaison with CMS

Local content is more than 60% by value, says Datapac director Steve Kennedy And although the imported items — the chips, printer, video tube and screen, and floppy disc drive — are the most crucial parts of the unit, Kennedy says there are moves afoot to make some of them locally

"We ourselves are looking at the possibility of making a printer, a task which has become simpler because of advances in electronics," he says "The printer, the most expensive imported component costs about R3 500 The other items are fairly cheap "

The system is based on a Motorola chip, but the rest of the circuitry is locally fabricated

"We can turn to alternative sources for all our components," says CMS director Tony White "This gives us some protection against possible sanctions Another unique advantage is that, being a SA-engineered system, we can custom-build for users "

Already 10 systems have been installed with such customers as garage businesses, small engineering companies and a medical practice, and the aim is to target the product at such markets — small business and professional practices

"Many small businesses currently using computer bureaus are spending the kind of money that our basic system rents for," says White "A typical medical practice would spend R500-R600 a month on bureau services "

The group is geared to manufacture 10 units a month, though this can be doubled if necessary

It's a 64K-byte machine (with 8K of read-only memory for control of the system), can take up to four disc drives providing 4,8 megabytes of disc storage, in addition to 16 megabytes of hard disc It has a self-test diagnostic procedure built in, and long-range diagnostic capability — both unusual features for so small a machine

CMS has four other main areas of activity, according to Bruce Soutar, another director (Others of the five equal directors are Cape Town-based Terry Burns, Alan Baxter and Alan Burgess) These are a bureau service, imports of IBM equipment, both new and used, from third parties in the US and Europe, professional services and end-user packages

The importation of IBM equipment is not primarily a way round sanctions, but a way of providing supplies more cheaply than customers can buy locally from IBM itself "This is possible because of currency fluctuations, and because there is a vast pool of used IBM equipment in Europe," says Soutar

But he notes that, despite UN sanctions, much IBM equipment entered Rhodesia from Europe through third parties — a channel that could become important to SA in the future

Dunswart recovery gathers pace

(189) RDM 18/7/80

By HAROLD FRIDJHON

RECOVERY at Dunswart appears to be continuing at a satisfactory pace and last year's final of 10c a share — the first since 1976 — has been followed up with an eight times covered interim of 5c.

Momentum quickened in the second half of last year, first-half earnings were 11c a share which swooped up to 57,7c in the final half to December An interim profit statement for the six months to June 1980 shows earnings of 39,6c a share with the promise of better things to come

A note on the interim report says that the selling price of steel was increased by 14% on average on June 20 1980 and that current favourable SA market conditions are expected to continue for at least the second half of the year Demand and prices have weakened on world markets

Compared with the results of the first half of last year, the operating profit in the first six months of the current year improved by 60% to R5 114 000 With depreciation allowances nearly 20% higher, and interest payments 10% lower, taxed profit rose from R564 000 to R1 947 000 — nearly a 3½ times improvement.

Attributable profit was R1 912 000

COMMENT: The improved figures were foreshadowed in last year's directors' report. They said then that the SA steel market was firm and should continue to hold in the prevailing mood of confidence. With the weakening of the export market, the company's policy would be to concentrate on satisfying domestic demand.

An all-out effort was to be made on attaining melt shop production of 380 000 tons a year. Production and sales of rolled sections would then increase to 243 000 tons for the year, with sales of billets at 70 000 tons.

No forecast was made about profits because of the inhibiting effect of price control. Without the higher price allowed last month, the directors expected a growth in income.

It is reasonable to assume that income will rise still further with the additional 14% granted by the Price Controller. On the other hand costs, too, can be expected to rise sharply with the wages increases which have been awarded in the steel industry.

The share price closed firm last night at 265c. Assuming a final of 15c a share, with the intetrim of 5c, the share looks poised to yield 7,5%.

SA mining machinery can stand on its own

159

RDM 18/7/80

By SIMON WILLSON
Industrial Reporter

MINING machinery made in South Africa could now compete with the best in the rest of the world because of this country's expertise, said Mr Bill Lawrence, president of the Chamber of Mines, yesterday

He said in Johannesburg at the launching of the first South African made box-hole borer that the mining industry gained its expertise in the toughest school in the world — South Africa's hard-rock, narrow-seam, deep-level gold mines

"This country has come a long way since 1948 when the Government first introduced import control

"It is now no longer a question of protecting a fledgling domestic industry struggling to hold its own against imported products, or of creating artificial barriers which can inhibit real growth by encouraging inefficient, high cost industries "

He said Smith Boart's R1-million SB 200 blind hole boring machine was a notable contribution to South Africa's efforts to achieve industrial self-sufficiency through import substitution

It was also an important development in the drive to mechanise the gold mines

The new machine is the product of a venture between Smith International of the United States and Boart International

The drill pipe, head and cutters for the machine were made by Smith Boart at its Kempton Park works, and the machine and its hydraulics were manufactured by Klockner-Becorit of Klerksdorp, also a Boart company Local content is about 85%

The machine was previously imported from the United States where it was made by Calweld, a Smith International subsidiary

Mr Lawrence said "The mining industry has played a key part in the import replacement programme and has shown the way for other sectors

"And it is not purely an altruistic attitude It is motivated by self interest as well For by encouraging local manufacturing companies to involve themselves in the complexities of mining in the most arduous and demanding environment to be found anywhere in the world, the mines have managed to solve many a problem

"In many instances, solutions have had to be found locally because there was no precedent elsewhere "

There was no doubt that technological improvements were still necessary in the gold-mining sphere

"The traditional method of drilling and blasting is time consuming and wasteful, while the necessity to enhance productivity to offset ever-rising costs has made it crucially necessary to speed up the mining process "

The first SB 200 machine has been bought by Johannesburg Consolidated Investments Western Areas gold mine, and will start underground drilling on August 1

Mr Hilton Davies, chairman of Smith Boart, said his company did not regard the SB 200 as the ultimate in box-hole borers

"Machines with new and improved features are already in our minds and the next generation is on the drawing board

"Design modifications should enable us to reduce the price in future without sacrificing strength or efficiency "

RDM 13/7/80

Black unions' breakthrough in steel industry

135 14 145 189

By STEVEN FRIEDMAN
Labour Reporter

THE Steel and Engineering Industries Federation has confirmed that three black trade unions have been granted the right to obtain stop order facilities from employers in the industry

A Seifsa letter to employers, announcing this decision, was released to the Rand Daily Mail yesterday

The Seifsa confirmation follows a 'Mail' report yesterday that the unions had been granted the right to stop-order facilities, which will mean employers may deduct union dues from members' pay packets

The three unions concerned are the Metal and Allied Workers' Union, the Engineering and Allied Workers Union and the Steel, Engineering and Allied Workers Union

The first two unions are affiliated to Fosatu, while Seawu is a member of the Consultative Committee of Black Trade Unions

Three "parallel" unions for black workers had earlier been granted these facilities

According to the letter, two registered trade unions which have received Government permission to recruit black workers have also been granted stop orders for black members

They are the SA Boilermakers Society and the Ironmoulders Society

The industry's move does not mean employers are compelled to grant the stop orders

Unions regard stop-orders as an essential source of financial stability and the move is seen as a breakthrough for the unions in an industry which has been accused of adopting a hardline stance on black unions

The granting of these facilities does not, however, entitle the unions to negotiate with individual employers in the industry

The granting of stop-order facilities to the unions will apply for six months from May 13, pending the outcome of their applications for Government registration

Before employers extend stop-order facilities to the unions, they must inform the industry's regional industrial council which must issue the employer with a formal exemption

POWER STATION BOILERS

Full steam ahead

18/7/80

Over the last decade Escom has awarded power station boiler contracts worth close to R1 000m — which has provided a flourishing business for the handful of local companies in the big boiler industry

And the four major local boiler-makers — L & C Steinmueller (Africa) D B Thermal Babcock Engineering Contractors and International Combustion Africa — are all reasonably bullish about the SA market for power station boilers

The men in the industry note, however that the market is not an under-traded one Only one company at a time can land a major Escom contract The others have to keep busy with sub-contracting ancillary equipment, smaller industrial boilers and other work, but they believe that if new overseas companies try to join in here — as seems likely — the results could be bad for the local industry

As one spokesman noted "Local suppliers want Escom to look to the maximisation of existing facilities — which are adequate What concerns everybody is the possibility of new overseas companies coming in "

The big boiler business has other risks too Relatively high-ash SA coals can provoke slagging problems which may require extensive boiler modifications Also, the long-term nature of the contracts, coupled with the inflation rate, makes it difficult to control costs

Despite these problems, there can be little doubt that the successful boilermakers are smiling European and American manufacturers of conventional boilers are faced with the problems of a saturation of electric power and the anti-pollution lobby of the environmentalists — SA manufacturers are not.

Escom's need for more power stations is not likely to wane either Most important is that the anticipated base minerals boom means that the mines will require much more electricity Oil-generated power has become prohibitive (which means farmers are switching from diesel power), rural areas and the railways will soon need greater electrification, and the electrification of Soweto (and probably other black areas) is on the slate

This means that, while in most developed countries electricity generation has reached a saturation point, Escom has been doubling up nearly every eight to 10 years This means, in turn, that 2 200 MW — or about three units of 600 MW each — might have to be installed annually According to Escom's latest report, it is aiming for just under 26 000 MW by 1984 Present installed capacity is about 16 000 MW

And if the real growth rate remains at 5-6%, there will be an even greater demand for power generation

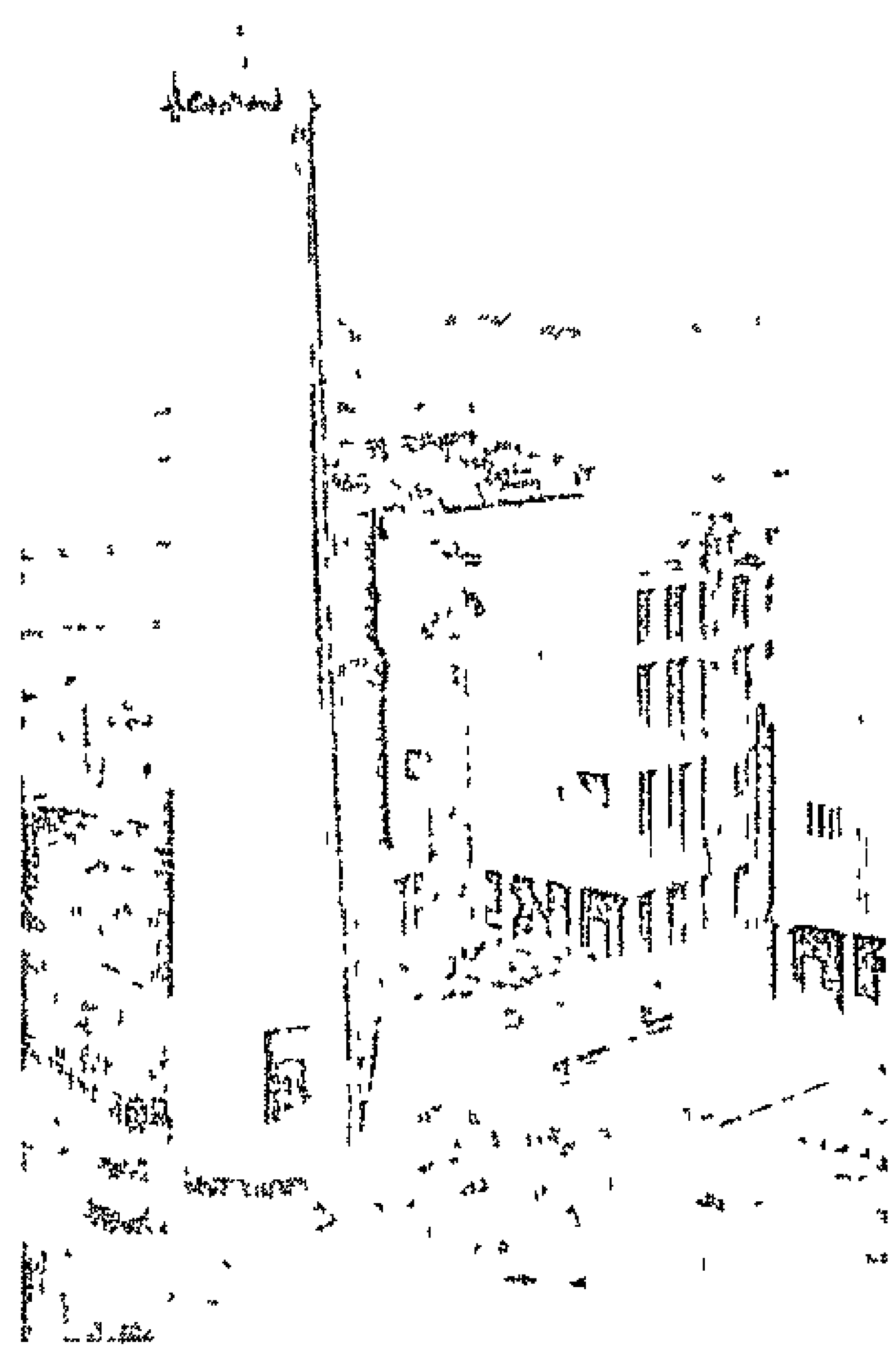
In recent times, Steinmueller appears to have had the lion's share of the market It recently landed the R500m contract for Escom's 3 600 MW Tutuka power station to be constructed near Standerton

It also handled the contracts for five 200 MW boilers at the Hendrina power station, five 600 MW boilers at the Kriel power station, and six 600 MW boilers at Duvha power station MD Lothar Freitag estimates that by the end of 1979 Steinmueller provided about 26% of all power generated by Escom

Babcock are presently constructing six 600 MW boilers at Matla and constructed five 200 MW boilers at Hendrina and Grootvlei respectively

International Combustion built six 350 MW boilers at the Arnot station D B Thermal has been involved with the construction of 16 boilers (and steam plants) at Sasols 2 and 3 — an enormous contract for a company which was, so to speak, new (Up to 1974 British Babcock & Wilcox had a shareholding in D B Thermal, which meant the latter stayed out of the field until then)

And more work is in the offing at present Escom's proposed Matimba power station at Ellisras is on enquiry and all the local boiler makers are expected to tender



Thermal power stations boiling away all over

Financial Mail July 18 1980

TRADE UNIONS (184)

Give them their dues

FM 18/7/80

The black and multiracial trade union movement in SA has been given a major boost. The Steel and Engineering Industries Federation of South Africa (Seifsa), whose controversial guidelines were severely criticised by unionists of all races at the end of last year, has granted one black and two multiracial unions stop-order facilities for union dues at all factories where they have members.

The only unions to have been granted this right to date have been three parallel unions.

Counter to sceptical forecasts that Seifsa would oppose the unions' requests, it announced that the three unions had been granted the same privileges accorded to the first three unions with check-off facilities for unio[illegible]

Two of the un[illegible] the Engineering and Allied Workers Union of South Africa, which was granted multinational exemption in June, and the Metal and Allied Workers Union of SA, which has applied for registration — are affiliated to the Federation of South African Trade Unions (Fosatu).

The third, the Steel Engineering and Allied Workers Union (Seawu), is affiliated to the Consultative Committee of Black Trade Unions and has applied for registration. It is waiting for its application to be gazetted.

Alec Erwin, general secretary of Fosatu, says the step is an important one. "It shows the guidelines are being applied even-handedly by the Industrial Council," he says.

But the move does not mean automatic recognition for the unions involved. They have still to be registered before Seifsa will negotiate with them or before they will be accepted on to the Industrial Council.

Whether stop-order facilities will be granted is also still the prerogative of individual companies. Says Erwin: "It's now up to the companies to allow these facilities to become effective. We hope they will comply with Seifsa's go-ahead. If the unions are granted stop order facilities it will make a large difference to their financial states."

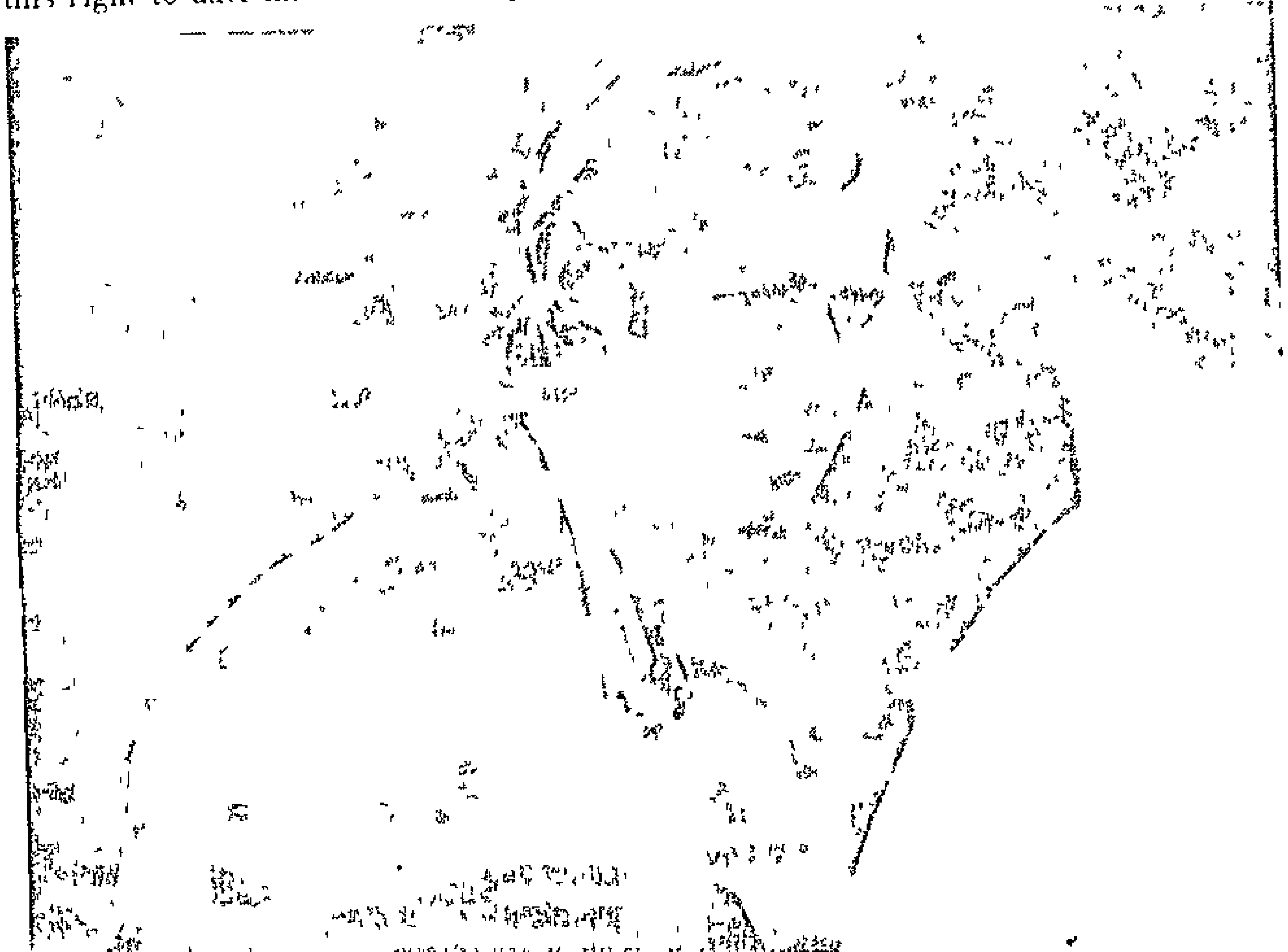
Errol Drummond, director of Seifsa, says the industry's Industrial Council is satisfied that the unions have complied with conditions as laid down in the Seifsa guidelines which qualify them for the stop-order facility.

The conditions are that the unions:

- ▵ Apply to the registrar for registration
- ▵ Lodge a constitution with the Industrial Council
- ▵ Provide proof of application for registration
- ▵ Submit a written undertaking when they have obtained final registration
- ▵ Apply to be party to the Industrial Council
- ▵ Present stop-orders that comply with the format laid down by Seifsa.

"We are obviously pleased about this development. Hopefully the move will bring unions as full co-partners into the Industrial Council," says Drummond.

Union spokesmen have welcomed Seifsa's decision. They point out that union organisation without stop order facilities is almost impossible. A spokesman for the Seawu says: "Hand collecting dues is tedious and inefficient. Some members don't pay up and it is difficult to keep track of membership."



Fosatu's Erwin ... an important step that shows the guidelines are being applied

Anglo man is Seifsa director

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RDM 19/7/80.

By STEVEN FRIEDMAN
Labour Reporter

THE Steel and Engineering Industries Federation (Seifsa), South Africa's largest employer federation, has chosen a prominent Anglo American Corporation personnel consultant as its next director

He is Mr Sam van Coller, who assumes duties as Seifsa director-designate in February 1981

Seifsa's present director, Dr Erroll Drummond, retires on June 30 next year from the post he has held for over three decades He will be retained by Seifsa as a consultant

Dr Drummond is also a member of the Wiehahn Commission

Mr Van Coller is best known for his work as director of the Institute of Industrial Relations, the first joint management-labour body to be established in the country

He was seconded by Anglo to serve the institute as director for a two-year period and then left to rejoin the corporation He is acting director of the IIR

He was educated at St Andrews College, Grahamstown, the University of Cape Town and Oxford University, where he was a Rhodes scholar

He is Anglo American's personnel consultant in industrial relations and has served in Anglo's Economic Intelligence and Industrial Development Units

STAR, 21/7/80

Workers laid off after fire

(189)

Hundreds of workers have been laid off after a weekend fire gutted a plastics factory in Edenvale, causing damage of about R2-million

Police are investigating the possibility of arson Brigadier S Schutte, Divisional Commissioner for the East Rand, said today a man had been taken in for questioning, but that no one had been detained

The fire broke out at Moscom Plastics in Edenvale Road It took firemen more than three hours to control it

Workers at the factory said they had been told to go home and to return on Friday when they would be paid off

'Go for the SA product' is policy of mines

(AMY) STAR 21/7/80 (137)

By Frank Jeans

The Chamber of Mines is dedicated to a policy wherever possible, to the use of locally-made mining equipment and heavy capital goods — a policy dictated by the fact that the South African machine compares with the best in the world.

Indeed, to ensure that mining companies follow the "SA line,' the Chamber, with the support of the Department of Commerce, scrutinises applications for import permits so as to ascertain whether particular goods are not obtainable from local sources

Speaking at the launching of the first locally manufactured Smith Boart 200 box-hole borer, Mr R S (Bill) Lawrence, newly-elected president of the Chamber of Mines, said

"Our locally engineered products can compete with the best in the world, and in mining, we have expertise unmatched anywhere and gained in the toughest school there is — at deep levels in hard rock, narrow seam gold mines"

Emphasising that the Chamber has actively promoted the use of the South African-made product, Mr Lawrence also pointed out that import substitution as an end in itself — that is granting local industry a protective shield from outside competition — is not a course of action that should be pursued at any price, except perhaps in the case of special strategic items

The mining industry's key role in the import replacement programme had shown the way for other sectors, said the Chamber's president, and this was not a purely altruistic attitude

"It is motivated by self-interest as well For by encouraging local manufacturers to involve themselves in the complexities of mining in the most arduous and demanding environment to be found anywhere in the world, the mines have managed to solve many problems

"In many instances, solutions have had to be found locally, because there was no precedent elsewhere," said Mr Lawrence

Smith Boart has made big strides in the field of local manufacture since it was formed only nine years ago

The establishment of the group is also a fine example of international co-operation in today's big business scene, being owned jointly by Smith International of the US and Boart International

Boart is a family of companies which operates throughout the world, and is a wholly-owned subsidiary of the Anglo American Industrial Corporation (Amic)

The new borer which has been ordered by Johannesburg Consolidated Investment's Western Areas gold mine, is capable of drilling blind holes up to 100 m long and up to 2,13m in diameter

Seifsa's new director

Stw. 28/7/80

189

Mr D L van Coller has been appointed director-designate of the Steel and Engineering Industries Federation of South Africa, and will assume duties on February 1 next year, Seifsa has announced in Johannesburg.

Mr van Coller is now personnel consultant-industrial relations depart-Anglo American Corporation, responsible for its industrial relations department He also served in the corporation's Economic Intelligence Unit, Industrial Division and Manpower Resources Division.

He is 42 years old and also acting director of the Institute for Industrial Relations.

Dr E P Drummond the present director of Seifsa will retire on June 30 next year, but will be retained in a consultant capacity — Sapa.

RDM 22/7/80

ITT may off-load stake in Altech

189

By DAVID CARTE
Deputy Financial Editor

INTERNATIONAL TELEPHONE and Telegraph Corporation (ITT) of the US, has agreed to sell its 2 434 000 shares in Allied Technologies (Altech) to Allied Electronics (Altron), Altech's South African holding company, at an undisclosed price

At current market value, the shares, representing 32% of the equity of Altech, are worth R34-million

The giant US electronics multinational acquired the shares in Altech when it sold its subsidiary, STC to Altech in 1977 One of the conditions of the 1977 deal was that the controlling shareholders of Altech would have first option if ever ITT wanted to sell

According to Mr Bill Venter, chief executive of Altech and chairman of Altron, the backers of Altech have always wanted to South Africanise the company as far as possible and have pressed ITT to sell ever since

"Now they have agreed to sell and, for the first time in many months, a meaningful stake has become available in a company with a market capitalisation of R140-million, with a 50% compound growth rate

"It's an exciting situation but we have taken no decision on what to do There are dozens of possible permutations and we would like to consider our options

Both Altron and Altech have large cash holdings and unused borrowing capacity, so the shares could be bought for cash by Altron, which already owns 52% of Altech But this would not enhance the spread of Altech shares among South African holders - a prime desire of Altech s backers

The Altech shares could be offered to one or a number of South African institutions, which, according to Mr Venter, have been frustrated trying to get meaningful stakes in the company A stake of more than 25% carried blocking rights and could be highly desireable for a very large institution

One way to achieve a better spread of Altech shares and at the same time to broaden the company's profit base would be to use the shares to acquire a company that would marry well with Altech

While today's official statement from Altron says no decision has yet been taken, Mr Venter said the shares would not be allowed to fall into foreign hands

This was tantamount to saying that one way or another they will be repatriated At this stage no terms have been released, so it is not possible to establish the effect of the repatriation on the share price Whatever happens, the marketability of Altech shares must be enhanced

The official statement cautions Altron and Altech shareholders in their dealings before another announcement

Steel mills output up

RDM 22/7/80 (189)

Industrial Reporter

OUTPUT from South Africa's steel mills during the first five months of 1980 showed an increase of 4,3% on the same period a year ago, says the Seifsa iron and steel bulletin.

The monthly bulletin, issued by the Steel and Engineering Industries Federation of South Africa, says pig iron output for the January-May period this year showed a 4,5% increase on output in the same months in 1979

The ferro alloy manufacturing industries reported an improvement of 14,5% in January-May this year over 1979, steel castings from private sector foundry output were 3,5% up, iron castings were 11,5% up, and non-ferrous castings were 38,8% up on last year

Tubemakers' new auto-galvaniser to cost R7,8m

(184) Star 22/7/80

A R7,8m project for the installation of a new galvanising plant and ancillary works at the Vereeniging plant of Tubemakers of South Africa has been approved by the board of Stewarts and Lloyds of South Africa.

The new automatic plant will replace the existing manual plant and increase capacity by 60 percent — from 49 000 tons a year to 81 000 — as well as improving efficiency, increasing productivity and reducing costs, the company says

Mr H A Godwin, executive director of the Vereeniging division, said the new plant would substantially increase the company's production of galvanised tubular products, including certain sizes of galvanised tubes, export tubing, windmill parts, flanges and sockets and street lighting columns

The capital expenditure would be undertaken in the 1981-82 financial year and the major portion of the equipment would be sourced in Germany, he said The plant would be operational in 1982/83. — Sapa.

Metaclo lifts interim

(189) RDM 25/7/80.

Financial Reporter

THE Metal Closures Group has raised its interim dividend from 10c a share to 16c on taxed profits of R997 000 for the six months to June — an increase of R390 000 on the comparable figure for 1979

For the financial year to December, taxed profits were R1 795 000, equivalent to earnings of 68,8c a share from which dividends totalling 24c were paid

Commenting on the improved results, the chairman, Dr M D Marais, said that all the operating divisions had benefited from the upturn in the economy

Some divisions of the group had been pressed to meet customer requirements, but pressure of production capacity would be alleviated in the third quarter by new plant and machinery

In spite of substantial raw material price increases, part of which had to be absorbed, it was expected that profits for the current year would exceed those of 1979, although the rate of increase in the first six months was not expected to be maintained for the full year

Dr Marais said that the combined effect of recessionary conditions in the world and the high inflation rate in South Africa would affect Metal Closure's profitability, but management was taking precautions, including strict cost control and greater efficiencies in the use of manpower

Malbak up to scratch

(189) DBQ

RDM 25/7/88.

Financial Reporter

MALBAK shareholders were told at the annual meeting yesterday that results for the quarter to the end of June were in line with budget and significantly up on the same period of last year

The annual report published last month forecast that the year to March 1981 would be one of "above average growth" — the average being the 17,2% rate at which earnings a share have grown since 1969

There has been a continuation of the strong improvement in the farm machinery division, which moved its contribution to group earnings up from 2% in 1979 to 13%

Motor retailing, which last year dipped to 8% of group earnings, is performing well, as is process control instrumentation which last year made its first full 12-month contribution

Malbak is paying R800 000 in cash for 100% of B & K Pumps The acquisition is not expected to have a material effect on either net asset value or earnings a share

In the year to March, Malbak earned R5 300 000 — 50,4 cents a share — on sales of R129-million and paid dividends of 18c a share

The report for the six months to September will be issued at the end of October, and that for the nine months to December (which will be published in February) will include the interim dividend declaration

(189) FM 25/7/80

GENERAL ERECTION

Growth base

Activities: *Fabrication, construction, electrical and mechanical engineering Directors control 34% of equity*
Chairman: *W M Joubert*
Capital structure: *4,9m ordinaries of 80c Market capitalisation R20,8m*
Financial: *Year to February 29 1980 Borrowings long- and medium-term, R7,3m, net short-term, R5,0m Debt equity ratio 66,8% Current ratio 1,2 Net cash flow R7,0m Capital commitments R1,1m*
Share market: *Price 425c (1979-80 high, 470c, low, 250c, trading volume last quarter, 53 000 shares) Yields 21,8% on earnings, 5,9% on dividend Cover 3,7 PE ratio 4,6*

	'77	'78	'79	'80
Return on cap %	20,9	23 4	18,8	17,8
Turnover index*	284	304	328	386
Gross profit (Rm)	4,4	4 7	5 6	6,3
Earnings (c)	46,2	69 8	83,6	92,7
Dividends (c)	14	17	20	25
Net asset value (c)	210	262	316	379

* 1974=100

Chairman Willem Joubert's forecast that last year would be a difficult one for the engineering sector has been proved right by results Though turnover rose by 17,6%, margins have apparently tightened, as pre-tax profit is up only 15,5% from R5m to R5,8m However, prospects for the current year seem considerably better, as order books are reported to be filling fast

The nature of the construction and engineering industry allows the group to keep its tax burden down to moderate levels through the use of capex tax allowances, and the Receiver took up only 23,6% (23,9%) or R1,4m (R1,2m) of pre-tax income But Joubert warns that this situation cannot be expected to last, and the tax rate will increase in the future

The company has built up resources to cope with the expected increase in general engineering business A number of small companies was acquired mainly to make use of their properties for the location of group services, while a R5m deb issue was placed to strengthen the capital base for further expansion of operations

Group borrowings have been rescheduled away from the longer-term, and the debt equity ratio fell slightly to a reasonable 66,8% (70,5%) In the previous year, a sharp increase in borrowings was apparently necessitated by a number of suspensive sale agreements which the group used to enlarge its crane fleet Presumably this has not been repeated, though contingent liabilities include some R850 000 (R117 000) in respect of unexpired leases

The interest bill, at the same time, has risen from R376 000 to R553 000 though much of the reduced long-term debt of R7,3m (R8,9m) has been rearranged at lower rates of interest Bank overdrafts, however, have risen sharply from R1,7m to R4,9m, and there is no cash balance in the accounts

During the past year, the group has been involved in a joint venture with Fluor Corporation of the US, which is involved in engineering design and project management The venture has apparently made good progress and Joubert is confident that it will continue to contribute to profits Since the year-end, Genrec has also started up another joint venture, with Pipework Engineering Developments of the UK, to establish a highly specialised tubing division for steam generator plants, as well as for industrial, chemical and mining usage

Genrec's Joubert expecting a further advance

While the broad spread of the group's activities has been maintained, there has also been a restructuring of internal operations The electrical construction department has been merged with subsidiary Alpret to combine electrical and instrumentation operations. Joubert expects the enlarged Alpret to contribute more to profits in the future

Another new company, Genrecfab, has also been established following the takeover of Wadeville Engineering, Power Steel Construction and Genpipe during the past year It will be responsible for structural engineering design as well as contract management, and Joubert points out that this is now one of SA's largest all-round structural engineering companies which is able to offer full services

Though dividend cover is normally high, it fell last year from 4,2 times to 3,7 This level of retentions does not seem particularly necessary taking into account the debt position and the deb issue, and cover could reasonably be further reduced this year If so, and if earnings increase more strongly than last year, a total dividend of up to 33c could be paid for a 7,8% prospective yield

Scott Hawker

SHIPBUILDING (189)

Up the creek

FM 25/7/80

A vicious cycle could develop in the local shipbuilding industry which could place SA companies in an even less competitive situation than they already are

The Board of Trade and Industries has been instructed by government to re-investigate the industry and to assess the appropriateness of present subsidies and whether these are, in fact, justifiable in the present — rather slack — situation

Chairman of the Board, Basie Kleu, says the re-investigation, tabled in this month's Government Gazette, was not in response to industry representation but because, in the 1966 investigation, it was recommended that the structure be examined again, after it had been operating for some years

In response to this move, Johan Grobler, GM (finance and administration) of Sandock, the Durban shipbuilding company, said his company would strongly object to any subsidy reductions

"The industry isn't in a very good situation at present and we are not very competitive with the rest of the world We are not subsidised enough."

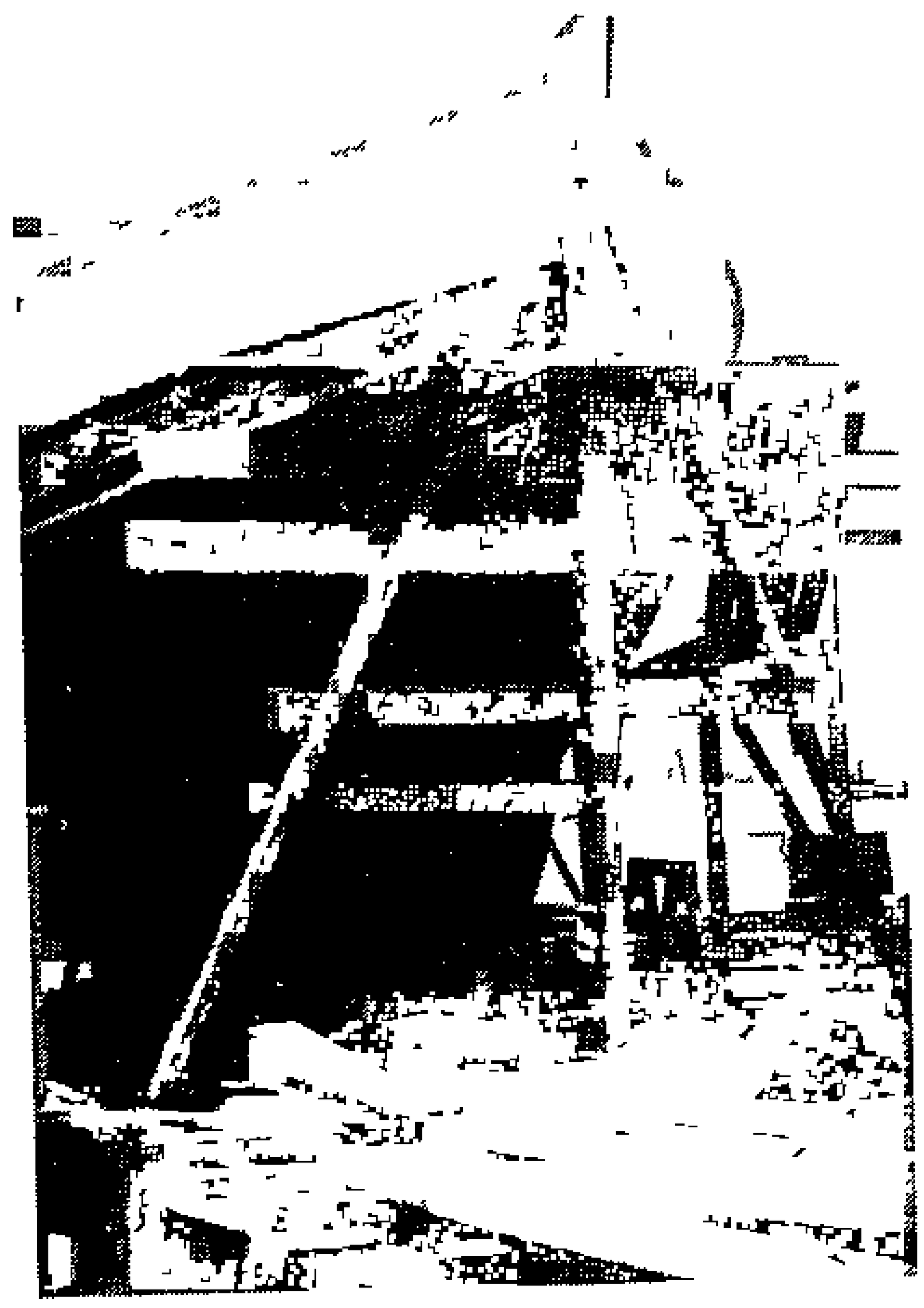
Present government subsidies are between 10% and 25% a 10% subsidy on contract price is paid to builders of ships between 200 t and 500 t, and 25% for ships between 500 t and 6 000 t

Although these subsidies run into millions of rands, they don't match countries, such as Japan, which provide subsidies up to 50% and which provide stiff competition for the local industry

Dorbyl Marine's executive director, Dick Brass, sees the re-investigation as a normal procedure to reassess current government involvement in the shipbuilding industry

"The government has been a great support in this industry which is a unique sort of business

"I don't think anything prompted this re-investigation other than that the existing scheme of support expires this year," said Brass, whose company's annual report for last year noted that its forward order books were inadequate in the long term



Shipbuilding industry . . . in a dry dock

In Cape Town, Dorman Long Swan Hunter are at present building only one trawler Clearly, none of the grand schemes for construction of tankers have been realised, and even small ship construction has been subdued

The Gazette stated that special reference would be made to the norms and minimum requirements with which any shipyard would have to comply in order to receive government assistance

If this support scheme were to fall away, it would be bad news for local shipbuilding companies, already adversely affected by their inability to compete in the world industry

The ball is now in the BTI's court

27/7/80 SUN TRIB

(189)

R5m expansion for Wolhuter's

(CFRDP)

Wolhuter's managing director Con Froneman, marketing director Cedric Smith, and Alan Birch, group technical director, inspect the newly arrived Bronx line at the Prospecton plant

Property Editor

WOLHUTER STEEL, a member of the Hunt, Leuchars and Hepburn Group and one of the largest steel merchants in the country, is developing a plant at Prospecton as part of its diversification into the steel coil processing market

The total expansion is to cost R5-million and the building at the one-hectare Prospecton site is well under way It is scheduled for completion by the end of next month

A high-precision blanking line which arrived recently will cater mainly for automotive, container and white goods (stoves, washing machines and the like) and will be the first of its kind in the area

Natal was chosen for the installation — the first step of a major expansion — because Wolhuter identified a gap in the market and with on-the-spot facilities available, Wolhuter will be able to offer a service as well as allowing the manufacturers to cut down on large inventories, making floor space available, as well as cutting back costs

The company expects to capture about 30 percent of the market initially with an overall objective of 50 percent

Peter Lawson, Wolhuter's Natal director, will head up the new operation which will provide a number of employment opportunities for whites and blacks

Marketing director Cedric Smith said in Durban this week the company had owned the site since 1973

One of the features of the building is the high tensile, steel-reinforced floor to carry the large stock holding of coils with a total mass of 12 000 tonnes

"We had to piledrive down to 48 metres," said Smith

Foundry output at a rollicking pace

189

RDM 28/7/82

RESULTS of the 1979 survey of South African foundry output reflect the increased levels of economic activity in the metal and engineering industries in the year, reports the director of the Steel and Engineering Industries Federation of SA, Dr E P Drummond

Plant replacement and expansion programmes implemented during the year, together with the opening of a major steel foundry, also contributed significantly to the improved output levels and export performance Output for all metal-casting sectors, including ingot moulds cast by steel producers for their own use, was up 14,5% to 697 267 tons as compared with the 609 175 tons for 1978

The results of the survey underscore the improvements in the use of production capacity

Grey iron castings, which represent 72,9% of total castings of this metal, were up 3,2% to 261 287 tons from 253 164 tons of 1978

The non-ferrous foundries, stimulated in part by the increased demand for automotive components, reported a 57,1% improvement in output to 30 480 tons from 19 400 tons in the previous year

Tonnages recorded do not include castings produced in small in-plant foundries operating general engineering workshops

Dr Drummond says, however, that factors which cause concern are increasing inflationary pressures and shortages of certain categories of skilled and semi-skilled labour, both at shopfloor and high technology levels They constitute constraints which can affect capacity use, and possibly export performance

Seen overall, prospects are for further strengthening in demand, arising from the current broadening of expansionary trends in the national economy and, in particular, from a continuing expansion in the automotive, mining, petro-chemical and building and construction activities

Shortages of quality castings now developing in the US and European markets are pointers to increased foreign demand for South Africa's foundry products, particularly its high-quality grey iron castings and steel castings — Sapa

(2pd) (189) RDM 28/7/80. Comm B

Industrial court to hear first test case

By STEVEN FRIEDMAN
Labour Reporter

THE industrial court set up under the Government's new labour dispensation is to hear its first major test case today in Johannesburg

The action has been brought by a black migrant worker who claims that his employer victimised him by not renewing his work contract

One issue at stake is whether an employer's decision not to renew the contract of a migrant worker when it expires can be regarded as victimisation

If the court does pronounce on the issue, labour observers believe the case will be an important test of migrant workers' rights

The industrial court was established after a recommendation by the Wiehahn Commission, which argued that there was a need for a special court to hear labour cases. Its president is the commission's chairman, Professor Nic Wiehahn

The court is regarded as an important part of Prof Wiehahn's planned labour dispensation, because it aims to provide workers with a cheap and speedy forum for the processing of their grievances

One of its chief functions is to hear claims of "unfair labour practices" It does not have to apply legal criteria only, but can also take into account the principle of "equity" Lawyers say this gives the court wider discretion than ordinary courts enjoy

It can, however, hear only civil actions

The case which the court will hear today has been brought by Mr Steven Maponya against his former employer, an East Rand company, Precision Tools

Mr Maponya, an active member of the Metal and Allied Workers Union, is a migrant worker Earlier this year his contract ran out and the company did not renew it

Mr Maponya claims that the company did not renew the contract because it wanted to end his trade union activities He says that Precision Tools has therefore victimised him by not re-employing him

The company has denied this, and is contesting the action

Mr Maponya is the first black worker to bring a test case to the industrial court and the case will be watched carefully by labour observers

In order to bring his case to the court, Mr Maponya first had to take it to the industrial council for the steel, engineering and metallurgical industries

A regional committee of the council heard his case and reported that it could not reach a finding The case was then referred to the court

At the same time, Mr Maponya's lawyers applied to the Minister of Manpower Utilisation for an order instructing the company to reinstate Mr Maponya until his case had been decided

The Minister refused to do this — an action which was criticised by the MAWU It said Mr Maponya had been unemployed for several months and also risked arrest under the pass laws, but was unable to obtain protection from the authorities

Date 25-10-76

Degree/Diploma/Certificate for which you are registered (e g B A , B Sc) B Com

Subject Economics II
(to be copied from the heading on the Examination Paper)

Paper No 1
(to be copied from the heading on the Examination Paper)

Examiners' Initials		

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining emphasis or for diagrams, for which pencil may also be used
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

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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

Steel exports to drop

RDM 28/7/80 (189)

SOUTH Africa's steel exports will be reduced during the 1980/81 financial year to meet growing local demand, the assistant general manager of Iscor Mr Nols Olivier, said at the weekend

Because of the economic upswing, local steel consumption is expected to increase by 400 000 tons Exports will be cut proportionately to meet demand The country's total steel production, however, will be maintained at 5,4 million tons a year

The recession overseas is lowering steel prices and Iscor may soon find it difficult to export steel profitably — Sapa

Metal Box is to move into Chile

23/7/80

STAR

By Jean Moon

Metal Box South Africa is to spread its wings further afield with a R31m investment in a 50 percent interest in Compania Inversiones Lota Schwager SA (Lota Schwager) which controls 75 percent of Fabrica de Envases SA (Fesa).

An off-shore loan will be used to finance the acquisition.

The Luksic Group of Chile, with whom the negotiations have been concluded, is a long established and substantial investment group whose financial and management interests envelop a wide range of activities from copper, pasta through to banking and hotels.

Fesa which operates in Maipu Santiago is one of the two largest can manufacturers in Chile. Fesa will provide Metal Box with technology and machinery.

Metal Box

189

Star 21/7/80

Metal Box South Africa has entered into a technical licence agreement with Fabrica de Envases (Fesa) following its acquisition of 50 percent of holding company, Compania de Inversiones, to provide the Chilean company with technology and machinery to meet the growing demands for additional can supplies

Yesterday's story in The Star indicated that the Chilean company was assisting Metal Box with technology and machinery, which is incorrect.

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Industrial Court's historic ruling

Post 29/7/80

HISTORY was made in Johannesburg yesterday when the Industrial Court ruled that a labour dispute in which the Industrial Council could not reach a decision, be heard by the court.

The case before the Industrial Court, which went into its first session on an alleged unfair labour practice, concerned a dispute over an employer's failure to renew the contract of a migrant worker, Mr Steven Maponya.

The Metal and Allied Workers' Union and Mr Maponya allege that the employer action of the employer was unfair labour practice.

They argued that the employer, A Mauchle (Pty) Ltd, trading as Precision Tools, had effectively victimised Mr Maponya for being a member of the union.

The deputy president of the court, Mr B J Parson, who was the presiding officer in the case heard in the boardroom of the Department of Manpower Utilisation in Johannesburg, said there was no indication that the Industrial Council's executive committee had no powers to act on the dispute in terms of the Industrial Conciliation Act.

The ruling follows argument by Precision Tools that it was improper for the court to hear the dispute as there had been a unanimous decision by the Industrial Council's executive committee.

The case will now be heard by the same court today.

While the Industrial Courts have previously carried out functions inherited from the now defunct Industrial Tribunal, yesterday's was the first session in terms of its reconstituted functions arising from the proposals of the Wiehahn Commission.

The most important feature of the court's function as an adjudicator on unfair labour practices is that it will set its own precedents and thereby shape the law yet to be evolved.

34 killed in riots

THIRTY-FOUR people were killed and 90 injured in racial riots in the Western Cape during June, South African Police have announced.

Lieut Col Leon Mellett, Police Public Relations Officer, confirmed the figures.

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Labour practices test case begins

RDM 29/7/80

189

By STEVEN FRIEDMAN
Labour Reporter

THE industrial court yesterday began hearing its first major test case — brought by a migrant worker against his former employers — after legal representatives of the employers argued that the case should not come before the court.

The court's president, Mr Benjamin Parsons, found, however, that it could hear the action.

In the case, which is being heard in Johannesburg, Mr Stephen Maponya alleges that his former employers, Precision Tools, victimised him by refusing to renew his migrant service contract.

The company denies this and is contesting the action

The industrial court was set up after a recommendation by the Wiehahn Commission, and one of its functions is to hear cases in which workers allege they are victims of "unfair labour practices"

Mr Maponya's action is the first case involving an alleged "unfair labour practice" which has come before the court It is being watched with interest by labour observers who regard it as the new court's first major test case

The case was first considered by the industrial council for the iron, steel and metallurgical industries. It reported that it could not determine whether a dispute existed between Mr Maponya and the company

However, it was revealed for the first time yesterday that the council's executive committee had also found unanimously that the company was within its rights when it did not renew Mr Maponya's contract.

Industrial legislation stipulates that a dispute must be considered by an industrial council before it comes before the court

If the industrial council is unable to resolve the dispute, it can be referred to the court

In a day taken up with legal argument, counsel for Precision Tools, Mr A Trollip, argued that the matter had already been resolved by the council when it found unanimously that the company was within its rights and that a dispute did not exist.

There was thus no reason for the court to hear it.

The court had also queried whether the action should be heard because the case had been discussed by a sub-committee of the industrial council and then by its executive committee, but not by the council as a whole.

Mr M Brassey, counsel for Mr Maponya and the Metal and Allied Workers Union, who have brought the action jointly, argued that an industrial council was not a judicial body and therefore did not have the right to find on the merits of a dispute.

If it had this right, a council could use it to "gang up" on applicants who were not members and prevent them from being heard in court

It could only try to settle disputes and refer them to the court if it was unable to do so It had been unable to settle this dispute and therefore the court should decide on it

He also argued that an industrial council could delegate its functions to a sub-committee and the fact that the executive committee had considered the case meant that the preliminary procedures had been observed

The court accepted this argument and found that the matter could be heard

• Mr B J Parsons, vice-president of the Industrial Court, is presiding. Mr M Brassey, instructed by Bell, Dewar and Hall, is acting for Mr Maponya and the MAWU Mr A Trollip, instructed by Damant, Bostock and Company, is acting for Precision Tools

RDM 30-1-80 166 189

Crucial labour issues before industrial court

By STEVEN FRIEDMAN
Labour Reporter

THE right of trade unions to bring "unfair labour practice" cases to the industrial court was challenged in argument before the court yesterday

Sitting in Johannesburg to hear its first major test case, the court also heard argument yesterday on another vital labour issue — the right of contract workers to expect that their contract be renewed

The court's ruling on these issues is expected to have a crucial bearing on labour law

Mr Steven Maponya, a migrant worker, and the Metal and Allied Workers' Union (Mawu) have brought an action before the court alleging that Mr Maponya's former employer, Precision Tools was guilty of an "unfair labour practice" when it refused to renew his contract

They allege Mr Maponya's contract was not renewed because the company wanted to end his union activities at its plant

In argument yesterday Mr A Trollip, counsel for Precision Tools, argued that the Mawu had no standing to bring the action together with Mr Maponya

He cited a Supreme Court case the "Bosman case" in which it was held that a union had no legal interest in whether one of its members had been victimised and thus had no legal standing in such cases

Mr M Brassey for the Mawu and Mr Maponya argued that this judgment did not mean a union had no standing in the industrial court — a 'quasi-judicial tribunal'

He said the Industrial Conciliation Act had 'clearly contemplated" that trade unions could be parties to "unfair labour practices" cases before the industrial court

If unions were not allowed to bring such cases to the court workers would have to do so individually "at great difficulty and expense'

Mr Brassey asked the court to postulate what would occur if 3 000 workers at a particular company demanded to be heard individually by the court

The rights of contract workers also featured in argument yesterday

Mr Trollip argued against a memorandum submitted by the Mawu and Mr Maponya partly rejecting its suggestion that it was possible for a migrant labour contract to contain an "implied term" that this contract would be renewed

This would mean that migrant workers would, in certain cases be able to argue that it was understood between them and their employer that their contracts would be renewed and that the employer's failure to do this could constitute victimisation

Mr Trollip argued that an employer could not renew a migrant worker's contract without the permission of the authorities in this case the West Rand Administration Board

If the court ordered the company to reinstate Mr Maponya, it would be asking it do something which was illegal without the permission of Wrab

He also argued that the company had a legal right not to renew a contract

Mr Brassey argued against this suggesting that the 'call in' card which an employer may give a migrant worker automatically entitled the worker to be registered in a new contract

By granting Mr Maponya such a card the company could ensure his re-employment and Mr Maponya alleged that it was an understanding between him and the company that this would be done when the contract ran out Mr Brassey said

He also argued that there could be an understanding between workers and an employer, or a custom at a company that a work contract would be renewed even if there was no legal obligation to do so

The case is being heard by the court's vice-president Mr Benjamin Parsons assisted by two assessors Prof P A K le Roux of Unisa (nominated by Mr Maponya and the Mawu) and Mr D S Harris of Seifsa (nominated by Precision Tools)

Case findings vital to black worker rights

By STEVEN FRIEDMAN
Labour Reporter

THE industrial court adjourned a hearing yesterday to consider argument on two issues with far-reaching implications for the rights of black workers

At issue are the rights of contract workers to allege victimisation if their employers do not renew their contracts and the right of trade unions to bring industrial court actions on behalf of their members

The case has been brought by the Metal and Allied Workers' Union and Mr Stephen Maponya, a migrant worker They allege Mr Maponya was victimised by a local company, Precision Tools, when it refused to renew his work contract

The court's finding is likely to be closely studied by unions and employers

If oral evidence is necessary on the facts of the case, it will be heard from September 11 to September 17

The court has been asked to deliver its findings on the legal points two weeks before that date It noted this request

In another development yesterday, both sides indicated that they would seek to appeal if the court's ruling goes against them

It has been assumed up to now that there is no right of appeal from decisions of the court However, this now appears to be in doubt

The court's vice-president, Mr B J Parsons, is hearing the case and is assisted by two assessors, Prof P A K le Roux of Unisa (nominated by Mr Maponya and Mawu) and Mr D S Harris of the Steel and Engineering Industries Federation of SA (nominated by Precision Tools)

Yesterday, the court sat briefly and heard additional argument from Mr A Trollip, for Precision Tools, and Mr M Brassey, for Mawu and Mr Maponya

Mr Trollip has argued that the company has no legal obligation to renew a migrant worker's contract and that the court cannot order it to reinstate Mr Maponya, because doing so requires the permission of the West Rand Administration Board's director of labour

Mr Brassey has argued that an employer is not prevented from issuing a contract worker with a "call-in card" which, he submitted, automatically meant that the contract would be renewed

He also argued that a migrant worker's contract could, in some cases, contain an "implied term" that the contract would be renewed and the worker re-employed

If the court accepts this argument, it would mean that contract workers would be able to invoke rights they have not been thought to hold up to now

A contract worker would, in certain circumstances, be able to compel an employer through the courts to renew his contract if he were able to prove that the employer wanted to victimise him by not renewing it

The right of trade unions to represent their members in "unfair labour practice" cases before the industrial court is also at issue in the case

However, Mr Trollip acknowledged in argument yesterday that the court's finding on this issue would not affect the outcome of the case, as Mr Maponya's right to bring it before the court is not in dispute

PRESIDENT CATERING (189)

Feeding growth

FM 1/8/80

Activities: *Manufactures and supplies catering and refrigeration equipment Equity is 64%-held by Trade & Industry*
Chairman: *I J Jacobson*
Capital structure: *3,2m ordinaries of 7c*

Financial Mail August 1 1980

Market capitalisation R3,9m
Financial: *Year to June 30 1980 Borrowings long- and medium-term, R13 000, net short-term, R2,5m Debt equity ratio 95,4% Current ratio 1,5 Net cash flow R455 000*
Share market: *Price 123c (1979-80 high, 135c, low, 60c, trading volume last quarter, 43 000 shares) Yields 18,9% on earnings, 8,1% on dividend Cover 2,3 PE ratio 5,3*

	'77	'78	*'79	'80
Return on cap %	15 5	19 2	27 3†	29 2
Turnover (Rm)	6 5	8 0	9,8	11 7
Pre-tax profit (Rm)	0 6	0 7	1 2	1,3
Earnings (c)	9 9	12 0	21 9	23 2
Dividends (c)	4,5	5 0	7 0	10 0
Net asset value (c)	97	103	65	82

*16 months †Annualised

Prescat has moved ahead well in the 18 months since its takeover by T&I And prospects for further good growth appear sound as the economy continues upwards

While past and current growth has been locally based, the group now has export plans Some export sales have already been made and the company is "actively investigating" further foreign operations There are a couple of tenders currently on the go, management says

The contribution to taxed profit of the trading and manufacturing arms has shifted slightly over the year, with trading providing 72% (82%) of net earnings and manufacturing the remainder Though this has not been a deliberate policy, manufacturing does tend to be the more lucrative field and generally involves longer-term contracts

The trading arm is also being expanded with extra staff and facilities, and chairman Ivor Jacobson is confident that market share will at least be maintained

Recent acquisition F H Hodgkinson was consolidated for a full year and experienced a significant increase in sales, and Jacobson says that all group outlets performed at least up to budget

Recent growth has been accompanied by higher debt financing The debt equity ratio has risen steadily over the last couple of years and now stands at 95,4% (64%), which is not unreasonable bearing in mind the financing requirements of the group and its customers The debt burden has been increased from R1,4m to R2,5m, mainly on the short-term side and the interest bill is covered a comfortable 6,9 times by pre-tax profit (16,5) Return on capital is advancing steadily

The new management obviously has plans to expand the earnings base of Prescat as evidenced by the venture into foreign sales and MD Jerrold Jacobson says the group is always on the lookout for acquisitions The local market is comparatively limited, but with the improved financial structure and the influence of the economic upswing, it is reasonable to expect that the group will exceed the 16% four-year compound growth rate in earnings If so, a 12c total dividend is possible which would put the share, currently trading at 123c, on a prospective yield of 9,8%

Scott Hawker

Stand Brass worried

(189) RDM 1/8/80.

By HAROLD FRIDJHON

A WARNING that the second half of the current year might bring difficulties for Standard Brass is implicit in the interim report for the six month to June. Earnings in the first half at 58,2c a share are only 2c above those for the first half of 1979 and an unchanged interim of 15c a share has been declared.

For the year to December 1979, Standard Brass earned 137c a share and paid dividends totalling 55c.

Profit before tax dropped from R2 540 000 to R2 460 000 and the taxed net was higher at R1 612 000 (R1 555 000 for the first six months of 1979) only because of a lower tax liability. Last year the tax factor was 38,7%, the rate for the first half of this year was down to 34 4%.

A note in the interim report says that because of a sharp decline in the demand for rolling stock in the US, exports of bogie castings ceased in the second quarter of 1980.

At the same time the low demand from the South African Railways for rolling stock has caused the production of bogies, the company's major product, to reach the lowest level since 1962.

The note says "This reduced volume can only partially be offset by increased business in a other areas."

In the report for 1979, the chairman, Mr G B Hobbs, said that as railroad castings for the South African Railways were traditionally the most important single sector of the SA market for steel castings, "the industry would now be in a recession were it not for the surge in exports."

In March Mr Hobbs reported that the demand for rolling stock from the United States was still strong, but he warned then that conditions were becoming more competitive and that the US market would probably have a limited life.

It would now seem that his predictions are being fulfilled and that the next six months will see Standard Brass battling in competitive markets both at home and abroad.

It looks as if the JSE has taken some cognisance of Mr Hobbs's earlier warning. Standard Brass shares are standing at a 6,5% yield against an average of 5,1% for the engineering section.

S. Express 3/8/80

Beating the skill crisis

ANTICIPATING a shortage of skilled personnel in South Africa, L'Electron one of the country's leaders in micro-processors, has launched what amounts to a "do-it-yourself" system for engineers

Now microprocessor automation can be put together on the building block principle — and the pieces can be used to design anything from a simple to a complex scheme — like the R1-million, fully-automatic control system recently completed for a mine

"Our building block principle works almost like a Meccano set,' said Mr John Dunbar, joint managing director of L'Electron

"Instead of engineers having to design and build all the system, we save them time and effort by supplying them with completed building blocks "

Components include a wide range of sensing devices such as proximity switches, thermometers and flow controllers, as well as basic microprocessor units with surrounding equipment.

To back up their "do-it-yourself" system L'Electron has formed links with several overseas companies to give the local market a more concentrated range of interrelated components

In the past two years L'Electron itself has undergone considerable transformation Originally small operating groups marketing electronic components, microprocessors, process control equipment, mimic display control room equipment and Martin Rodgers aluminium cabinets, it now offers a more integrated image with emphasis on quality, organisation and engineering ability in the local manufacturing sector

"Although competition has been intense, especially in the electronic component sector, our improvements have helped company image and profitability," said Mr Dunbar

'Support from overseas companies together with the recruitment of technically competent personnel means we are better equipped to expand our local manufacturing activities in microprocessor based automation systems "

Slump forces cuts in ferrochrome output

(189) (94) RDM 5/8/80.

By ADAM PAYNE

SOUTH African ferrochrome producers have cut back production by between 15% and 20% because of the slump in the stainless steel industry, particularly in the US.

The South African industry leads the world in output and competitive ability, its share of world trade having risen from 32% in 1973 to 52% last year

Exports of ferrochrome last year totalled more than 650 000 tons and were worth about R250-million

The largest South African producer is Samancor which has an estimated capacity of 280 000 tons a year

Other leading producers include Consolidated Metallurgical Industries in the Johnnies stable, Middelburg Steel and Alloys; Gencor and Union Carbide's Tubatse smelter and Feralloys owned by Associated Manganese, Anglovaal and US Steel

While other producers say they have already cut back, Feralloys says it has not yet done so, but it may have to review its production plans in the light of the world demand situation

Mr Cecil Carrington, a director of Johnnies responsible for Consolidated Metallurgical Industries, said. "We have cut back by 15% from our rate of production as opposed to our rated capacity of 120 000 tons a year. We were operating in excess of rated capacity and cut back from that figure

"It is probable that production will have to be cut back further The level will depend principally on the situation in the US

"Stainless steel producers use a charge of stainless steel scrap as well as nickel and ferrochrome

"When US interest rates were raised, not only were the automobile and construction industries hit but stainless steel scrap merchants were unable to afford to hold stocks. They dropped their prices to smelters

"This resulted in stainless steel producers increasing the proportion of scrap stainless steel in their furnaces They also cut back production because of reduced offtake and ferrochrome consumption declined

"The price of stainless steel scrap continued to fall but now that a major proportion of that scrap has been absorbed into the market, we believe the price is beginning to bottom and firm up"

Mr Carrington said that generally stocks of ferrochrome overseas were relatively low compared with the normal situation and there were indications that there could be a recovery by the fourth quarter of this year or the first quarter of next year

Samancor has reduced output by taking two of its smaller furnaces out of production

Mr John Hall, the managing director of Middelburg Steel and Alloys, said his company had taken one small furnace out of production

He said "We shall be cutting back by about 20% in the next six months, while we see what happens in overseas markets"

He said sales of ferrochrome had dropped by about 50% in the US, but South African producers were not sure how long the slump would continue.

Obviously, stainless steel production had not dropped as much as the sales of ferrochrome because of its use in the petro-chemical industry.

"It is sensible for South African producers to cut back to avoid a building up of stocks that would overhang the industry," he added

Some producers consider the pattern of falling demand in the US is likely to be followed in Europe and Japan

Said one producer "I expect the recession in stainless steel to be not so severe as that in carbon steel because it is used in the petro-chemical industry, which is buoyant because of oil-from-coal projects in the US.

"When the defence programme swings into gear the demand for stainless steel must be stronger

"However, a defence programme cannot be implemented overnight, technical decisions have to be taken so that the upswing is unlikely to occur until the middle or second half of next year."

Star 6/8/86

HBW

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Factory blast: cause unknown

Court Reporter

The actual cause of hydrogen and aluminium powder explosions at a factory which killed 12 men could not be pinpointed, a joint inquest and inquiry ruled today

This was the verdict of a Johannesburg magistrate, Mr H P Holtzhausen, and the Chief Inspector of machinery, Mr T M Leff

They gave judgment after hearing evidence to determine the cause of death and the cause of the explosions in an atomising chamber at Supreme Metal Works (Pty) Ltd, Industria, on March 17

The court found a spark and the flare of a match were two possible causes of the explosions but evidence did not disclose any wilful act by any person

The court was therefore unable to pinpoint the cause of the explosions or to rule whether there was any negligence by any person who could be held criminally responsible

They ruled out the possibility of a static or electrical spark, photosynthesis or chemical means causing the explosions

The inquest inquiry disclosed various acts of negligence on the part of the factory management but mere negligence was not enough to hold any person responsible

This did not rule out the possibility of a prosecution instituted on the grounds of contravening the Factories Machinery and Building Works Act which will be dealt with by the Inspector of Machinery

The prosecutor, Mr H A Knoop told the court it was his submission that the death of the 12 men was not brought about by any act or omission involving or amounting to an offence on the part of any person

Vogels interim trimmed

(184)
RDM 7/8/80.

By IAN THOMAS
Mining Editor

EXTRA investment in Sasol by Vogelstruisbult Metal Holdings has meant a lower interim dividend than there would have been, but results show a slight improvement

Pre-tax profit rose to R1 776 000 (R1 607 000) in the six months to June 30 with the dividend remaining unchanged at 5c, and earnings a share rising slightly to 10,9c (10,5c)

In the last annual report, the chairman, Mr Robin Hope, said the company was committed to investing an extra R1 250 000 in Sasol up to about March 1981, and that shareholders should expect only modest dividend rises in the year.

Investment income in the second half is expected to rise and assuming the final dividend remains unchanged from last year, shareholders can expect a yield of at least 13% at yesterday's 115c price

Benoni strike case judgment

RDM 7/2/80 (1573) (1574)

Labour Reporter

JUDGMENT will be handed down tomorrow in the case in which 55 East Rand workers have been charged with holding an illegal strike.

The case is being heard in the Boksburg Magistrate's Court. Evidence and argument were heard on Monday and Tuesday.

The charges arise out of a work stoppage at a Boksburg company, Rely Precision Castings. All 55 of the company's black workers were involved in the incident and most have been dismissed.

The workers were arrested soon after the stoppage began and some have laid charges of assault against the police.

They are all members of the Metal and Allied Workers Union which is affiliated to the Federation of South African Trade Unions (Fosatu).

Earlier this week the company's managing director, Mr J Thomson, and its factory manager, Mr D Ferris, gave evidence for the State.

The defence called three witnesses, the chairman and two other members of the workers' committee at the company.

The State alleges that the workers refused to continue working after an incident at the factory and that they therefore took part in an illegal strike.

Defence counsel alleges that the workers believed they had been dismissed by the company and did not continue work for that reason.

Lacklustre Ver Ref promises better

(189)

RDM 7/8/80

By DAVID CARTE
Deputy Financial Editor

VEREENIGING REFRACTORIES pushed up pre-tax profit 19,5% to R8 040 000 in the six months to end June but switching to the conservative, tax saving lifo method of stock valuation reduced pre-tax profits by R803 000 to R7 237 000

Last year's figures have not been adjusted for lifo, according to the chairman, Mr Graham Boustred, because it would have been too complicated and expensive an exercise

This makes after tax comparisons academic Neverthe less despite lifo, earnings grew 18,2% to R4 012 000 (1979 3 393 000) or from 67c to 79c a share The interim dividend rose more or less in line with pre-tax and taxed profits from 16c to 19c

Sales rose 22% to R43 682 000 (R35 829 000) in the first half, which means pre-tax margins before lifo declined slightly from 18,8% to 18 4%

An important factor in the improved results was the decline in the tax rate from 39,9% to 34 3% This was due largely to the return to profitability of Vitro Clay Pipes, on which tax is not payable because of past losses

Mr Boustred told me that overstocking of refractoris by steel-makers and improved lining lives had reduced demand in the refractories market But steel-makers were doing well at the moment and demand was expected to improve soon

Another problem had been the switch out of Coverland tiles at Mitchells Plain to save costs Mr Boustred said that some houses at Mitchells Plain were now being roofed with Coverland Tiles and this company, too, should better reflect the boom in building materials in the near future

The interim reports says trading conditions in the building industry are likely to improve for the rest of the year and the refractories industry did not experience the same upturn in the first half, but an improvement is expected in the second half

The group profit in the second half is expected to be better than during the first half

COMMENT Many in the market will be disappointed at these figures Other capital intensive companies serving the steel and building industries have shown huge profit increases on even small sales increases

But indications are that the action in Ver Ref is about to start The dividend is covered four times by earnings of exceptional quality, so the share will no doubt be snatched up on any weakness following these results

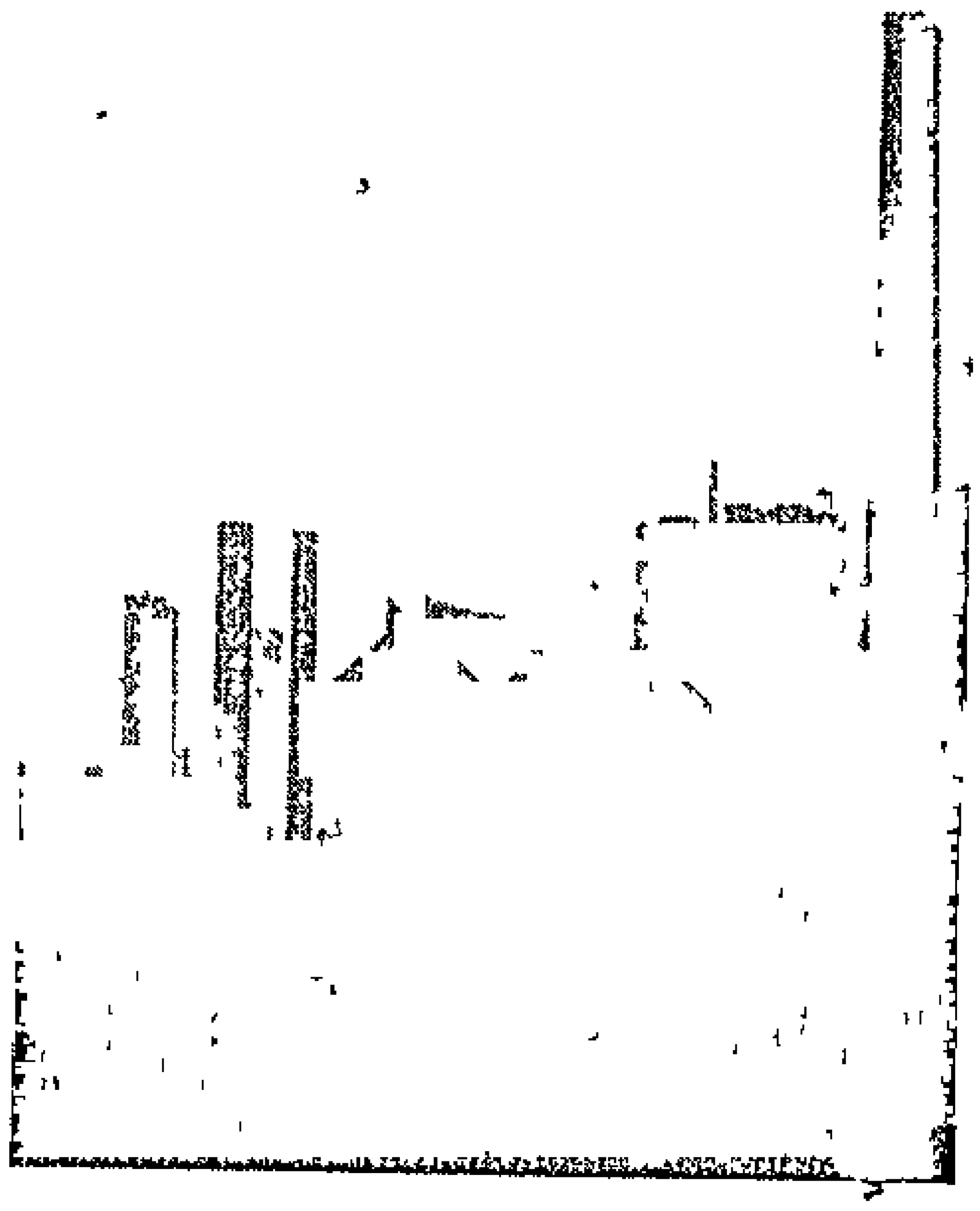
260 189 FM 8/8/80

COKING COAL

R50m Iscor contract awarded

The contract to build two turn-key coke briquetting and materials handling plants worth R50m at the Vanderbijlpark and Newcastle steelworks (*FM* July 25) has been awarded by Iscor to Didier (SA), the SA agents for the international consortium of Didier Engineering of Germany and Voest-Alpine of Austria

Contract work will start immediately



Iscor . . . combating the coal problem

Within a week 22 European representatives of the consortium will have arrived in SA for primary discussions with Iscor, and it is planned to have both plants on stream by September 1982

The contract was secured in the face of stiff international competition, almost all of which included Japanese companies with briquetting expertise

Didier's plants are based on the proven Sumicoal process of the Japanese company Sumimoto Metal Industries and are the first ones of their kind to be built on a large scale outside Japan Two such plants have been in operation in Japan since 1975, producing 6 400 t of briquettes a day

Approximately 8 300 t of coal a day will be processed at Iscor s plants

The plants are being built to cope with Iscor's problem with weak South African metallurgical coal The briquetting process, which involves adding a pitch binder to pulverised coal and compressing it under controlled conditions into briquettes, uses low grade coal and upgrades the resultant coke quality

The briquettes will be added at a rate of up to 50% of the total coal charge in the coke ovens The increased strength of the coke, which is required for the production of hot metal in blast furnaces, improves the efficiency of blast furnace and ironmaking operations,

The two new plants should greatly improve Iscor s overall profitability Willem van Wyk Divisional GM of Steel Operations at Iscor foresees an increase in blast furnace production capacity of 10%, a reduction in the coke rate by 2,5%, and an improvement of 4% in the metallurgical coke yield

Part of the contract is a long term know-how agreement which will ensure that Iscor gains full access to the knowledge required to optimise the application of this new technology to local coal, which is completely different to coal elsewhere

Iscor will experiment with different blends of briquetted low quality coal and non-briquetted high grade fine coal to obtain uniform quality — only when the qualities of the two coals are equal can the process succeed

This is the second large contract placed by Iscor with Didier The first was part of the R30m expansion of Iscor s coke-making facilities at its Vanderbijlpark works which involved building three coke oven batteries, comprising 165 ovens — a project completed in 1976 The contract also included the materials handling, all the required machinery and the by-products plant at Vanderbijlpark

Besides partial briquetting of the coal charge — the process which Iscor has now decided on — Didier Engineering (Germany) has also developed the DKS formed coke process which is based on 100% briquetting of the coal charge, and the precarbon process in which fine coal is dried and pre-heated prior to its entering the coke ovens

Voest-Alpine, the Austrian state-owned steelmakers and builders of industrial plants, own 70% of Didier Engineering in Germany and, together with Didier, employ over 2 000 engineers

Salect back in black, sees 20c earnings

RDM 8/8/80

(189)

By SHAUN HOLLICK

SA SELECTED Holdings, which was saved from insolvency through the injection last year of the Inter-Continental and Robert Skok group of machine tool companies, is viable and set to earn at least 20c a share in the yeai to February 1981, says the annual report

after the injection of the new companies, shareholders funds are R691 000 compared with the R4 146 000 deficit last year

Sales in the first four months of the current year exceeded R15-million, says the annual report Last year sales for the full vear were R24 168 000 With the announcement of many new quasi-Government projects Salect sees a "very bright future" over the next two years and sales should beat last year's R24-million total by at least 50%

Salect remains an investment holding company, but is now geared to the supply of equipment to the engineering industry

From a loss of 21c a share in the year before acquiring the Inter-Continental/Skok interests the group has swung to a profit of 9,9c a share in the 12 months lately ended says the chairman, Mr Robert Skok

But because the 14-month contribution of the Robert Skok group has been annualised in these results and the preference shares existed only in the last three months of the year, the figures are not comparable

Mr Skok says Salect is "on the way to becoming a soundly based company serving the needs of the market place and generating a steadily increasing flow of profits and dividends"

In line with a policy of furthei engineering acquisitions, the non-engineering investments — a 70% stake in Sinclair Holdings and 11% of Trumcor — are to sold Sinclair will be sold by the end of this financial year

Because of this policy, the Salect directors decided to capitalise R140 000 of interest relating to the Sinclair investment The directors say that the receipts from the sale of these investments "will be more than sufficient to offset Sinclair s increased book value"

On turnover of R24 100 000, pre-tax profit rose to R1 700 000 and taxed profit increased to R1 200 000 Last year a R720 000 loss was sustained

Total net borrowings appear to have risen from R7 862 000 to R20 102 000 of which more than R8-million looks to be short term, but because most debt is either to creditois or to Mercabank, the interest bill was only R424 000

COMMENT The company may well be back on the tracks, but its debts are daunting, even if they are largely interest free. It's a share for brave souls at 120c

8/8/80

Post

Search on for family of fire victim

ART

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THE search is on for the family of a dead man . in order to hand them compensation for his death

The dead man was Mr John Gaegatwe (53), popularly known as Motsamai He was one of the victims of the killer blaze in Industria, Johannesburg earlier this year

Mr Gaegatwe was working as labourer at Supreme Metal Works when fire swept the factory

He and 11 others were killed. He was buried by friends and volunteers as his family could not be traced

He was believed to be either from Vryburg or Potchefstroom, but enquiries about his family have drawn a blank

The company want to give his next-of-kin an undisclosed sum of money

MONEY

Company spokesman, Mr Lucas Jivhuho, said "This man's family has a lot of money due. We would like them to show up. He also has valuable belongings like clothes and furniture which they can claim"

Mr Gaegatwe's pension can also be paid out

Mr Gaegatwe was believed to have lodged in Naledi Plural Relations offices could not give any information about him nor could the Reference Bureau in Pretoria. His reference book number was 1/0328612/9

Mr Gaegatwe's personal file at work said was married to a woman called Emily, and in another file has his wife as Majapie The file shows he has children, Japie (33), Ma-Gaegatwe Miriam (29) and Mathalameng Elizabeth (25) He has a brother called Mantsoa

It has since emerged that he had a son working for the South African Police A letter has gone to the Commissioner of Police

Anybody with information should contact Supreme Metal Company in Industria

Ical slow, but NEI 26% ahead

(189) RDM 8/8/80

By DAVID CARTE

Deputy Financial Editor

IN SPITE of under-budget profits at Ical, its wholly owned subsidiary and biggest profit contributor, Northern Engineering Investments pushed up turnover 77% and pre-tax profit 26,5% in the six months to the end of June

The interim report shows turnover up from R34 995 000 to R61 985 000 and pre-tax profit from R3 245 000 to R4 118 000 The tax rate was more or less constant on 40% and taxed attributable profit was 28% ahead at R2 471 000 (1979 R1 926 000) Earnings rose 28% to 47,9c (37,4c) a share and the dividend was raised in line from 11c to 14c

The rise in profits and turnover was partly due to higher turnover in Ical and partly to the inclusion of Reyrolle Parsons and one or two smaller new acquisitions for the first time Because they are into lower margin areas of engineering, the acquisitions also had the effect of reducing margins

The managing director, Mr H "Blitz" Bieber, tells me order books are "very healthy" and that although profits on some Ical contracts were below budget, they were still profitable Mr Bieber says these contracts have been conservatively allowed for and are now behind Ical

He is therefore optimistic for the future, forecasting better profits in the second half

COMMENT. The second half is traditionally better, so this is not a bold forecast and it would be disappointing if it were not easily beaten

Ical takes profits on contracts conservatively Policy is to take losses in full as and when they become apparent. But only the smaller portion of profits comes to account before completion, so most profits come to account on completion of contracts

Some contracts run over more than a year, so it is probable that the group is still working through contracts signed at low margins some time ago. Margins today must be far healthier, so profits should improve sharply from here. But the company is not geared, so one would look for steady rather than super dynamic growth

If the group does earn only the same again in the second half, earnings will be 96c a share, a 27% improvement on 1979 Cover in 1978 and 1979 at 2,4 and 2,5 was reduced sharply from nearly 4 in 1976 and 1977 Assuming cover of 2,5, the dividend could be 38,5c for the year, which puts the share on a prospective 6,3% — more or less in line with the industrial average, which is attractive

Battery firm, union clash over strike

(189) RDM 8/8/80.

By STEVEN FRIEDMAN
Labour Reporter

ABOUT 40% of the strikers at an East London battery factory, Ray-Lite batteries, have returned to work, the company's managing director, Mr D G Saunders, said yesterday

New workers were being recruited to replace those who had not returned, he added

However, the South African Allied Workers Union last night denied that workers had begun returning and said they had decided not to do so until all were reinstated and the union was recognised

About 250 workers staged a "sit-in" strike on Wednesday after management had refused to deal with a worker committee elected under the auspices of the SAAWU

Police baton-charged workers in the company canteen after they had refused to return to work

The union says management will not deal with it because it is not registered, but Ray-Lite says the union refused to present evidence of its "bona fides"

In another development, the union expressed concern about its president and national organiser, Mr Richard Gqweta, who disappeared yesterday

A union spokesman said Mr Gqweta had left the office early yesterday morning to negotiate with management at Ray-Lite and had not been seen since

"The company says that the negotiating meeting ended this morning and we are very worried We do not know what has happened to him"

Mr Gqweta said on Wednesday that strikers would not return until he had negotiated with management yesterday

Mr Saunders said yesterday that he had met Mr Gqweta and reiterated an earlier undertaking that strikers who returned yesterday would be reinstated

He said 40% had returned but it was not clear what the final total would be, as nightshift workers still had to report

He said production was not yet back to normal but added that "we are concentrating on manning key areas of the plant and these are all fully operational"

The union said in a statement that it had asked Mr Saunders to confirm in writing that all workers had been reinstated He had refused to do this, saying that would constitute recognition of the union, SAAWU said

All workers would now remain on strike until the workforce was reinstated and SAAWU was recognised

The company regarded those workers who did not return yesterday as dismissed and was already replacing them with new recruits, Mr Saunders said "There is a lot of unemployment in this area and we had 500 people outside our gate looking for work this morning"

Those who had been dismissed could be replaced easily because "our hourly paid workers are either unskilled or semi-skilled and very little training of new labour is required", he said

Reunert record final raised

189

(Star?) 8/8/80.

By HAROLD FRIDJHON

WITH record earnings of 123c a share, 28% up on the previous year, Reunert & Lenz has increased its final dividend for the year to June 1980 to 27c making 42c for the year compared with 31c last year.

The preliminary report shows that taxed profit was R4 475 000, compared with R1 985 000 for the half-year to December, and R3 509 000 for the previous financial year

Compared with R86-million in 1979 and R51-million for the half-year, the past financial year achieved a turnover of R110-million which is the highest in the company's history

Mr J M Reunert, the chairman, says that this improvement has come primarily from the better economic climate which has prevailed since mid-1979 and which became increasingly apparent in the first half of 1980

Revenue from all sources in South Africa increased, both in day-to-day trading as well as in the contracting operations.

The Zambian and Zimbabwean subsidiaries made increasing contributions, but these amount to 12% of group profit compared with 15% in the previous year

The outlook for the current year is encouraging, he says, and the group is budgeting for a further increase in profits in the current year

COMMENT: This is a company with an outstanding growth record Earnings have gone up every year in the past 10 years — from 28c a share in 1971 to this year's 123c and dividends have been increased almost in pace with earnings

The group is well placed to share in the accelerated spending on fixed capital investment which should become apparent in the current half-year largely because it is a supplier of equipment in the mechanical and electrical engineering fields, the sectors which will be responsible for providing the sinews of growth

At 700c a share, the investment yields 6%. The shares are a tight market, but because of the group's growth record they are worth including in any forward-looking portfolio

STAR 9/8/80

Coke plants cost R50-m

Didier (SA) (Pty) Ltd has been awarded a R50-million contract to build two coal briquetting plants for Iscor

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The plants will be at Iscor's Newcastle and Vanderbijlpark works and will be completed by mid-1982.

The plants are based on the sumicoal process and will be the first built outside Japan.

Iscor estimates daily production of up to 8 000 tons of briquettes to provide high quality coke used to produce hot metal in blast furnaces — Sapa.

Highveld raises final to 20c

(1593)

RDM 9/8/80

By DAVID CARTE
Deputy Financial Editor

SOARING domestic steel sales made up for declining fortunes on the vanadium and ferroalloys export side to enable Highveld Steel & Vanadium to post a 61% profit increase in the year to the end of June

The preliminary results released in London yesterday but scheduled for release to South African shareholders only on Monday, show pre-tax profit up 61% to R70 110 000 (1979 R43 370 000) and taxed profit up in line to R43 900 000 (R27 300 000)

Earnings a share, with stocks valued on lifo, were 64,6c (40,3c) and the final dividend was raised from 14c to 20c, making 29c for the year, a 45% increase on 1979's 20c Cover was 2,2 against 2 in 1979

Highveld was 61% ahead at the interim when earnings were 29,6c, and it forecasts "at least" maintained profits in the second half, suggesting around 60c for the year In the event that target has been beaten by 8%

The managing director, Mr Leslie Boyd, told me that with a further improvement in domestic steel in prospect and the No 9 kiln due to add to volume soon, he foresaw another good year and was confident this level of profitability could be maintained, even though feroalloy production was being cut

He said that in an excellent first half, demand and prices for vanadium and ferroalloys overseas had been buoyant and the rand weak During the second half the strong rand and declining export demand meant a substantial decline in ferroalloys and vanadium

But demand for heavy structural steel sections and plate had risen "significantly" to compensate

COMMENT: At 525c, Highveld yields 5,5%, which makes the price look full but fair

S-TAK 12/18/80

189

Abercom boosts earnings

Abercom, the international engineering group listed on the Johannesburg and London stock exchanges, earned a record R9,9m for ordinary shareholders in the year ended June and is looking for even better results in the current year

Audited figures issued today, only six weeks after the year-end, show that this was a 37 percent rise on the previous year

The dilution effect of the 35-for-100 rights issue through which the new management team re-balanced the debt-equity ratio at the end of the 1979 financial year turned this into a 6 percent increase in earnings which moved up from 48c to 51c a share

DIVIDEND

A final dividend of 13c a share is being paid to bring the total for the year to 24c, against the previous 20c

Today's figures show that demand increased in all areas of Abercom's business, with sales rising 24 percent to a record R164m.

"This trend, together with further improvements in the way the group is managed at all levels, enabled us to improve operating margins from 6,6 percent to 8,0 percent," Peter Herbert, the executive chairman, said today

Pre-tax profits — probably the best single indicator of performance because of the distortions flowing from the rights issue — jumped by 52 percent to a record R13,2m. This figure is almost three times the R4,8m to which pre-tax profits fell in 1978

Analysing the performance of the broad areas in which Abercom now operates, Mr Herbert said heavy engineering did well, despite the need to take further action to sort out management problems at Consani's in Cape Town "Order books have improved, and we expect further improvements in profitability in the heavy engineering area"

Profits from light engineering activities fell because of problems connected with factory moved by Giant Security and Hubco Industries, together with margin and workload difficulties at Almak's Engineering

"Giant and Hubco now have more settled conditions at their new sites, and with a much improved order book in Almak's, we expect profitability in light engineering to increase during 1981"

The metal component companies returned increased earnings during the 1980 year and further improvements are anticipated during the year 1981, Mr Herbert said.

On overall prospects for Abercom, he said "Budgets from all operations indicate further improvements in profits during the year ahead"

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Seardel is looking for solid progress — Searll

By DAVID CARTE
Deputy Financial Editor

AFTER hoisting earnings 145% in the year to end June, Seardel, with Sharp Electronics in the stable, is looking for more solid progress in the year ahead, says the chairman, Mr Aaron Searll

With 24 of 25 operating companies reporting much improved trading, Seardel pushed up sales 19% to R115 125 000, pre-tax profit 91% to R8 740 000 and, thanks to a lower tax rate, attributable profit 146% to R5 037 000

Earnings a share rose in line to 150c (1979 61 1c), while the final dividend was raised to 18c (10c), making 24c for the year, a 71% improvement

Profits are stated on the conservative lifo method of stock valuation, so cover is even more substantial than the 6,3 times reflected in the stated results

An important factor in the results was the write-back of an undisclosed overprovision for lifo at subsidiary, Western Tanneries in 1979, Mr Searll told me yesterday

According to the recent prospectus, new acquisition Sharp was expected to add 14c to earnings With sales expected to top R30-million in the year ahead, Mr Searll is confident it will do better than this

Mr Searll said the extremely high dividend cover was designed to enhance liquidity and to help finance the higher level of stocks and debtors required in the much improved trading climate

COMMENT The results, released in Cape Town and published briefly in this newspaper on Friday, but advertised in Johannesburg only today, carried the share to a new high of 540c yesterday, before it closed on 520c

The yield of 4,6% might look thin, considering the group has yet to establish itself as a blue chip But considering growth prospects and that earnings are lifo-based, the earnings multiple of 3,5 makes the share look fair value

A new set-up on mining scene

(189)

RDM 12/8/80

Mining Editor

MINING equipment supplier, Carman Industries has set up a new company, Carman Projects to handle turnkey projects.

Headed by former Olympic Engineering director, Mr I L Rautenbach, the firm installs crushing, screening and conveyor systems to the mining, quarrying and allied industries

Carman Industries' managing director, Mr Hennie Nagel, says that apart from mining industry demand, he expects an increase in demand from the quarrying industry, as a direct result of increased activity in the construction sector.

Union sues over magazine report

(189) RDM 12/8/80

DURBAN — A managing director and his company are being sued by the Metal and Allied Workers Union (MAWU) and the union's general secretary.

The action against Mr William Richards and Glacier Bearings, a British subsidiary, was brought by Miss June Rose Nala and MAWU, an unregistered union

Damages of R4 000 were claimed in the Durban Supreme Court.

Glacier Bearings is part of the Associated Engineering Group in South Africa, which is nearly two-thirds owned by Associated Engineering of the United Kingdom

In papers before Mr Justice Kriek, MAWU alleges that Mr Richards told the Financial Mail in an interview that "some people tell us they are forced to sign pieces of paper, or get beaten up"

MAWU maintains that when the statement was made, Mr Richards was discussing the activities of MAWU at Glacier Bearings and the statement reflected adversely upon MAWU and the general secretary, or the organisation's recruiting techniques, or methods of motivating workers

In the light of the controversy, MAWU alleged that the statement made by Mr Richards was initiated by malice and calculated to injure the reputation of the union.

Mr Richards and Glacier Bearings, who are defending the action, maintained that the statement in the Financial Mail was wrongly attributed to Mr Richards or that alternatively the statement did not refer to the plaintiffs and was not defamatory. — Sapa

Iscor going for R40m

By HAROLD FRIDJHON

ISCOR'S two-prong entry into the capital market has been underwritten to the amount of R40-million. The Iron and Steel Corporation had announced that it was prepared to accept between R35 million and R50-million.

The lists for the loans — a long dated at 10,55% and a seven-year at 9,27% — will open tomorrow and close on Tuesday.

The sponsoring merchant banks, UAL, Senbank and Volkskas, say they are well satisfied with the result so far, although they are not yet in the position to indicate how much of the loan is short and how much is long.

The reason for this, is that the sub-underwriters have reserved the right to keep their options open and will intimate which loan they will support closer to the closing date.

Some of the sub-underwriters are at risk as they are sub-underwriting their share of the issue without the intention of taking up stock themselves unless public support is lacking, an unlikely event.

With Escom long-dateds trading at 10,57% — in very thin markets — it might appear as if the the long dated is, as I have said previously, a little fine.

On the other hand, some institutions might take the view that rates have peaked for the time being and that a 10,55% rate might be acceptable for those with large amounts seeking an outlet.

There is no doubt that the shorter term loan will prove to be very popular and will attract the bulk of the R40 million.

Rights issue, tax slow Abercom

By DAVID CARTE
Deputy Financial Editor

ABERCOM, the diversified engineering and metals group, increased pre-tax profit 52% in the year to June 30 but a higher tax rate and more shares in issue following last year's rights issue saw to it that earnings advanced only 6% to 51c per share

The preliminary report shows sales up 24% to R164-million, pre tax profit up 52% to R13 291 000 and with the tax rate up from 11% to 21% taxed attributable profit 37% ahead at R9 899 000

With 30% more shares in issue since the rights issue earnings per share rose 6% to 51c and a final dividend of 13c was declared bringing the year's total to 24c, a 20% improvement on 1979's 20c

Second half earnings per share were 15% better than those of 1979 This indicated buoyant trading in the latter part of the financial year and that the rights capital raised at the end of the last accounting period is increasingly beginning to pay its way Abercom chairman Mr Peter Herbert told me yesterday

According to the preliminary report, demand increased in all areas of Abercom's business and pre tax margins improved from 6,6% to 8,?%

Mr Herbert said that while companies serving the building and motor industries had felt improved trading conditions for some time many of Abercom's subsidiaries in the primary sectors in particular, were feeling the economic upturn only now that infrastructural spending was reviving again

He was confident the group would go from strength to strength from here

Despite "management difficulties" in the large industrial tank maker, Consani the heavy engineering division did well, with Hunslet Taylor, the fan companies and I&F Metter continuing the recoveries they started last year Order books are in healthy shape

According to Mr Herbert, Consani's problems have been solved with the appointment of a new managing director, Mr Richard Aubin

The preliminary report warns that past assessed losses are fast being used up and the tax rate could go higher Mr Herbert it could go as high as 30%

The light engineering division reported reduced profits due to relocation of Giant Security and Hubco Metal Industries and an inadequate order book at Almaks Engineering Giant and Hubco are now settled, says Mr Herbert, and improving fast

Giant had recently entered a joint venture with Fichet Bauche the most advanced and sophisticated safe maker in Europe and this boded well for the company

According to Mr Herbert, all divisions are keen to expand but head office is holding the reins in to prevent operating companies from overtrading and coming on stream with excessive capacity when the economy tops out Nevertheless planned capital expenditure has topped R9 million

Abercom at present preferred to invest in stocks and debtors which could be turned into cash if and when the economy topped out, as expected, in two years

With the latest results and despite the rights issue Abercom is returning nearly 16% after tax on shareholders' funds This compares with 13,0% last year

Mr Herbert says that although earnings are stated after extremely conservative stock valuations, present dividend cover of 2,1 is not adequate Cover would fluctuate between 2 and 3, he said, depending on the outlook and capital needs from time to time

COMMENT Under Mr Herbert, Abercom seems to be being increasingly conservative The group seems to be moving away from cyclical industries The rights issue reduced gearing to very low levels and the group seems to be planning to grow with restraint in the future

The aim seems to be blue chip status in the medium term Abercom is in good growth areas and, while the upturn continues, there seems no reason why earnings and dividend growth of 20% a year should elude the company now that the rights issue is behind it This makes the current yield of 6,2% look quite attractive

Leaving Anglo is a big wrench for Sam

STAR 13/8/80 184

It will be a major wrench for "Sam" van Coller to leave Anglo American after 17 years, but the opportunity to take over as a director (designate) with SEIFSA in February next year is not one that can be turned down.

Way back in his school days at St Andrew's in Grahamstown he yas attracted towards the problems of the black/white interface in industry which eventually led him to his present post of personnel consultant (industrial relations) to the corporation

He joined Anglo as a trainee in 1963, but as there was little change taking place in the 60s in the field of industrial relations he became involved in long range economic forecasting and then Anglo's agricultural division.

But in the 1970s awareness for the need for industrial relations emerged, and at last Mr van Coller found himself involved in the work where his real interest lay

As if he was not sufficiently immersed in the activities of Anglo's industrial relations department, he found himself seconded to the institute for industrial relations where he is still acting director in addition to his Anglo job But he will bow out of this second job before he moves to SEIFSA.

When the institute was formed in late 1976, it was considered to be in advance of its times Trustees consisted of unregistered black trade union leaders as well as employers and registered trade union leaders It probably encompasses a wider range of viewpoints than any other body in South Africa — but no emphasis is given to either side.

Its prime objective is to bring labour and management together to resolve differences and develop a sense of common purpose Mr van Coller sees no complete solution to industrial relations problems and in South Africa the black/white situation complicates what is basically a difficult area

S & L in R1,7m Tubeworks project

(189) RDM 14/8/80

THE Stewarts and Lloyds board had approved a capital expenditure project of R1 700 000 for a new stainless steel mill and ancillary equipment at the Vereeniging works of Tubemakers of South Africa, it was announced yesterday.

Mr Hylton Godwin, executive director of the Vereeniging division of Stewarts and Lloyds, said that this new project would triple Tosa's production of stainless steel tube, in 12,5mm to 101,6mm range.

"This will enable us to cater for a substantial proportion of South Africa's requirements," he said.

"The major applications for stainless steel tube, which is seen to be a growth market, include the food, dairy, sugar and petrochemical industries."

Work was already far advanced on the acquisition of the necessary plant and production would come on stream in mid-1981 — Sapa

Alusaf to buy Japanese smelter

By ADAM PAYNE

ALUSAF, the Richards Bay aluminium smelter in which IDC and Alusuisse hold big interests, is to buy a Japanese smelter now in mothballs and save itself embarking on a mooted R230-million expansion programme

The purchase of the smelter will enable Alusaf to double production

Alusaf is in the final stages of buying from Nippon Light Metals a 87 000 tons-a-year smelter It is one of many smelters closed in Japan because of high energy costs there

Nippon says that the price is not settled but it hopes for between $44-million and $66-million

Provided the deal is finally signed by the end of August — and there appear to be no snags of significance — the shipment of the smelter, which will be a costly operation, will begin at the end of the year

Mr D E J van Vuuren, managing director of Alusaf, has been in Japan talking to Nippon

His deputy, Mr Johannes Diemont, says that the local market for primary aluminium is so firm that Alusaf has either postponed a number of contracts or repurchased aluminium from contractors, or negotiated cancellation of export contracts

First priority is given to local orders with the local price R1 450 a ton Mr Diemont told me that only 13 000t of primary aluminium had been exported this year and he foresaw no exports in 1981

"We shall have to build up stocks," he said

The present capacity of Alusaf is 84 000t a year and that of the plant to be imported is marginally higher

Japan is in trouble in primary metal manufacture because its energy costs are among the highest in the Western world and because anti-pollution measures have put a dampener on some of its older aluminium smelters

Because of its difficulties a number of smelters — some of them outdated — have been closed The smelter to be bought by Alusaf, however, is comparatively modern with anti-pollution measures built in

More smelters will be closed in Japan and that country will be in the market for considerable tonnages of primary aluminium, some of which could be supplied by Alusaf

Japan is expected to buy 1-million tons and 2-million tons a year of primary aluminium by 1986

Because of this big prospective market and because of increasing internal demand, Alcan in Australia is beginning detailed engineering studies and final economic evaluation of a proposed 296 000t a year aluminium smelter to be sited at Gladstone, in Queensland

These studies should be completed by the first quarter of next year and the first phase of production, scheduled to begin about the end of 1983, will provide a capacity of 98 500t a year

Most of the production from Gladstone will be exported in competition with Alusaf's products A NSW smelter provides for the local Australian market

A senior executive in the aluminium industry told me "The installation of the Japanese smelter at Richards Bay to double production will provide primary aluminium far beyond the needs of the local market for the next few years It will start producing in mid-1982

"Therefore exports will be needed But at the same time we shall promote aluminium strongly locally because consumption here is among the lowest in developing countries at 3,1kg per capita, compared with 21kg per capita in the US, 14kg in Western Germany and 11kg in the UK

"We lag behind in transportion where aluminium is used overseas on a great scale in road and rail tankers because of energy saving, not only when the tankers are filled but also on their return journeys

"With aluminium rail and road trucks the transporter achieves a high payload and energy saving Trains are also built in aluminium for the same reasons

"There are big markets to be exploited in defence and building

"Aluminium is only at the beginning of its marketing in South Africa The doubling of capacity at Alusaf makes a lot of sense for the long term "

He pointed out that South Africa, Australia and Brazil had advantages in aluminium production because of relatively low energy costs Energy is one of the main ingredients in aluminium manufacture Australia has the double advantage of fairly cheap energy and its own bauxite

Calan earnings up 30%

RDM 14/8/80

By DAVID CARTE
Deputy Financial Editor

WITH SUBSIDIARIES Omega-Barfel and Litecor, turning in "sparkling" performances, Calan, the plastics, rubber and electrical conglomerate, pushed up earnings 30% in the year to end June

Turnover rose 24% to R183 360 000, pre-tax profit 53% to R11 331 000 and, with the tax rate up from 24% to 28,5%, taxed profit 44% to R8 092 000

The minorities slice more than doubled to R951 000, but, with last year's loss making Conti-Calan now sold, the associated companies' contribution rose 94% to more than make up Taxed attributable profit was 45% ahead at R8 210 000

With the number of shares in issue up 11% following the takeover of Dick Whittington Shoes, earnings per share rose 30% to 100c (77c) The final dividend was raised 5c to 29c a share, making a total of 40c for the year, a 21% increase on 1979's 33c

Managing director, Mr LR Tollemache, told me that excellent results from plastic crate and container maker, Omega-Barfell and electrical subsidiary, Litecor, offset a sluggish performance by tyre and rubber maker, Natyre, once the group's biggest profit maker

Mr Tollemache said Natyre did not benefit by the upturn in the motor sector as it supplied the replacement and not the original equipment market It would take a year for today's boom in motoring to start benefiting Natyre

The company was profitable, however, and improving

All other subsidiaries were trading at record levels and, although he expected the tax rate to move up to roughly 30%, Mr Tollemache said there was "no reason to be pessimistic" about the immediate future

Balance sheet ratios, had improved, he said, with debt equity down from 100% to 94% and taxed return on equity up from 17,5% to 19%

Calan had its eye open for acquisitions but was concentrating expansionary effort within existing operations Capital expenditure of R10-million was planned, R1 500 000 of which was earmarked for a PVC compounding plant at Omega

COMMENT· With Viannini and Conti-Calan sold and Dick Whittington bought, the group has changed, apparently for the better Calan is unashamedly a conglomerate and although it is mainly in plastics and rubber, it has such unrelated businesses as Encyclopaedia Brittanica

Its interests are so diversified, prospects cannot be judged by reference to one or two markets or industries This and troublesome subsidiaries in the past, have hurt the rating At 525c the share yields 7,6%, well above its conglomerate rivals, Rennies, Protea and Abercom

Calan has the gearing to run with them in earnings growth over the next year or two but lacking an identifiable, exciting profit centre, will continue to trade at a discount to the others

R20m factory for Boksburg

STAR 14/8/84

189

The industrial property market has got another shot in the arm with the construction of a new R20m factory on the Reef by Wrightech, the earth-moving equipment associate of the Barlow Rand group.

And when completed at the end of next year, the project will have created an additional 400 jobs.

The development, in Boksburg, will more than double the operating capacity of Wrightech, which is said to be the largest Caterpillar equipment manufacturing licensees outside the US.

The company's managing director, Mr Frank Bartos, said the expansion reflected Barlow's confidence in South Africa's industrial future and was in keeping with Government policy on increased local production.

"The storage capacity under one roof," says Mr Bartos, "will be increased from 2 500 sq m to 7 900 sq m, and the factory floor from 21 400 sq m to 47 000 sq m."

The new site has a total area of more than 25 ha, about 4 km from Benoni.

The project is being developed by Barlow Rand Properties which awarded the contract to LTA.

Storm brewing over machine tool shortages

16/8/80 SUN TIM B.T.

(189)

By ELIZABETH ROUSE

A STORM is brewing in the machine tool sector between manufacturers and some importers of used machine tools, an inevitable development when demand is great but supply is short

The irony is that nobody could have foreseen that the industrial spare capacity slack would be taken up so quickly and that expansion would be so large

South Africa's machine tool industry, small and cautious in a highly competitive international field, has been venturesome beyond the protection of duties

Now it is being assailed for not being able to fulfil orders at short notice for the conventional machinery it makes — Colchester lathes, presses and hydraulic press brakes of a certain size

Manufacturers are asking why industrialists could not have foreseen the extent of the economic upswing

In fact, large machine tool suppliers increased forward orders dramatically last year, but now cannot supply the market fast enough

Importers of used machine tools, who can fill gaps quicker in times of abnormal tooling-up in burgeoning industries, naturally want to cash in on the boom, but excise duties make business an uneconomical proposition, they say

The Used Machine Tool Merchants Association has calculated that the cost of a 2,5 ton used lathe, bought for R5 000 in the UK, is R12 700 after paying a duty of R4 a kilogram less 70% of the FOB value, plus freight and railage

A similar new lathe costs between R18 000 and R19 000

The association, formed in April last year to encourage high trading standards in the used machine tool sector, says it represents a sector with annual sales of about R40-million (approximately 20% of machine tool sales last year)

Keeping out of the fray are large suppliers, such as Drury Wickman and the Skok group

In line with most machine tool suppliers, Drury Wickman's managing director, David Wilter, admits they underestimated the extent of the industrial surge

The firm, which is a large supplier of conventional machines such as lathes, drills, milling machines and high-technology machine tools, experienced an upturn in its market as early as mid-1978 and dramatically increased forward orders in 1979

But now delivery times are lengthening and the firm cannot satisfy soaring demand

Mr Wilter has some comforting news for industrialists scrambling for machine tools He says the recession in the machine tool industry overseas is good news for South Africa and that the short-supply position will ease substantially towards the end of the year

Robert Skok, managing director of SA Selected Holdings (Salect), is optimistic about the supply situation although admitting that delivery times of presses are long

The Skok group carries R10-million worth of machinery at a time, sales of R19-million have been chalked up in the first five months of the year and Mr Skok foresees the year's sales at R48-million

Mr Skok forecasts doubled profits for Salect this year, with earnings up at 30c from 10c and the dividend raised to 10c from 2c

No wonder Salect shares have hit the JSE's top trading list recently — almost 900 000 shares were traded over the past week

SDM 15/8/80

Alusaf starts on R200m growth plan

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Financial Editor

ALUSAF has started on a R200m expansion programme at Richards Bay, which is aimed at doubling current aluminium smelting capacity and providing 950 new jobs.

This brings the value of developments to R550m Recently, Huletts announced plans to build a R120m sugar mill at Felixton and the Coal Terminal will spend R230m on expanding the loading facility while the Railways are to upgrade the railway, trucks and harbour berths

Mondi Paper

More expansion is expected but Mondi Paper, which is expected to say something soon, is very quiet about its plans for a paper mill in the area

Mr D E J van Vuuren, managing director of Alusaf, has just returned from Japan, where he has negotiated the purchase of a modern second-hand aluminium smelter from Nippon Light Metals

It has an 87 000 tons capacity and it is planned to export the surplus until local demand reaches the plant's output, which will total about 170 000 tons. The new smelter should be in operation within 18 months

Mr van Vuuren said the final contract is expected to be signed soon Preparatory work on the site has started

Local loans

panded Plans are in hand to spend R8m on a new mill

cern that the European abstention on two anti-Israeli resolutions in the United Nations would harden Israeli attitudes and make Middle East peace moves that much more difficult Senior Israeli ministers also have criticised the Euro-Arab dialogue and Bonn's role, in particular

Herr Genscher has now come down firmly in favour of a joint meeting of EEC and Arab League foreign ministers — probably including a representative of the Palestine Liberation Organisation as a way of the Middle

SHIPPING

Down in the dumps

(189) FM 15/8/80

As Western economies approach recessions of varying depths, ship-owners may be forgiven their unrequited gloom They have good reason

Not even the rich SA-Europe trades, spurred by the sharp revival in the Republic's fortunes, have recovered to the levels upon which the 10 members of the SA-Europe container service (Saecs) based their viabilities in 1974 when they ordered their R1 000m container fleet

Based on the trend lines of the "Fabulous Sixties," owners projected that 1980 volumes of trade would be running at an annual 7,5m-8m freight tons, about 4,5 Mt on the southbound (import) leg, with 3 Mt-3,5 Mt going north on the export leg

Despite high levels of project cargo tonnages, the actual performance of the container service is an annualised 2,75 Mt on the south leg and about 2,3 Mt on the northbound leg, leaving an appreciable amount of slack to be taken up

For the sake of stabilising trading costs it is important that owners achieve the volumes of business for which their ships were designed

The odds that this will happen appear to be promising Thanks to gold, the Republic is running huge trade surpluses and the Reserve Bank estimates that the value of imports will rise 20%-25% a year between now and 1982, from R12 000m to about R18 500m While non-gold exports will clearly not balance these massive sums, resulting in projected deficits of R4 500m, R6 200m and R7 000m in the next three years, the bank believes that an average gold price of \$263 would be sufficient to close the gap this year, \$380 next year and \$520 in 1982

To avoid aggregate demand exceeding the domestic supply of goods, which would force prices up, the import taps have been opened and ocean-borne trades may be on their way back to 1974 levels when SA ports were handling 1m freight tons a month The September 1975 devaluation and subsequent austerity budgets (and the 15% imports surcharge) squeezed seaborne cargoes to a mere 6,9m freight tons in 1977 — of which the fledgling Saecs carried a mere 3,2 Mt, less than half the projected tonnage

Faced with excess capacity, liner operators cancelled one or two building contracts while two large fully cellular ships, the Dutch-owned Nedlloyd Hoorn and OCL's Table Bay, were placed in time charter employment on other trades

Even so, owners ran up substantial operating deficits, compounded by adverse exchange rate movements against the United States dollar, the conference tariff currency

Negative voyage results in the SA-Europe trades set in motion a cycle of self-fulfilling gloom Negative cash flows increased the pressure on owners to raise freight rates which, in terms of the 15-year ocean freight agreement with Pretoria, they are entitled to do The agreement stipulates that, in return for providing an integrated, regular service "at stable rates of freight," owners are permitted a 6,3% depreciation allowance on container ships, 13,3% replacement allowance on boxes and a 12,5% return on capital employed on the first cost of container ships

Owners say these returns are purely notional when trades are depressed, for rates of freight usually reflect what the market will bear Even so, rates since 1977 have been rising at about 15% a year, which is roughly in line with general inflation rates

Undercutting

But owners had to fight another bogy When cargo trades are depressed so too are charter rates If the latter fall far enough below the basic expenses at which cargo liner operators function, then the field opens wide for undercutting established liner trades, particularly on the higher rates charges on southbound cargo

At the height of SA's 44-month recession, non-conference shipping services proliferated and at one stage there were 11 operators competing for falling levels of business At one stage they may have captured as much as 50% of the trade And the consequent squeeze on conference members' profit and loss accounts generated pressure to hoist rates yet again

Happily, that spiral may be about to be arrested by the present economic upswing, but there is a great deal of leeway to be made up before optimum volumes are achieved

According to owners, southbound flows are beginning to match capacity, particularly because project cargoes of heavy plant for undertakings such as Sasol 3 are beginning to peak, before fading out at the end of the year Then, hopefully, they will be succeeded by project loads for schemes initiated by Sentrachem, AECI and cargoes required for reinvestment schemes for the textile industry Simultaneously, new coal and gold-mining projects are expected to generate heavy additional import tonnages

Compared with capacity import runs, merchandise export voyages remain disappointing with up to 30% unutilised capacity on fully cellular ships These imbalances are expected to increase thus raising pressure on owners to cross-subsidise rates of freight

However, grounds for optimism do exist Cargo liners and bulkers serving southern African trades could pick up substantial new business if, politics permitting, major reinvestment and export schemes follow in the wake of the economic reconstruction of Zimbabwe, Zambia, Zaire and Mozambique, whose corridors of trade need massive investment to render fully operational Copper exports, both wire bars and blister, shipped in containers, are seen as a major opportunity to reduce the trading expenses of the country's northern neighbours

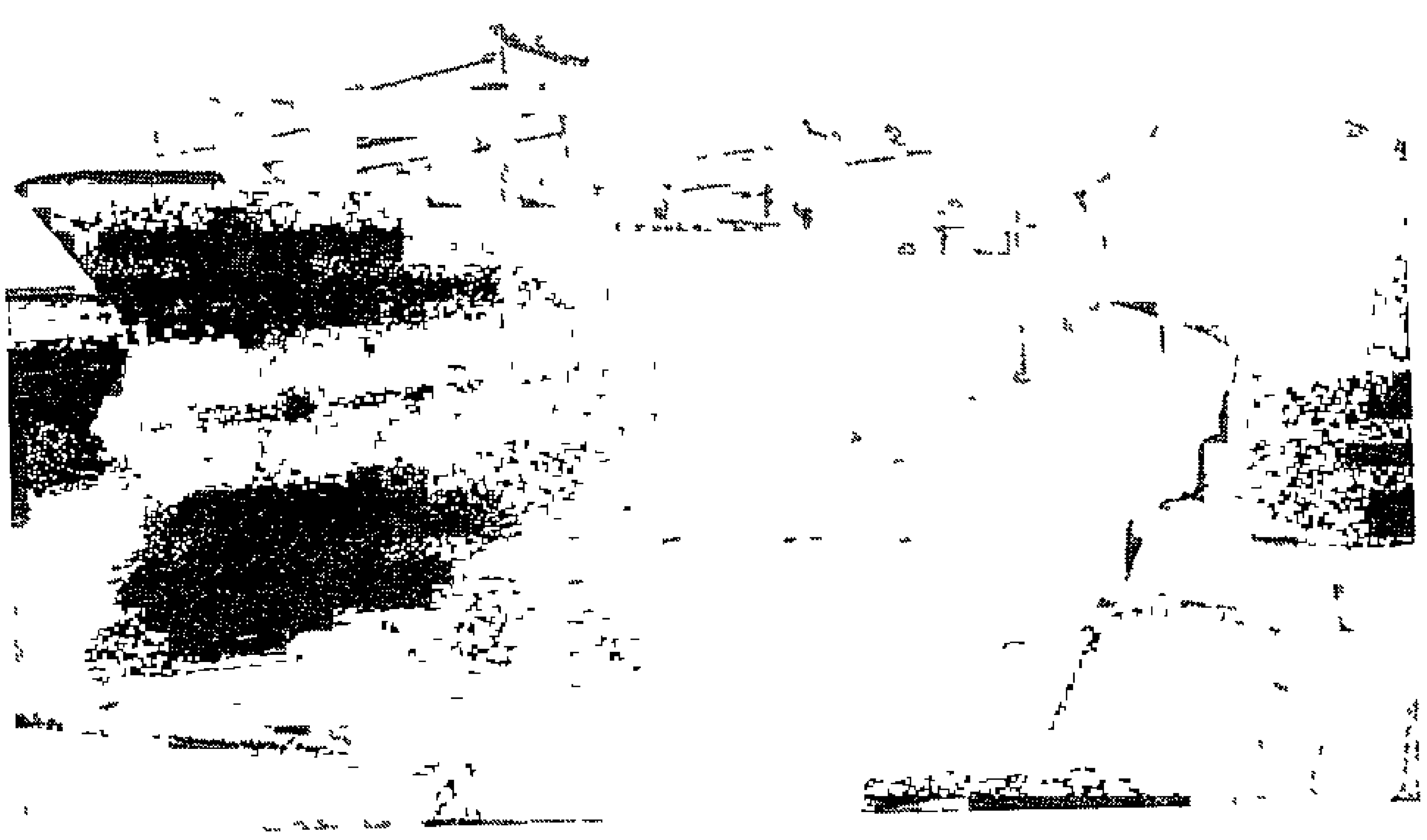
Meanwhile, United States-SA trades have risen 35% in terms of volume in the past 18 months, weighted, unhappily, 2,5 to one in favour of imports because of heavy plant and instrumentation required for development schemes A large proportion of trade with the US is now containable and while it is possible to accommodate this business in multi-purpose ships with a mixed configuration of containers and break-bulk capacity, a new wave of development in this trade could see members of US-SA conferences opt for a couple of fully-cellular ships

This stage has now been reached in SA's trades with the Far East In 1982 Dutch, Japanese and SA (Safmarine) owners will take delivery of four fully cellular (1 600 boxes) ships, backed up by a Gold Star line multi-purpose ship with capacity for 500 boxes The fleet will be built in Japan and the capital outlay will be about \$160m

Bulk shipping trades between SA and the rest of the world would normally be relied upon to correct at least part of the imbalance which exists in the Republic's merchandise trades with the industrialised nations But bulk shipping is never normal unless a ship's employment is secured by a long-term contract But even that can be hazardous as any student of world-scale rate movements will confirm

The uncertainty of the dry bulk shipping business, which is as volatile as the markets for the commodities it conveys, requires accurate timing in the placing of orders for new ships In 1975 SA-owned bulkers carried less than 500 000 t Soon, the local fleet augmented by eight to 12 chartered bulkers, could be carrying 4,2 Mt

The next great leap forward is expected to come from coal, exports of which will go to an apparent ceiling of 44 Mt a year in the next 10 years But first exporters will have to kick their habit of selling on an fob basis This may not be all that difficult because coal is fast developing into a seller's market



Depressed cargo trades and excess shipping capacity are still pressing problems

In terms of tonnage, world coal production (about 3 600 Mt a year) is about the same as world oil output But whereas two-thirds of world oil trade is seaborne only 6% of coal is thus carried Until recently the relatively high cost of coal transport and the cheapness of rival fuels limited the expansion of seaborne coal trade This is about to change

According to Dr Henk Alkema of Shell, seaborne coal trade will probably rise from 146 Mt in 1978 to 275 Mt in 1985 and maybe 700 Mt in the year 2000 Moreover, it has been predicted that the major oil multi-nationals will control over 45% of United States coal output by 1985

If a similar trend develops in SA, it may be worthwhile for local bulker owners to start talking to the local oil-coal majors right now

Three Iscor officials injured

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STAR 16/5/80

Vereeniging Bureau

Three officials at Iscor, Vanderbijlpark, were injured and admitted to hospital yesterday morning when they fell 12 m from a scaffold which gave way.

The injured men, who plunged on to a pile of bricks were part of a team of nine whites and 12 blacks working in one of the oven at the plant.

Mr Piet van Vuuren (38), received multiple fractures Mr Johan van den Heever (34), broke three vertebrae and Mr At Kruger (47), suffered a broken vertebra and torn ligaments in a foot.

They were admitted to the Vanderbijlpark Hospital. The other 18 members of the team escaped injury. Speaking from his hospital bed, Mr van den Heever said that no one was quite sure what had happened as it was all so sudden. He said he and his two colleagues were standing on the four storey scaffold when it gave way and they plummeted to the ground.

The condition of the injured men has been described as satisfactory.

18/8/80

189

WM

Cape Her.

Big boost for Durban shipyards

Shipping Reporter

DURBAN's shipbuilding industry is gearing itself for a massive injection of funds to handle lucrative contracts expected from Safmarine.

A senior Safmarine spokesman made it clear yesterday that the line now regards the local industry as being capable of producing many of the ships it will be needing.

And reliable sources within the industry have indicated that Safmarine will shortly be turning to the local industry to construct a 32 000 t 'handy carrier' to replace the ageing bulker Sugela.

These contracts would mean that building facilities in Durban would have to be expanded.

The spokesman said Safmarine was anxious to keep its money in the country, 'buy South African' and ensure the future of the fledgling industry which came close to foundering last year.

Good footing

Another factor making the proposition of a local contract suddenly more realistic is that the easy availability of Iscor steel puts the South African industry on a good footing in tendering on the international market at a time when foreign yards are finding such materials expensive.

'We believe the South African industry is going to become very competitive,' said the Safmarine spokesman.

Although no contracts have been signed yet, the implications of Safmarine placing even one contract with a Durban yard are far-reaching. The yard would have to increase its physical capacity to be able to build a ship far bigger than any other vessel ever made in South Africa.

It is unlikely that the yard would set about the task with the intention of only building one big ship after increasing its capacity.

R200m Alusaf expansion means jobs for 950

SiOK 11/4/80

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Own Correspondent

DURBAN — A R200m expansion programme — creating jobs for an additional 950 people — has been announced by the Richards Bay aluminium smelting company, Alusaf.

Mr D E J van Vuuren, managing director of Alusaf, said that a contract would soon be signed between Alusaf and Nippon Light Metal of Japan for an 87 000-tons-a-year smelter

The smelter would double the capacity of Alusaf's Richards Bay plant, providing new jobs for 200 whites and 750 blacks

Alusaf is reported to have saved large sums by buying an existing "moth-balled" smelter at present standing at Niigata, Japan

The plant will begin producing additional metal during the first half of 1982.

Alusaf to buy Japanese smelter

C.1. 184 12/8/80

By ADAM PAYNE

JOHANNESBURG. —Alusaf, the Richards Bay aluminium smelter in which IDC and Alusuisse hold big interests, is to buy a Japanese smelter now in mothballs and save itself embarking on a mooted R230-million expansion programme.

The purchase of the smelter will enable Alusaf to double production

Alusaf is in the final stages of buying from Nippon Light Metals an 87 000 tons-a-year smelter It is one of many smelters closed in Japan because of high energy costs there

Nippon says that the price is not settled but it hopes for between $44-million and $66-million

Provided the deal is finally signed by the end of August — and there appear to be no snags of significance — the shipment of the smelter, which will be a costly operation, will begin at the end of the year

Mr D E J van Vuuren, managing director of Alusaf, has been in Japan talking to Nippon

His deputy, Mr Johannes Diemont, says that the local market for primary aluminium is so firm that Alusaf has either postponed a number of contracts or repurchased aluminium from contractors, or negotiated cancellation of export contracts

First priority is given to local orders with the local price R1 450 a ton Mr Diemont told me that only 13 000 tons of primary aluminium had been exported this year and he foresaw no exports in 1981

"We shall have to build up stocks," he said

The present capacity of Alusaf is 84 000 tons a year and that of the plant to be imported is marginally higher

Japan is in trouble in primary metal manufacture because its energy costs are among the highest in the western world and because anti-pollution measures have put a dampener on some of its older aluminium smelters

Because of its difficulties, a number of smelters — some of them outdated — have been closed The smelter to be bought by Alusaf, however, is comparatively modern with anti-pollution measures built in

More smelters will be closed in Japan and that country will be in the market for considerable tonnages of primary aluminium, some of which could be supplied by Alusaf

Japan is expected to buy 1-million tons and 2-million tons a year of primary aluminium by 1986

Because of this big prospective market and because of increasing internal demand, Alcan in Australia is beginning detailed engineering studies and final economic evaluation of a proposed 296 000 tons a year aluminium smelter to be sited at Gladstone, in Queensland

A senior executive in the aluminium industry told me " The installation of the Japanese smelter at Richards Bay to double production will provide primary aluminium far beyond the needs of the local market for the next few years It will start producing in mid-1982

"Therefore, exports will be needed But at the same time we shall promote aluminium strongly locally because consumption here is among the lowest in developing countries at 3,1 kg per capita, compared with 21 kg per capita in the US, 14 kg in Western Germany and 11 kg in the UK

"We lag behind in transportion where aluminium is used overseas on a great scale in road and rail tankers because of energy saving, not only when the tankers are filled, but also on their return journeys

"With aluminium rail and road trucks the transporter achieves a high payload and energy saving Trains are also built in aluminium for the same reasons

"There are big markets to be exploited in defence and building

"Aluminium is only at the beginning of its marketing in South Africa The doubling of capacity at Alusaf makes a lot of sense for the long term "

BUSINESS

Engineering will face slow-down in export rate

21/8/80

STAR

189

By Pieter de Vos

Export growth in the steel and engineering industries is expected to slow down in the second half of this year, though production and sales will be strengthened by increasing domestic demand.

Foreign exchange earnings are not expected to match last year's level, the Steel and Engineering Industries Federation says in its latest monthly report.

Softening world and US demand, developing protectionist attitudes in the US and Europe and the strengthening of the rand against the US dollar all are leaving an impact on foreign exchange earnings, Seifsa says.

The largely export-oriented ferro-alloy industry has already had to cut back production due to softening world demand.

ORDERS

Nevertheless, expectations are that overall output from South Africa's steel mills — boosted by domestic demand — will top the 1979 level of 8,9m tons, which show a 12,3 percent improvement on 1978s figure

However, the engineering sector, benefitting primarily from the increasing consumption of goods and services in the mining sector, reports a stronger flow of orders and higher output in June.

Heavy engineering also benefits from the expansion of mining activities.

Due to the improved pace in manufacturing, the mining sector and energy-generating, some sectors report that they are now investing in new plant and equipment to keep up production with rising demand

Shortage of skilled and semi-skilled labour worries many of Seifsa's members Especially production performance and delivery periods are affected, but supply of materials is still satisfactory measured against current order intake.

ISCOR (189) FM 22/8/80

Working for the right mix

Iscor is planning to reduce its annual steel exports permanently to 10% (500 000 t) of total output in keeping with its policy of giving priority to local requirements Fortunately, for the state-owned steelworks, this strategy coincides with recessionary overseas markets and growing local demand

For the past few years, Iscor — operating at full production capacity on the metallurgical (raw steel) side — has successfully exported production excess once local demand has been met

Sales abroad absorbed a "mammoth" 37% of total production in 1978-79 and 32% in 1979-80 During the current financial year, exports are expected to drop to 27%, but this is "still substantially more than we'd like because we make more profit on domestic sales," says Nols Olivier, divisional GM for steel marketing

US recession

Iscor's net financial return on steel exports in terms of rand has dropped substantially — by more than R30/t over the past year — as a result of the US-led recession and the firming of the rand against the dollar The corporation's current local average selling price is approximately R400/t, while the combined local and export price averages R340/t

Iscor projects that it will achieve the lower export target by 1983 — without sacrificing its full production capacity of over 5 Mt a year An 8,5% growth in the local market is estimated for 1980-81, following a 25% growth in the previous financial year

"Local requirements are our priority A 90% local/10% export mix is the most economic and financially feasible proposition in the long term," says Olivier

The aim, he says, is to maintain a firm, continuous foothold in certain overseas markets — such as Israel and the Far East — as a matter of sound marketing policy and a secondary outlet to safeguard against periods when local demand drops This will mean retaining links with only about 10 of the 60 export markets in which the corporation is now active

Although net return on steel exports is "less attractive" than return on local sales, exports are still a worthwhile proposition in terms of foreign exchange earnings and net income to the corporation

The 1 746 Mt exported in 1979-80 earned SA R440m in foreign currency and contributed R144m to Iscor's fixed costs and profit This tonnage represented a 3% drop compared with 1978-79, but revenue increased by R37,5m over the same period because of improved prices on overseas markets

This position will clearly not be maintained in 1980-81 "We are confronted with a gloomy export picture right now," says Olivier "Because of the overseas recession our forecast for prices on the export market is very pessimistic this year In addition, the continued strengthening of the rand has a severe effect on net returns The US steel mills, particularly, have played a significant role in lowering world steel prices, he says

"Their own recessionary conditions have forced some of these mills to dispose of tonnages on to the traditional export markets at much lower than going market prices Coupled with the world recessionary trend, this has had a severe upsetting effect on prices "

Iscor is hopeful that the trigger price mechanism — suspended in the first quarter of 1980 — will be reinstated in a revised form in the fourth quarter at much higher dollar prices, giving the US mills leeway to increase their prices locally and reduce their exports Olivier predicts that the depressed steel market overseas will "generally improve" by mid-1981

Iscor's total sales for 1980-81 are expected to reach 5 567 Mt — a modest 1,2% more than the previous financial year (5 503 Mt) The main reason for this small growth prediction is that two of Iscor's major blast furnaces at Vanderbijlpark and Newcastle will be out of action, one for about three months, for extensive planned repair operations

SA demand for steel is currently strong in all sectors, says Olivier, and Iscor's local sales should increase by 8,5% to 4 075 Mt in 1980-81 Exports will drop by 15% to 1 492 Mt, with export earnings falling by R28m this year to about R370m

Iscor's calculation, in the face of dismal export portents, is that it will still be very much to the corporation's advantage to export the volumes quoted for 1980-81 — even at lower returns

(189) FM 22|8|80

PRODUCTIVITY

Looking to the future

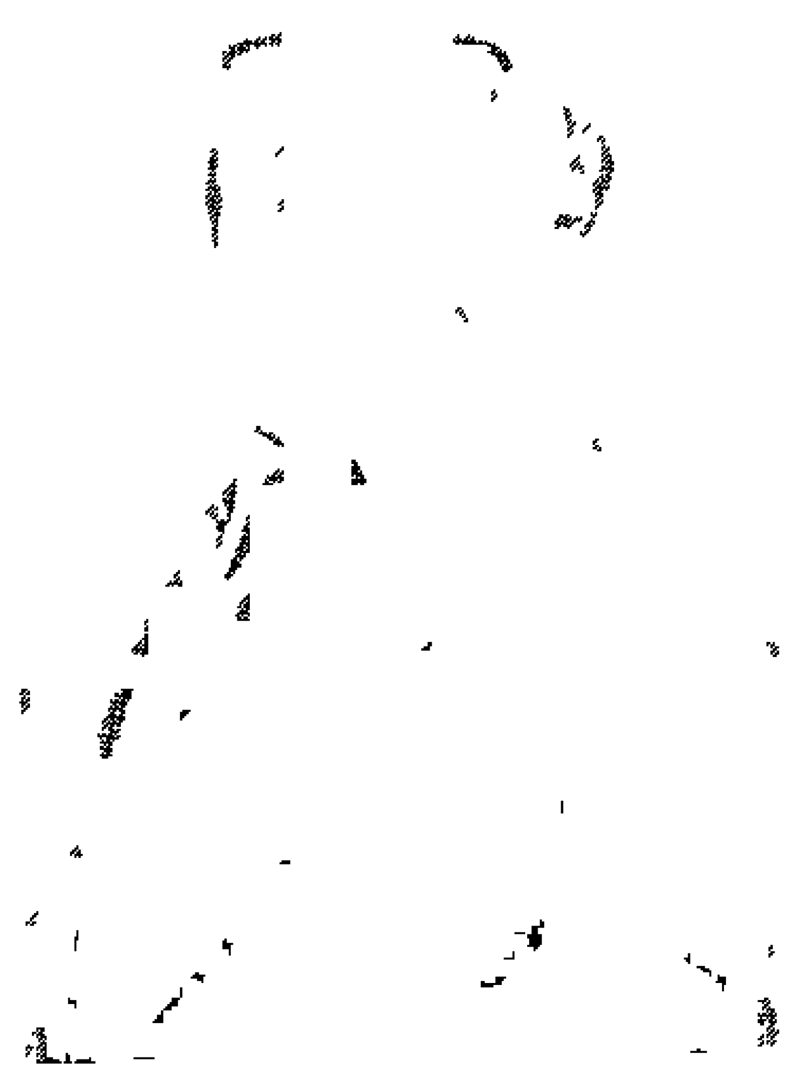
SA's low productivity growth rate — less than 1% a year from 1972 to 1978 — makes it essential for industrialists to start finding long-term solutions

The country lags noticeably behind its main trading partners, which record the following productivity growth rates for the corresponding period United Kingdom (1,5%), West Germany (2,3%), Japan (3%) and Taiwan (5%)

One of the reasons for SA's comparatively poor performance, experts contend, is a shortage of trained industrial engineers and industrial engineering technicians A 1979 National Productivity Institute (NPI) survey revealed an estimated need for 3 000 industrial engineers (only 500 were employed) and 12 000 industrial engineering technicians (only 1 500 were employed)

But although the need is apparently there, the demand is not SA employers have been slow to recognise the necessity of higher productivity and the value of the industrial engineer/technician in achieving this end In the past, factors such as the availability of cheap labour and raw materials prompted a degree of complacency

A newly launched campaign — designed to promote the effective use of industrial engineers/technicians as a means of improving productivity and profitability — could play an important role in correcting this lack of awareness The estimated R30 000-a-year promotion, an offspring of a SA Institute for Production Engineering/CSIR seminar in February last year, already has the backing of major concerns such as Iscor, AECI and the Anglo American Corporation Aims are to



Iscor's Kotzee trying to improve productivity

- Create an awareness among potential students of the scope and benefit of industrial engineering as a career, and
- Create more training opportunities by encouraging industry to make a long term investment for itself by offering bursaries to industrial engineering students at universities and technikons

Iscor, pioneer in industrial engineering training Iscor initiatives in this field in the awareness programme in the hope of encouraging other sectors of industry to accept greater responsibility towards training Iscor iniatives in this field include the establishment of an industrial engineering degree course in collaboration with the University of Pretoria in 1958 and a diploma course in industrial engineering at the technikons in 1978

"The main issue at stake is the necessity for the country to improve productivity," says Iscor GM, Floors Kotzee "We do more than most others regarding training of industrial engineers We hope this campaign will inspire other industrialists to initiate their own training — for their own benefit and the benefit of the country "

Another reason for participation in the campaign is Iscor's own need for more trained industrial engineers The corporation currently employs 37 but needs four times that number to achieve optimal productivity says Kotzee

Iscor's commitment to productivity over the years has paid dividends he adds During the 1976/77 and 1978 79 financial years productivity showed an improvement in real terms of more than 5% a year Productivity improvement during the 1979/80 financial year was responsible for an estimated cost saving of R38m over the previous year

Iscor uses industrial engineers both in a staff advisory capacity and in its operating and service divisions Kotzee says They play a major catalyst role purely because of their training and awareness of factors associated with industrial economics and productivity All our projects are motivated on the basis of business economics and industrial engineers are our main advisers

Kotzee believes the growing necessity for SA to increase her exports places greater emphasis on low production costs which means looking more closely at productivity Industrialists have to decide for themselves where they stand and to what extent they want to allocate resources to improving the slice of the cake towards engineering and industrial engineering in particular This awareness programme will help them to make that decision he says

A subcommittee representing the NPI AECI, Iscor Anglo American and the Manpower Commission is organising the campaign which will include a TV documentary, radio broadcasts and a career brochure on industrial engineering A permanent secretariat may be established to maintain the promotion and its sponsorship as well as to co-ordinate the efforts of associations in industrial engineering-related fields

(189) Post 22/8/80

Company's education programme

AN Adult Education Programme designed to improve the academic qualifications of black employees is being introduced by Barlow's Tractor Division in Johannesburg.

Sixty adult students are enrolled in the initial course, starting on Monday, August 25, which is aimed specifically at Standard 8 and Matric levels.

Studying a maximum of three subjects each year, all students will sit for public examinations, the first of which will be in May/June 1981.

Mr J O K (Oupa) Tsotetsi, a senior educationist and former Soweto school headmaster, has been appointed principal and co-ordinator of the programme.

Mr Tsotetsi has been involved in adult education since its introduction in Soweto and formerly held the post of principal at the Orlando Adult Education Centre.

He is optimistic about the programme and said that Barlows' 'in-house' education for employees was a "pacesetting concept".

SUCCESS

"The chances of success are very high because the level of motivation among adult students is so intense," said Mr Tsotetsi. He will be assisted by one full-time and two part-time teachers.

Announcing the inception of the programme, Mr N L Holford, managing director of Barlow's Tractor Division, said that the students had been selected on the basis of their ability to spend time studying away from the job.

Employees from three companies, Barlow's Tractor and Machinery Co (Isando), Barlow Noordelik Masjinerie Maatskappy Beperk (Pretoria) and Barlow's Tractor Division (head office, Braamfontein), will participate initially.

The programme may be expanded later to include Tractor Division companies in the Cape and Natal, making it a country-wide project.

Mr Oupa Tsotetsi — principal and co-ordinator of the new Adult Education programme being introduced by Barlow's Tractor Division in Johannesburg for its employees.

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—Very dissatisfied

Do you feel that your job responsibilities and what is expected of you are clear?

—Very clear
—Clear enough
—Not clear enough
—Definitely not clear

Symposium for steelworkers

S. Express (189) 24/8/80

KEITH Ritchie, vice-president of the Canadian Institute of Steel Construction, is the main speaker at a symposium on "The Viability of Steel-Framed Buildings" at the Carlton Hotel on Thursday.

The symposium, organised by the South African Institute of Steel Construction and the South African Property Owners' Association, will examine use of steel in offices and residences

Symposium chairman Don Goodey reckons the addresses and discussions will be of interest to investors, developers, industrialists, architects, engineers and quantity surveyors

The symposium starts at 11am and lasts all day.

Bus driver shortage: apartheid ditched

DD 26/8/80

(189) (BUS3) (ADL5) (RMG) (332)

EAST LONDON — The City Council has approved the appointment of bus drivers-conductors from all race groups to overcome the shortage of suitable white drivers

The Action Committee authorised the employment of men from all groups earlier this month, as a matter of urgency, with Cllr C S. A Lutzke dissenting

In another issue affecting municipal staff, the council agreed to increase the pay of apprentice motor mechanics, panel beaters and spray painters and plumbers to between R49,45 weekly (first year) and R123,64 (fourth year)

The increases follow a directive from the secretary of the Apprenticeship Committees, Department of Manpower Utilisation in connection with apprentices in the metal industry.

The total cost for the remainder of the year will be R4 260. — DDR

Unregistered unions get legal boost

By STEVEN FRIEDMAN
Labour Reporter

THE Industrial Court yesterday ruled that all trade unions, whether or not they are registered, can bring matters before the court on behalf of their members

The ruling, which came in response to legal argument in the court's first major test case, is seen as a significant breakthrough for the black trade union movement

In another crucial ruling the court agreed to hear evidence on allegations that an employer who had refused to renew the contract of a migrant worker had been guilty of an "unfair labour practice" even though he was within his legal rights not to renew the contract

This too is seen as an important victory for black workers because it makes it possible for a contract worker whose employer refuses to renew the contract to seek relief from the Industrial Court even though the employer was legally entitled to refuse to renew the contract

The judgment was handed down by the court's deputy president, Mr Benjamin Parsons, assisted by two assessors, Professor P A K le Roux and Mr D S Harris

It followed legal argument in a case brought by the unregistered Metal and Allied Workers Union and a contract worker, Mr Stephen Maponya, against a Johannesburg company, Precision Tools

The union and Mr Maponya allege that the company refused to renew Mr Maponya's migrant service contract as a reprisal for his union activities The company denies this was its reason

The immediate effect of the court's ruling is that counsel for Mr Maponya and the MAWU can now lead evidence before the court in an attempt to establish their case The court will sit next month in order to hear this evidence

The Industrial Court was established following the recommendations of the Wiehahn Commission and one of its chief functions is to hear cases in which workers allege they have been victims of "unfair labour practices"

In a statement issued last night the union described the court's ruling as "a great victory" and "a step in the right direction"

The union said the judgment could create problems for employers who refused to renew labour contracts "without valid reasons"

The union also welcomed the court's ruling that the union had *locus standi* to represent its members before the Industrial Court and described this as "a highly significant breakthrough"

Legal sources last night described the judgment as "heartening" and added that the court had "shown a flexibility and a willingness to cast aside formalism"

On the question of the union's standing in court, the judgment found there was no obligation under industrial law for a trade union to seek Government registration It also found that a union can exist for the purposes of industrial legislation without being registered

In addition, in a more significant finding, it also found that trade unions have the right to represent their members in the court

An earlier Supreme Court judgment in the "Bosman case", had held that trade unions have no standing to bring legal actions on behalf of their members Legal sources warned at the time that this meant black workers who wished to protect their rights in court could only do so individually

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Boilermakers granted all-race union status

STAR 29/8/80

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X098

By Drew Forrest

The 3 500 strong SA Boilermakers Union (SABU) has been granted full multiracial status and is already organising black workers throughout the engineering industry.

This was disclosed today by Mr Okkie Oosthuizen, SABU assistant general secretary.

The union's amended constitution was approved by the registrar of unions a month ago, he said. Unlike those of other white dominated TUCSA affiliates in the engineering industry it provided for a fully integrated executive committee and mixed branches.

Two black organisers were already at work in Durban, East London and in the Transvaal, he added. There were close to 200 black members on SABU's books, and the union's first black branch would shortly be operating in Durban.

The decision to adopt a fully open constitution rather than applying for mixed status with segregated branches and an all white executive had been taken after consultation with the black unions in the industry.

They were "hostile" to the idea of parallel unions, which could not guarantee black participation on industrial councils.

R22-m contract will create 5000 jobs for Soweto

STAR 29/8/80

A R22-million contract that will create up to 5 000 jobs in Soweto in the next 30 months and prepare the area for full electrification by 1983 was signed in Johannesburg today by several of South Africa's largest electrical firms.

The contract is for the on-site installation of cables streetlighting and the equipment needed for the full electrification of Soweto. Work has already begun in Soweto on a pilot reticulation scheme to work out the systems to be followed on this huge project

The Industrial Electrical Company (IEC), a subsidiary of the massive LTA Group, is to carry out the installation on the instruction of Tesacon (a consortium of GEC South Africa and Siemens) which was appointed in May to handle the electrification by the Soweto, Diepmeadow and Dobsonville councils

This contract will make available an additional 3 000 to 5 000 jobs for Soweto residents during the next 30 months, according to a spokesman for the contractors

Half of these new jobs will provide career training in electrical trades and will mean on-going work in the maintenance and expansion of electricity in the high density housing areas along the Reef.

As the electrification of Soweto continues more work will be created IEC has also been awarded the contract for the wiring of 8 100 houses in Soweto — the first of the estimated 80 000 in the area needing wiring.

A special recruiting office is to be opened very soon at New Canada administration offices on the edge of Soweto to help those looking for a career in electrical contracting

The electrification programme is expected to reach full swing by next March and then job opportunities will be announced daily at the New Canada offices, according to the spokesman

Staff at the recruiting office will make detailed records of all job seekers and the whole administrative machinery of Soweto will be geared to directing those seeking work to the IEC offices at New Canada

"People with all standards of education and experience will be needed on the job and the skills learnt will be needed for the maintenance and expansion of electricity in Greater Soweto," Mr Tony Orbach, managing director of IEC said today

○ Page 29· Soweto's giant power plan gets moving at last.

Benefits in joining says union leader

Indaba 29/8/80

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EAST LONDON — Iron and steel workers were given a talk here by the president of the Boilermakers Trade Union, Mr M Peterson, of Johannesburg

He spoke of the advantages of belonging to his union

In the case of labourers losing their jobs, Mr Peterson said they would receive a minimum amount of R2,50 a day

In case of death of members who had been registered with the union for at least six months, their families would be compensated R1 000, if they had been members for a year, R1 150 was payable

If a wife or husband of a member died, the member received R300.

Mr Peterson said his union was recognised by the government and could negotiate with management as it was registered.

The committee of the union could also attend meetings held on company premises between employers and employees and witness any negotiations

The union worked hand-in-hand with liaison committees and mostly used them as channels of communication

In case of members losing work, the union aids members to seek work and to check they got a secure job with comparative wages and good working conditions

Mr Themba Bottoman, chairman of the iron and steel workers' liaison committee, thanked Mr Peterson but asked him to consider the matter.

David Lewis buys into Esab Welding

(189) S. Times (bus) 31/8/80

DAVID Lewis, of Holiday Inns and Wit Industrials fame, has bought a controlling interest in Esab Welding Products, a company which supplies and services a wide range of welding equipment and electrodes.

By JOHN SPIRA

The equipment is manufactured by Esab of Sweden, a world leader in advanced welding equipment and technology

Mr Lewis tells Business Times that the Benoni-based Esab Welding Products has not operated profitably in the past, principally because the Swedes were unable to adapt their marketing strategy to South African conditions In addition, spares back-up left much to be desired

He believes that both these drawbacks can be effectively overcome, and the new Esab combination of Swedish technical know-how and South African expertise in the market place will go a long way towards ensuring the future profitability of his new acquisition

"It is a formula which turned around the Electrolux operation which I bought three years ago," he adds Electrolux has gained 15% more market share under its South African ownership

Mr Lewis has tackled the spares back-up void by airfreighting R136 000 worth of spares to South Africa He has also placed an order in Sweden for more than R300 000 worth of welding machines

He expects Esab to gain a minimum 15% market share in the next three years

Esab will be demonstrating the latest in welding — the Robot Welder — at next month's Electra Mining Exhibition The Robot, developed in co-operation with Asea, highlights Esab's advanced technology worldwide The machine will sell for between R120 000 and R150 000

Esab SA has just been awarded a R200 000 welding machine contract by the SAR, while Esab Sweden recently secured a R32-million contract to erect and commission a complete plant to cater for the construction of a nuclear power plant in the USSR

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MANUF. - Iron + Steel

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Armaments Development + Production Amendment Bill (2nd Reading)

See Hansard 16 Cols 8308 - 8335
Hansard 17 Cols 8507 - 8516
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29/5/80

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Armaments Development + Production Amendment Bill

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operating on the mines, most important of which is the White Mine Workers' Union. Nevertheless, it can be inferred from some of these figures presented that conditions for labour as a whole, are not very satisfactory with respect to ARD's. In some areas, e g. compensation, it can be seen that there is substantially better remuneration for white labour. But the overall context is that of a weak and divided labour situation with uneven organisation of mine labour as a whole.

Most research activity is done by the State and industry. There is no independent or union-funded research into these matters. Not even the White Mine Workers' Union representatives sit on the research bodies' editorial boards, although they do get to participate in commissions of inquiry

The penalty for infringement of the regulations under the Occupational Diseases in the Mines and Workers' Act, 1973, is a maximum fine of R400 which is a small sum of money.

D.1 iii MANUFACTURE · LEVELS OF EXPOSURE

The position with respect to asbestos exposure is complicated in manufacture. Exposure at the workplace is covered by two acts of parliament. Asbestos workers fall under the list of scheduled processes in the Atmospheric Pollution Prevention Act No. 45 of 1965. An air pollution control officer attached to the Department of Health is responsible for setting guidelines for asbestos fibre levels and for enforcing this limit. The level is agreed upon by the factory owner and the officer and applies both inside and outside the factory and is a condition for issuing a certificate of registration in terms of the act. The principle of the 'best practicable means' of reducing pollution is applied to the determination of the asbestos level. The cost to industry in reducing pollution is taken into account when determining the 'best practicable means' and this highlights the arbitrary nature of exposure levels from the point of view of health and safety.

People who live in the vicinity of ... found to experience a higher ... Construction, demolition work and ... integration of asbestos products ... people.[21c] Those living in ... also have an increased incidence ... were used to make roads a ... of over 100 cases of mesothelioma ... almost all were contracted ... Cape Asbestos fields[23] ... for a period of days or weeks.

Rock which is being mined ... with asbestos resulting in ... public. Then there is a large ... hairdryers and toasters, which ... fibres. The use of asbestos ... of contamination in the home

In the U.S.A. elevated levels of ... been demonstrated on motorways ... brake pipes may ... However, there are few ... levels of exposure are, and ... difficult to quantify ... be said about it.

Hiveld Steel to boost output

By Geoff Shuttleworth

Hiveld Steel chairman Mr Graham Boustred said in the annual review that it was expected that increased production and the improved local steel sales should offset the adverse effect of export earnings. It is forecast that group profitability will at least be maintained.

Production will be increased mainly by the commissioning of the ninth prereduction kiln which will lead to a significant increase in iron, steel and vanadium slag while the strong local economy should continue throughout the next 12 months with increased sales of steel.

He noted however, that the recession in overseas markets, coupled with a continuing strengthening of the rand against the dollar will adversely affect export sales income from steel vanadium and ferro-alloys.

Commenting on expansion, he said R18m had been approved for a 10th prereduction kiln, R10m for a 410 ton oxygen plant and R6,5m for a fourth shaking ladle emplacement.

Plans are being prepared for the first furnace in the second iron plant which will take steel capacity through the one million ton level. The existing steel plant and mills will be able to handle this increased output.

Studies on a Streckel hot strip mill are under way for commissioning at the same time as the number two furnace in the second iron plant and Transalloys has approved R10m for an arc furnace to produce ferrosilicon.

Sasol 2 — plane fuel 'before 1982'

4/9/80 ARGUS

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AVIATION kerosene made from coal or oil shale is the crude oil alternative of the future according to Boeing Aircraft Company. But in South Africa, it is the not-very-distant future, say Sasol 2.

According to Boeing's engineering vice-president, Mr Bob Withington, in a booklet on the subject being widely distributed at the Farnborough Air Show, four to six percent of fuel used worldwide could be synthetic.

Research by the aircraft manufacturer's research department shows 'synthetic fuels made from coal and oil shale are the only practical alternatives in terms of availability, cost and efficient use of energy resources.

INTEGRATION

'They can be integrated into existing production and distribution systems and are compatible with contemporary airplanes.'

Mr Withington added 'The airplane can't tell the difference between synthetic fuel and petroleum fuel.'

Mr Clarence Keyter, public-relations officer at Sasol, said Secunda, already producing base-oil and petrol would also produce aviation kerosene before 1982.

This would be available to all aircraft refuelling in South Africa.

R150m work on Barlow steel plant under way

Expansion totalling R150m is in progress at Barlow Rand's Southern Cross steel plant and will be completed within the next 18 months

By Pieter de Vos

Southern Cross Steel, a division of Middelburg Steel and Alloys, is entering a new phase of development which will push capital investment in its plant from an anticipated figure of R127m to R150m over the next two years.

Middelburg Steel is a wholly owned subsidiary of Barlow Rand. Mr John Hall, managing director of Southern Cross, said this morning the investment would increase melting capacity which would boost production of semi-finished stainless steel products to 200 000 tons a year. The new plant will also produce thin gauge cold rolled steel, which is currently imported.

Local production of thin gauge steel should save South Africa up to R34m in foreign exchange a year at 1979 prices, Mr Hall said.

The new melt shop should be completed by February next year, the hot mill by April and the cold mill by August or September next year.

The first cold rolled stainless steel sheet and coil is expected off the line at the end of 1981.

Mr Hall announced that a new low-cost, corrosion resisting steel called 3CR12 had also been developed by the company and would soon go into production.

The first phase of the programme, involving an investment of R127m, was designed to cope with local consumption of stainless steel. This is expected to be about 70 000 tons annually by 1990.

EXPORT POTENTIAL

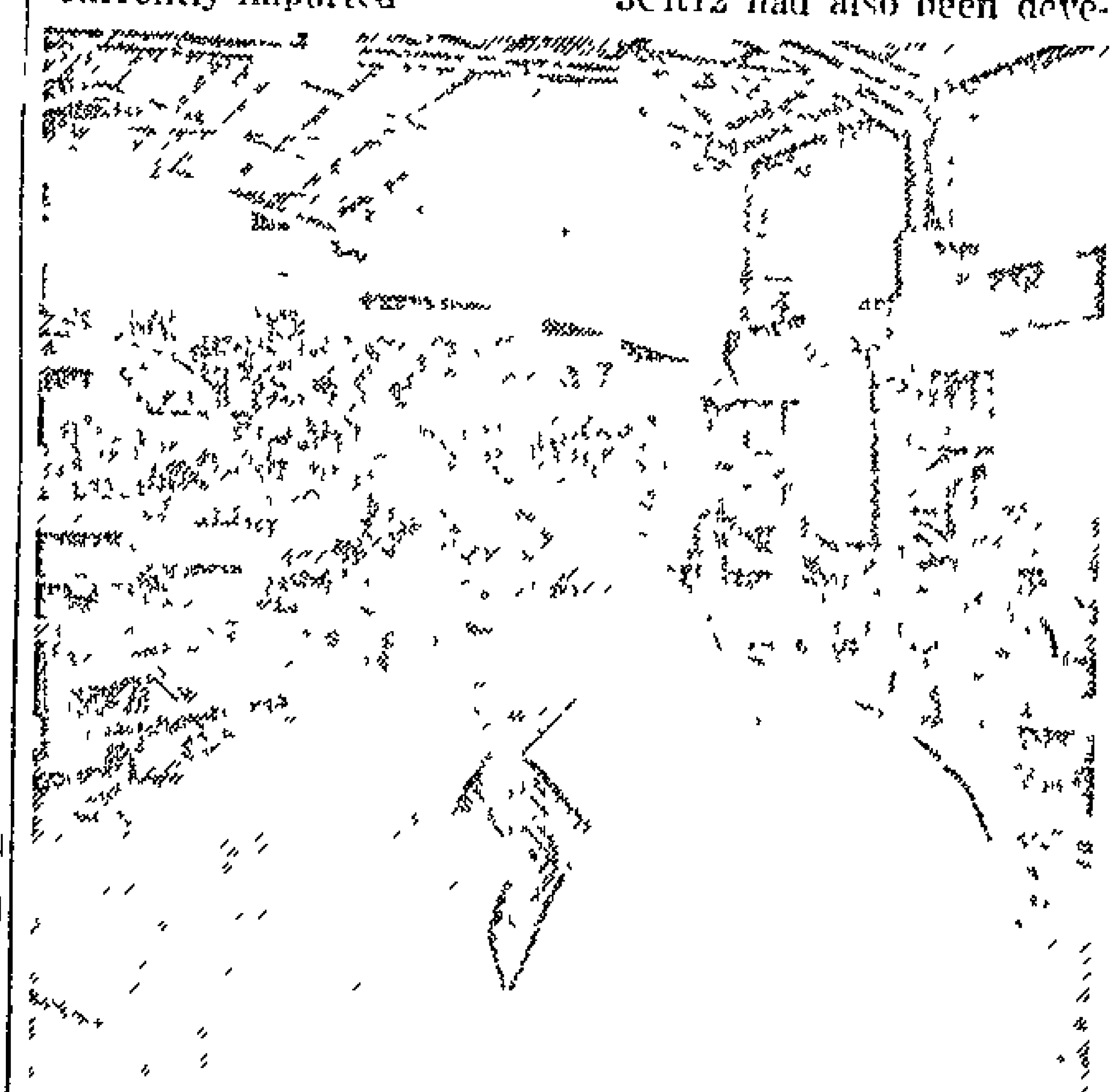
But a second phase has been introduced in which Southern Cross hopes to take advantage of the export potential it believes its semi-finished products may enjoy.

"We now have two years in hand to market semi-finished products, which are already being viewed by some overseas stainless steel producers," Mr Hall said.

The decision to increase the expansion was motivated by:

- Increasingly favourable conditions on the world capital equipment market;
- The attractiveness of stainless steel against carbon steel in energy saving terms, particularly in view of the high energy prices in the current world economic downturn.

One of the advantages held by Southern Cross was easy access — through its membership of the Barlow Rand Group — to most raw materials necessary to allow its parent, Middelburg Steel, to embark on a comprehensive beneficiation programme.



Mr John C Hall, managing director of Southern Cross Steel, on the site of the R150m Middelburg mill expansion.

Chairman's review

FM 5/9/80

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HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

Highveld achieves outstanding results with earnings and dividends increasing for eighth consecutive year

– MR W G BOUSTRED

An abridgement of the review for the year ended June 30 1980 by the Chairman, Mr Boustred

The corporation's consolidated profit of R70 105 000 before providing for tax and minority interests was 62 per cent higher than the R43 365 000 earned last year After providing R24 328 000 for tax and after deducting minority interests of R1 879 000 the attributable profit at R43 898 000 was 61 per cent higher than the 1979 result of R27 297 000 The attributable profit for the year was achieved after providing net interest charges of R2 434 000 and depreciation of R17 060 000 compared with R6 104 000 and R16 337 000 respectively last year

In view of these results the board decided to increase the final dividend to 20 cents a share making a total of 29 cents a share, a 45 per cent increase on the 20 cents paid last year The total dividend for the year will absorb R19 700 000 All three operations, Highveld, Rand Carbide and Transalloys achieved record profits for the year

As reported in the interim statement, the board decided to change to the LIFO (last in, first out) method of stock valuation in order to recognise the effects of the high rate of inflation by matching more closely current costs with current revenues The change to LIFO reduced the group profit after tax by R1 083 000 and the dividends payable by the group will not be materially affected by the introduction of LIFO

A total of R24 328 000 has been provided for tax and for the first time the group becomes liable for normal tax payable in 1981 and estimated at R9 715 000 In addition R14 613 000 has been transferred to the group's deferred tax provision which now totals R68 133 000 and this should ensure that the charge for tax in later years does not absorb a disproportionate amount of the income earned in those years

The strength of the group's cash flow is again illustrated by the reduction in the group's net borrowing position from R59 596 000 as at June 30 1979 to R34 814 000 at June 30 1980 notwithstanding capital expenditure for the year of R52 335 000 The group has continued to use local and overseas short term financing in preference to longer term loans which makes for greater financial flexibility and a lower interest rate As a result of this policy and the reduction in the group s borrowings, interest charges were significantly lower at R2 434 000 compared with R6 104 000 in 1979

By the year end the group s capital expenditure commitment had increased to R50 686 000 compared with R25 592 000 in 1979

The markets for all the group's products improved steadily during the early part of the year but by the financial year end a deterioration in overseas markets necessitated production cutbacks at Transalloys and the Vantra division The strengthening of the rand against the US dollar coupled with the increased forward cover rates for dollars has adversely affected the competitiveness of the group's products in overseas markets The adverse effect of the stronger rand on the group's export earnings is well illustrated by the reduction in rand value from R150 372 000 in 1979 to R142 799 000 this year, despite dollar earnings being only slightly down at US $172 422 000 compared with US $173 748 000 in 1979 Group turnover of R323 584 000 was 20 per cent higher than last year's record

STEEL Steel export dollar prices showed only a modest improvement during 1979 compared with the substantial increases of 1978 Further slight improvements have been enjoyed in the early part of 1980, but the downturn in steel consumption in the USA and the other industrialised countries coupled with the decision to suspend the US trigger price mechanism has already resulted in lower export dollar prices

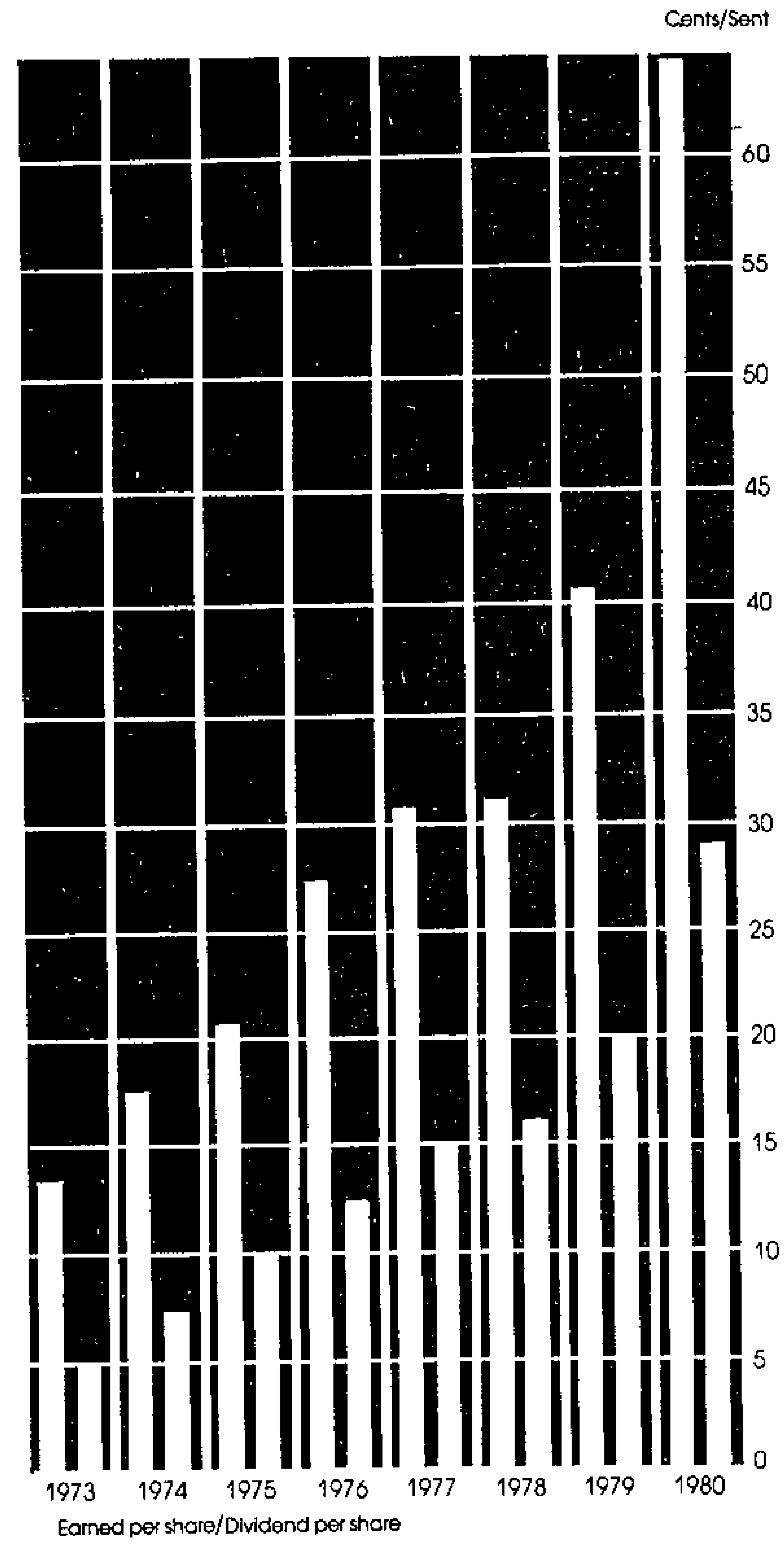
Highveld continued to export steel products in the form of sections and plate to many countries, but due to the improvement in the domestic market the tonnage was below last year s record level and represented 29 per cent of total steel sales against 43 per cent in the 1979 financial year In 1979 South African steel exports reached two million tons for the first time and earnings from this source exceeded R500 million, a major contribution to the Republic's foreign exchange earnings

South African apparent steel consumption during 1979 showed a 16,5 per cent increase over 1978 and double digit growth is also likely in 1980 Highveld's sales into the local market for the financial year showed an encouraging 31 per cent increase over 1979 which indicates a significant improvement in the heavy and intermediate industrial sectors

Highveld s steel production continued to grow and at 787 062 tons was 5 per cent above last year s record Both rolling mills operated well and the total rolled product exceeded last year s record by 10 per cent, reflecting a continuing reduction in the sales of steel semis

VANADIUM The record level of world steel production in 1979 was accompanied by a record consumption of vanadium The continuing energy crisis resulted in increased activity in line pipe steel production in

Dividends and earnings per share



Japan, Western Europe, North America and the USSR In Europe and Japan vanadium bearing tool steel production continued to increase and the replacement programme in the world s commercial airline fleets increased demand for vandium bearing jet engine alloys The substitution of vanadium for molybdenum because of the shortage and resultant higher prices of molybdenum also stimulated consumption The industry was able to cope with the record demand without distortion of the market

Free world vanadium pentoxide capacities			
	Million lb vanadium pentoxide per annum		
	Forecast production 1980	Present capacity	Present and planned capacity
South Africa	50	56	62
North America	27	36	50
Europe	13	13	13
Others	2	5	11
Total	92	110	136

Forecast consumption 1980 ± 90

Vanadium consumption in 1980 has weakened with the reduction in steel production in the Western world and the improvement in molybdenum supplies The decision taken by most steelmakers to reduce inventories during, a period of lower consumption has accentuated the fall off in demand for vanadium raw material

New production facilities in the USA and Australia are currently being commissioned and other expansion plans already announced will ensure that the world vanadium industry has ample reserve capacity to meet even the most optimistic demand forecasts

The demand for the corporation's vanadium bearing slag remained firm throughout the period Sales of the Vantra division s vanadium pentoxide increased steadily in the early part of the year and as a result the division was brought to full capacity in September 1979 by the recommissioning of the three kilns which had been out of operation since December 1976 However, demand had again weakened by the year end and as a result the three kilns were taken out of operation in June 1980, two roasters were shut down in July 1980 and further production cutbacks will be made if warranted by market conditions

RAND CARBIDE Export demand for the Rand Carbide division's ferrosilicon remained firm throughout the year and prices were satisfactory The cost of power overseas, particularly in Japan and Western Europe, has risen so dramatically in the last few years as a result of the oil price increases, that the production of power intensive ferro alloys such as silicon has become uneconomic in these countries Provided that power costs in South Africa remain at their present competitive level, the Republic will become a major exporter of these power intensive alloys

Sales of metallurgical char and electrode paste to the ferro alloy industry in southern Africa were strong throughout the period as a result of the high level of activity in the ferro alloy sector Calcium carbide operations also ran at capacity

The division's financial performance was excellent, contributing 17 per cent to the group's earnings for the year compared to 11 per cent last year

TRANSALLOYS In the early part of the financial period the demand for manganese ferro-alloys was satisfactory but as the year progressed, sales and prices weakened and by the last quarter of the financial year it was necessary to cut back production In April 1980 one silicomanganese furnace and one medium carbon ferromanganese furnace were taken out of operation, and the second medium carbon ferromanganese furnace was shut down at the end of June 1980 In order to balance the production of ferro-alloys for export markets a silicomanganese furnace was converted to ferrosilicon and recommissioned in May 1980

Export earnings were slightly ahead of last year, and local sales showed a significant improvement, as a result of which total turnover increased by 12,6 per cent to R36 548 000

INFLATION The percentage increase in steelworks costs during the financial year at 11 per cent was at the same level as 1979 and remained well below the 17 per cent of 1978 and the 28 per cent of 1977

The increase in power costs, which remains the group s biggest single cost element, was 6,8 per cent which, while slightly higher than the 5,9 per cent in 1979, remained well below the general level of inflation It is expected that power costs will continue to rise only modestly in the next few years, which will greatly help the South African steel and ferro alloy industries to remain competitive in world markets where tariff barriers remain a major obstacle

For the first time since April 1978, the South African Railways raised railage rates from April 1 1980 While the overall effective increase of 6 per cent per annum is acceptable, the increase in the rates applied to raw materials of twice the average increase, conflicts with the need to promote increased beneficiation of minerals inside the country

Export earnings from base metals and minerals made a major contribution to the economic recovery of the Republic during the past two years With the developing recession in the Republic's overseas markets, the strengthening of the rand against the US dollar and the continuing domestic inflation, base metal and mineral exporters selling in US dollar prices will find business increasingly difficult over the months ahead Whilst there is evidence that the Government is proceeding with the programme for export incentives recommended by the Van Huyssteen and Reynders Study groups, the rate of progress must be accelerated and the scope of the qualifications for benefit from the new categories of incentive must be broadened if a significant impact is to be made It is important that the iron and steel and ferro alloy industries which have been major contributors to the growth in export earnings should be encouraged to maintain their position in world markets

LABOUR As the South African economy has improved, the shortage of skilled labour has again become a major problem Although overseas recruiting eases the situation the longer term solution to the shortage of skilled labour lies in the training of black artisans

In spite of the government's acceptance of the Wiehahn Commission s recommendation that blacks be indentured as apprentices, a disappointing number of black apprentices have been registered to date. A major obstacle has been the uncertainty regarding the availability of educational facilities for theoretical training of blacks Whilst the Wiehahn Commission s second report covering training goes some way to resolving this problem by recommending the utilisation of any existing facilities where separate theoretical training facilities are not available, the commission should have come out in support of fully integrated facilities, in order to ensure the maximum possible trust between the different population groups in the workplace

During the past year the Minister extended the right of becoming members of registered trade unions to migrant workers from within the present and former borders of the Republic This extension has meant that virtually all black employees in the metal industry are now eligible to join registered trade unions

In July, all employees covered by the group's house agreements, in line with others in the industry, received wage awards It is pleasing to report that at the same time agreement was reached for further black advancement into the higher skilled operator job grades

EXPANSION The board approved R18 000 000 for the installation of the tenth pre-reduction kiln, R10 000 000 for a 410 ton a day oxygen plant and R6 500 000 for a fourth shaking ladle emplacement The kiln and the shaking ladle emplacement will be commissioned before the end of 1981 and the oxygen plant in 1982 Plans are being prepared for the first furnace in the second iron plant which will take steel capacity through the one million ton level The existing steel plant and mills, with minor modifications, will be able to handle the extra steel output Studies are already underway on a Steckel hot strip mill development which would probably commission at the same time as furnace no 2 in the second iron plant

The Transalloys board approved R10 000 000 for the erection of a 22 MVA submerged arc furnace to produce ferrosilicon, which will be commissioned before the end of 1981

ENVIRONMENTAL CONTROL The group's R45 000 000 environmental control programme continued and will be completed by the end of 1981

The new Rand Carbide bag filter was commissioned in June 1980 and modifications to the second bag filter at Transalloys will be completed in November 1980 The group s ferro alloy operations will thus conform to the most up to date environmental control standards by the end of 1980

The final large electrostatic precipitator for the third basic oxygen furnace was commissioned in January 1980 and modifications and repairs to the original two precipitators were also completed in June 1980 The commissioning of three wet scrubbers to handle fume from the shaking ladle emplacements began in July 1980 so that steel plant emissions should be fully controlled before the end of 1980

The erection of the electrostatic precipitators for the original four pre reduction kilns has started and these should be commissioned before the end of 1981, thus completing the iron plant programme

OUTLOOK The ninth pre-reduction kiln commissioned on schedule in July 1980 and this will lead to a significant increase in iron, steel and vanadium slag production during the new financial year The current strong recovery in the South African economy should continue throughout the next twelve months with increased steel sales in the domestic market The recession in overseas markets coupled with a continuing strengthening of the rand against the dollar will adversely affect the group's export sales income from steel, vanadium and ferro-alloys, but it is expected that the increased production from the ninth kiln and the improved local steel sales should offset the adverse effect of export earnings and it is forecast that the group's profitability will at least be maintained

GENERAL Highveld has achieved outstanding results for the period under review with earnings per share and dividends increasing for the eighth consecutive year This reflects great credit on the Highveld management team and on employees at all levels, and I again express my sincere appreciation to all of them

The full text of Mr Boustred s statement and the annual report for the year ended June 30 1980 are obtainable from Consolidated Share Registrars 62 Marshall Street, Johannesburg, 2001

The annual general meeting of members will be held at 44 Main Street Johannesburg on Friday, November 7 1980 at 12h00

Southern Cross to spend R150m

RDM (184) 5/9/80

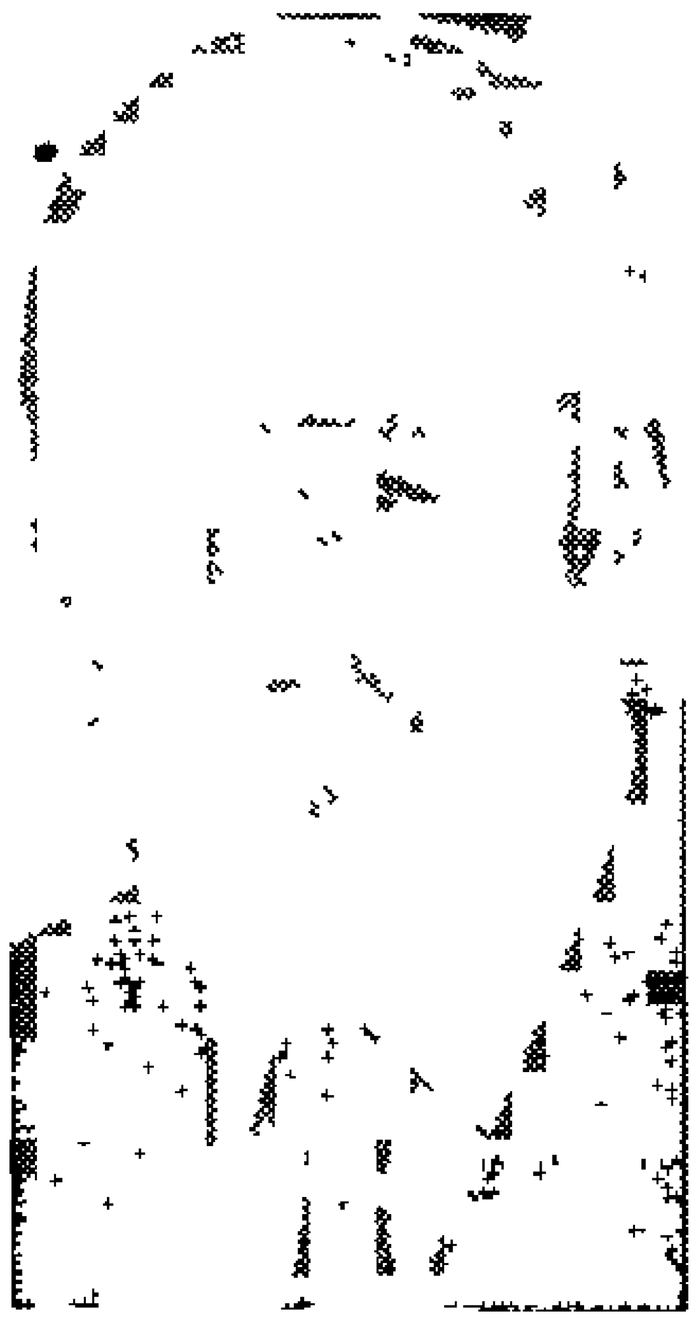
SOUTHERN Cross Steel, a division of Middelburg Steel & Alloys, in turn part of the Barlow Rand group, will enter a new phase of expansion which will push capital investment at its Middelburg plant from the expected figure of R127-million to R150-million over the next two years

Mr John Hall, managing director of Southern Cross, said in Johannesburg yesterday that a new low-cost corrosion-resisting steel called 3CR12 had been developed by the company and it would soon go into production

Mr Hall said the additional investment would increase melting capacity, which in turn would boost production of semi-finished stainless-steel products to 200 000 tons a year The new plant would also produce thin gauge cold rolled steel, which was now imported

Production of this gauge cold rolled steel should save South Africa up to R34-million a year at 1979 prices

Mr Hall also outlined Southern Cross Steel's construction timetable, forecasting that the new melt shop should be completed in February 1981, the hot mill by April and the cold mill by August or September of the same year



Mr HALL

The first cold rolled stainless-steel sheet and coil was expected off the production line at the end of 1981

The new investment would balance the melt shop capacity with the rest of the plant — the hot mill and cold mill — and position Southern Cross to tap the export market more easily

"We now have two years in hand too market semi-finished products, which are already being viewed favourably by some overseas stainless-steel producers," Mr Hall said

The decision to expand further was caused mainly by

- Increasingly favourable conditions on the world capital equipment market
- The attractiveness of stainless steel against carbon steel in energy-saving terms, particularly because of high energy prices in the world economic downturn
- The belief that a low-cost, corrosion-resisting, energy-conserving steel such as 3CR12 had a tremendous role to play in world industry — Sapa

GENERAL NEWS

First black metal industry union obtains registration

By Sieg Hannig
Labour Editor

The 2 000 strong Electrical and Allied Workers' Union has become the first black union in the metal industry to obtain registration.

This was revealed by Mr Ben Nicholson, general secretary of the union.

He said an application to have the union admitted to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry would be submitted as soon as the registration certificate had been received.

He hoped for a "big influx" of membership now that the union had been registered. In addition, "quite a number" of employers had promised co-operation once the union was registered.

Mr Nicholson said a meeting of the executives of all three electrical unions would be held soon to elect officials representing them on a "Federation of Electrical Workers' Unions," with more than 30 000 workers.

He is general secretary of all three electrical unions.

16/9/80 Argus (189) (L34)

Black unions in council breakthrough

Labour Reporter

TWO recently registered black unions have gained admission to the industrial council for the engineering industry.

Mr Archie Poole, general secretary of the National Union of Engineering, Industrial and Allied Workers (NUEIAW), and Mr Ben Nicholson, of the Electrical and Allied Workers' Union of South Africa (EAWU), said it was the first time black unions had gained direct representation on an industrial council.

The unions were admitted to the Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries in Johannesburg yesterday.

'At the next round of negotiations for wage increases, they will participate on an equal basis to all other unions on the council,' Mr Poole said.

The NUEIAW has a paid up membership of 1 500 and the EAWU about 2 000.

increases, as the particle penetrates deeper into the medium . The density of energy deposited ($-dE/dx$) is therefore highest at the end of the range (fig 25)

Relatively heavy particles such as the p or α are not significantly deflected in their collisions with ... ons in matter and the maximum energy ... only a tiny fraction of the p or α ... articles therefore retain their ... oughout the slowing down process and ... fined - do not vary much from one ... the same energy (fig 24(a)). ... ter, can scatter through large ... ns with atomic electrons (cf ... se a large fraction of their energy ... herefore their detailed trajectories ... ne electron to another and their ... ned (fig 24 (b))

... listed below :

Air	Aluminium	Lead
20 C	0 0126	0 .106

... ly with the nuclei in atoms and ... atistical process. If we place ... ness x ... f ... r fig 26) ... am is ... action and ... cts with ... number , ... second is

. (33)

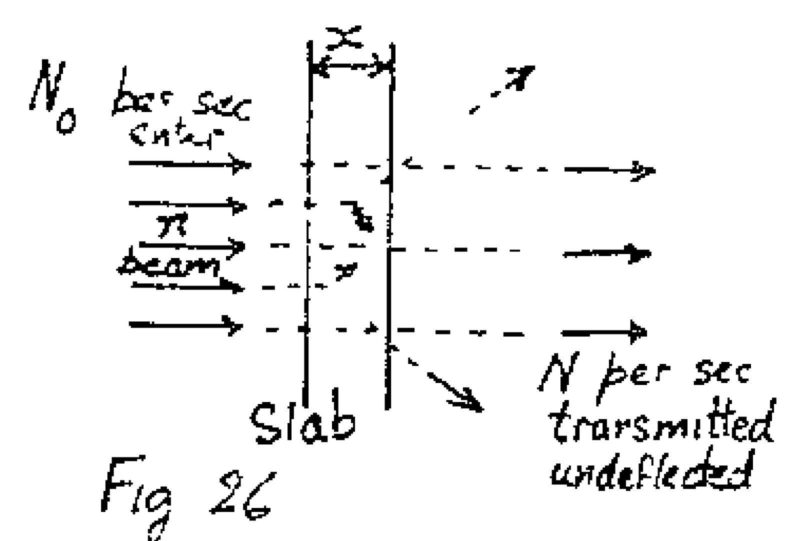


Fig 26

... eraction ... d depends on ... species ... ne slab ... nteraction is either a nuclear ... h the neutron transfers some of its ... (charged) recoil nucleus, or a nuclear reaction which usually leads to the emission of charged particles or gamma rays This the secondary particles resulting from neutron interactions in matter are often charged particles and these particles then interact with the matter as described in (a). Hydrogenous media such as wax, water or plastic are of particular interest because a neutron can lose any fraction (0-100%) of its kinetic energy in a

Milestone in labour reform

Labour Editor

A major milestone on the road to labour reform was reached yesterday, when South Africa's largest industrial council admitted its first two black trade unions

The two newly-registered black unions will join 10 white, coloured and Indian unions in the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

As parties to the council, they will be involved in the negotiation of wages and working conditions for nearly 500 000 workers of all races

"I think it's the first time in South African history that black unions have become parties to an industrial council," commented Mr Arthur Grobbelaar, general secretary of the Trade Union Council of South Africa

The industrial council, which admitted the unions at its annual meeting in Johannesburg yesterday, also made history a few years ago by anticipating the Wiehahn Report in an agreement on nonracial employment safeguards

The newly admitted unions are the National Union of Engineering, Industrial and Allied Workers and the Electrical and Allied Workers' Union

single elastic collision with a proton. The maximum nuclear recoil energy $E_{r_{max}}$ resulting from elastic scattering of neutrons (of mass m_n and energy E) on a nucleus of mass m_N is given by

$$E_{max} = 4m_n m_N E/(m_n+m_N)^2 \qquad \ldots\ldots (34)$$

Thus E_{max}/E is much smaller for heavy nuclei than for hydrogen.

(c) Gamma rays

The three most important effects in the interaction of gamma rays with matter are the photoelectric effect (described in section 2.1), the Compton effect (section 2.1,p 5) and pair production (section 2 3,p 8). Energy is transferred from the incident gamma photon to a photoelectron, a Compton electron or an electron-positron pair respectively. These charged secondary particles then interact with the medium as described in (a). As in the case of neutrons, the interaction of gammas with matter is a statistical process and is governed by an exponential absorption law of the form given by eq.(33) but with α representing the gamma ray absorption coefficient This coefficient can, in turn be considered as the sum of components α_{PE}, α_C and α_{PP}, corresponding to the photo-, Compton and pair effects. Thus

$$\alpha = \alpha_{PE} + \alpha_C + \alpha_{PP} \qquad \ldots \quad \ldots (35)$$

The absorption coefficients are largest for the heaviest elements (e.g lead) and α_{PE} usually dominates for gamma energies below 0.5 MeV, α_{PP} for energies above ~ 10 MeV and α_C for energies around 1 MeV.

A convenient measure for gamma interaction calculations is the half-thickness, analogous to the half-life in radioactivity. This is defined as the thickness $x_{\frac{1}{2}}$ of the particular medium required to reduce the fraction N/N_0 (eq.(33)) to one half for a particular gamma energy

Thus $N/N_0 = \frac{1}{2} = \exp(-\alpha x_{\frac{1}{2}})$ . . . .(36)

Some values of $x_{\frac{1}{2}}$ are given below (in mm)

Energy	Lead	Concrete
1 MeV	9.0	47.0
5 MeV	14.5	100.0

Judge dismisses defamation claim

S.Star 12/8/80

DURBAN — A Durban judge yesterday dismissed a claim for R4 000 against a Pinetown subsidiary of a UK company and its managing director, in damages for allegedly defaming an unregistered trade union

The action against Glacier Bearings and the managing director, Mr William Richards, was brought by the Metal and Allied Workers' Union of South Africa, and its general secretary, Miss June Rose Nala

The action arose out of a comment by Mr Richards to a reporter from the Financial Mail regarding the controversy of whether the union or Miss Nala were representative of the employees

Mr Richards was alleged to have stated that "some people tell us that they are forced to sign pieces of paper or get beaten"

The union alleged that the statement, which was published on July 28, 1978, in an issue of the Financial Mail, was defamatory in that it meant, and was understood to mean, that the union and Miss Nala used threats

Mr Justice J M Didcott found that the article had identified no one as being responsible for intimidating workers to join the union

The claim was dismissed with costs — Sapa

'Workers' victory'

STAR 17/9/80

By Sieg Hannig
Labour Editor

A new breakthrough for workers' rights has been achieved by the Industrial Court in its first hearing of an alleged 'unfair labour practice."

"The case has shown that the Industrial Court has strengthened the hand of the workers," commented a lawyer on the out-of court settlement won by a black contract worker and his unregistered trade union.

In terms of the settlement, the employer, Precision Tools, agreed to pay the Metal and Allied Workers' Union R4 000 and committed itself to a recognition agreement.

The agreement provides for:

- Recognition of the union.
- Acceptance of the union's shop stewards.
- Shop steward representation for workers in grievance procedures which provide for arbitration in the event of a deadlock.

The union failed to achieve the reinstatement of Mr Stephen Maponya who was allegedly victimised for his union membership by the firm's failure to renew his migrant contract.

But Mr Maponya got a new job this week and is to receive about R1 000 from the R4 000 being paid to the union.

(189) 12/9/80 ARGUS

Industrial court win for union

Argus Correspondent

JOHANNESBURG. — A new breakthrough for workers' rights has been achieved by the industrial court in its first hearing of an alleged unfair labour practice

'The case has shown that the industrial court has strengthened the hand of the workers,' a lawyer said at an out-of-court settlement won by a black contract worker and his unregistered trade union

In terms of the settlement, Precision Tools of Johannesburg is to pay the Metal and Allied Workers' Union R4 000 The firm also committed itself to a recognition agreement that provides for.

- Acceptance of the union's shop stewards,
- Stop order facilities for union dues,
- Union access to the factory once a week during lunch-time,
- Shop steward representation for workers in grievance procedures which provides for arbitration in the event of a deadlock

The union failed to achieve the reinstatement of Mr Stephen Maponya, who was allegedly victimised for his union membership by the firm's failure to renew his immigrant contract

But Mr Maponya got a new job this week and is to receive about R1 000 from the R4 000 being paid to the union — as compensation for losses suffered during the period he was not working.

HIGHVELD (189)

Profits to level?

FM 12|9|80

Activities *Produces iron, steel, vanadium slag and pentoxide, located near Witbank, Transvaal Owns 65% of Transalloys, which produces manganese ferroalloys Member of the Anglo American group*
Chairman *W G Boustred, managing director L Boyd*
Capital structure: *67,9m ordinaries of R1 Market capitalisation R356,5m*
Financial: *Year to June 30 1980 Borrowings long- and medium-term, R66 000, net short-term, R42,9m Debt equity ratio 31,2% Current ratio 0,8 Net cash flow R68,9m * Capital commitments R50,7m*

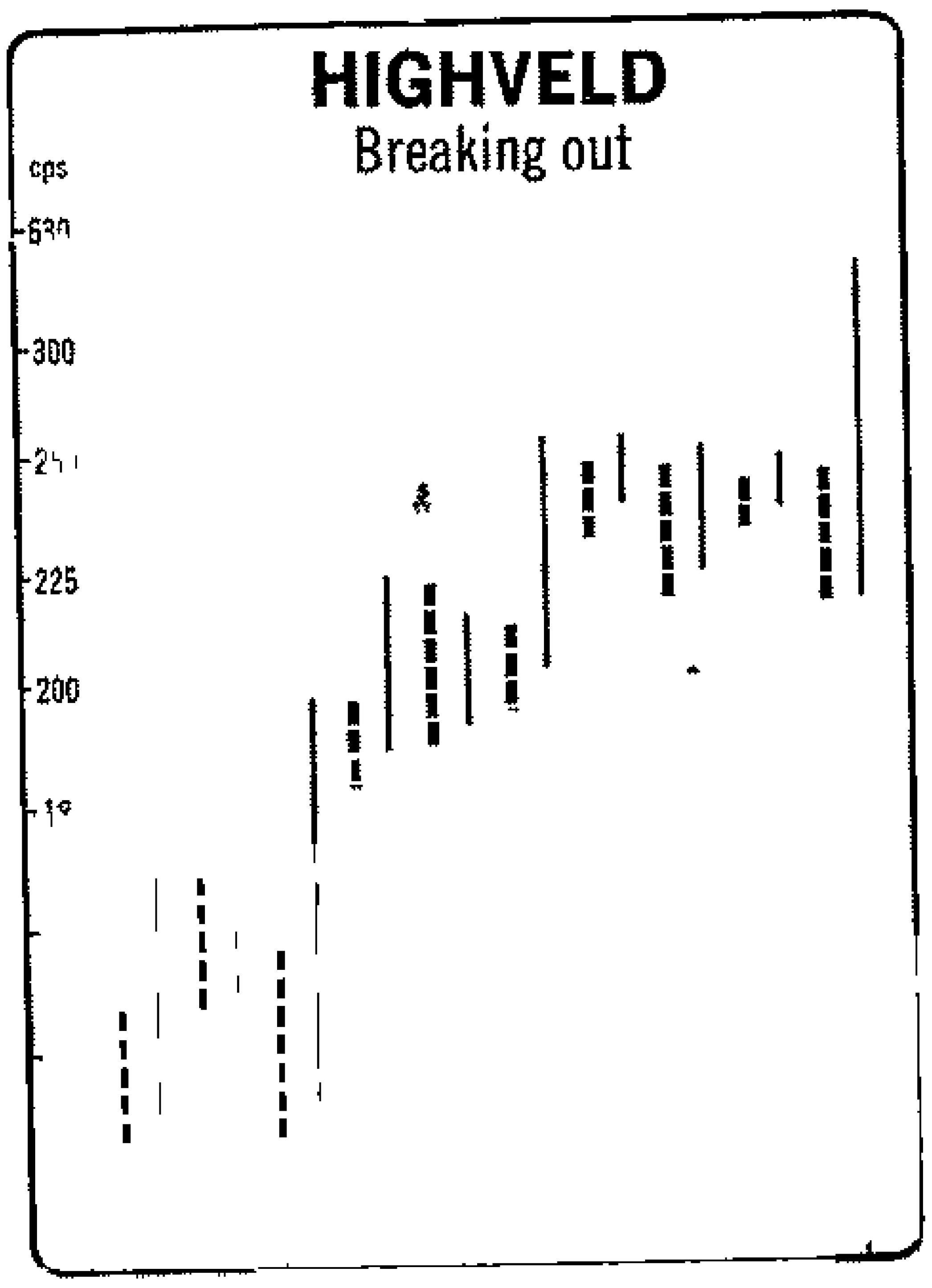
* *Adjusted for provisions for renewal and replacement of fixed assets*

Share market: *Price: 525c (1979-80 high, 560c, low, 205c, trading volume last quarter, 414 000 shares) Yields: 12,3% on earnings; 5,5% on dividend. Cover 2,2 PE ratio: 8,1.*

	'77	'78	'79	'80
Return on cap %	17 3	14 4	19,7	26 5
Turnover (Rm)	145	173	268	324
Gross profit (Rm)	35 9	33 9	49 5	72 2
Gross margin %	24 8	19 6	18 5	22,3
Earnings (c)	30 6	31 1	40 2	64 5
Dividends (c)	15	16	20	29
Net asset value (c)	142	157	180	216

Chairman Graham Boustred predicts that Highveld's "profitability will at least be maintained" in the next 12 months despite declining income from exports The company has a record of 19% compound growth in earnings and 18% in dividends over the past five years And even when profits have levelled off between one year and the next, dividend growth has been maintained So despite the challenges to be faced if recession in the West worsens, chances are that Highveld will continue to give good returns to shareholders

Highveld's Boustred . . . expecting more from SA



Growing domestic demand for steel and related products boosted Highveld's local sales by 31% last year, and Boustred expects that increased output from expanded production facilities this year should offset the adverse effect of export earnings

Capex commitments have increased to R50,7m compared with a year-ago figure of R25 6m, indicative of the large-scale expansion which the group is undertaking Of this, R18m is earmarked for the installation of a tenth pre-reduction kiln, R10m for an oxygen plant and R6,5m for a fourth shaking ladle Boustred says that the commissioning of these facilities by 1982 will raise annual steel production capacity to 900 000 t

The group should continue to produce its products at competitive prices if power costs remain at their present level somewhat below those in Japan and Western Europe What is hurting steel exports, though, is the strengthening rand — last year's dollar earnings of $172,4m were only marginally below the $173,7m of the previous year but the rand value fell from R150,4m to R142,8m

In addition, overseas demand for the group's products has fallen sharply in the early months of 1980 since the buoyant period in late 1979, and an upturn is not expected in the short-term

Last year's 62% pre-tax profit hike to R70,1m (R43,4m) has provided a buffer of sorts against the levelling off expected this year Dividend cover was raised from 2 to 2,2 times despite the switch to lifo stock valuation A slight drop in cover this year would thus allow for dividend growth despite steady profits And a lower debt equity ratio of 31,2% (52%) should enable much of the capex to be funded by debt leaving more money available for payout

On this basis, a dividend total of 32c (29c) could be expected if earnings are maintained at around 65c (64,5c) The share has moved up sharply over the past year from 278c to 525c where it yields a prospective 6,1% Although the share seems slightly undervalued at present, the price is unlikely to move up much further until it becomes certain that domestic sales can offset export reverses

Fiona Halse

Test case victory for contract worker

12/9/80 RDM 144

By STEVEN FRIEDMAN
Labour Reporter

THE new industrial court's first test case has ended in a major victory for contract worker Mr Stephen Maponya and his union, the Metal and Allied Workers Union.

In an out of court settlement yesterday, Mr Maponya's former employer, Precision Tools, a small Johannesburg engineering company, agreed to pay the union R4 000 and recognise it.

The agreement accords recognition to the union shop stewards in the factory as well as company recognition of the union itself.

The company has also undertaken to grant the union "stop order" facilities, grant its organisers access to its factory once a week and introduce a grievance procedure for workers.

Mr Maponya and the MAWU brought the case to the court after the company refused to renew his migrant service contract. They claimed the company did this as a reprisal for Mr Maponya's union activities.

Although the union had originally asked the court to reinstate Mr Maponya, he has found another job and this issue has thus fallen away.

Last month the court handed down an historic judgment in the Maponya case in which it found that unregistered trade unions were entitled to bring cases before it.

It also found that unregistered unions were entitled to bring cases to the court in which they alleged that their members had been victims of an "unfair labour practice".

This opened a legal avenue to black unions after the Supreme Court had found, in the 'Bosman case,' that black unions had no right to bring an interdict against an employer on behalf of union members who fear victimisation.

The industrial court also agreed to allow counsel for Mr Maponya and the union to lead evidence to support their claim that the company had been guilty of an "unfair labour practice" by refusing to renew the contract even though it was legally entitled to do so.

AIR OF QUIET EXCITEMENT AS GOVERNMENT WAITS ON NEW PROPOSALS

Saldanha steel plant still on the cards

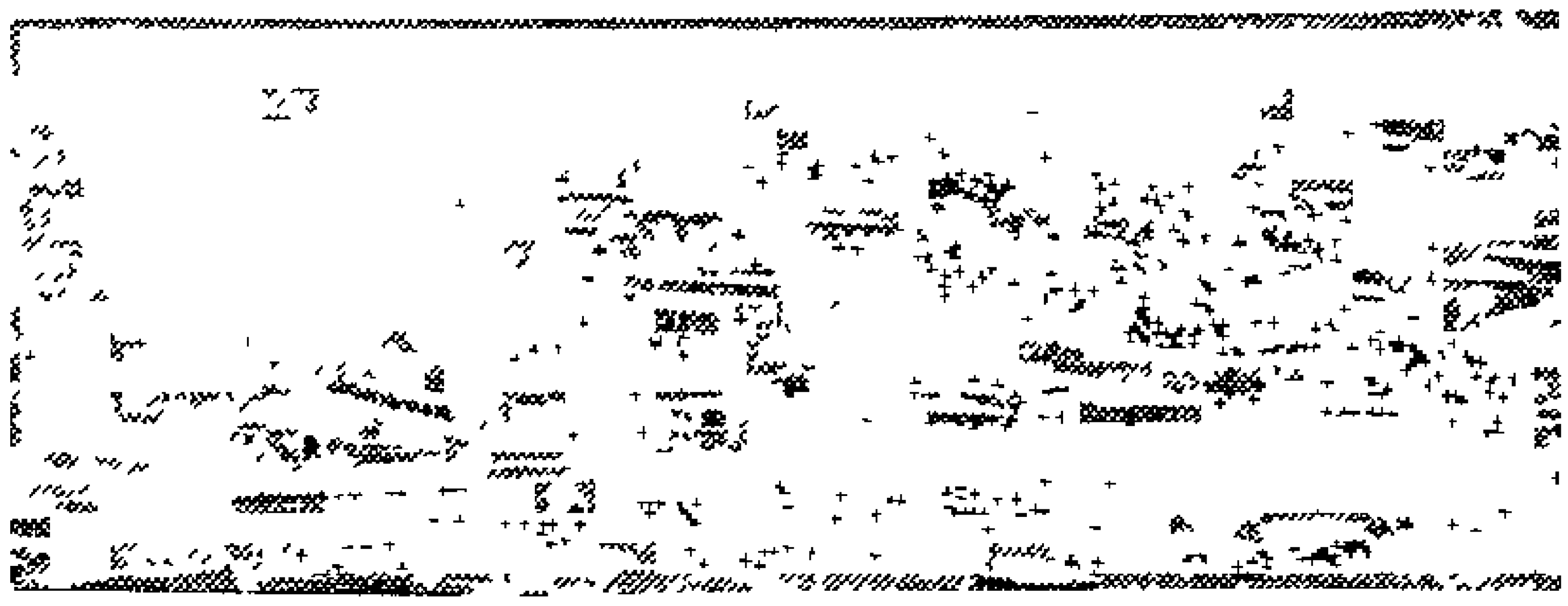
S Tribune 14/9/80

189

By JACK BRICKHILL

THE Government has rejected proposals to erect a huge semi steel plant in Saldanha Bay but the project is still very much on the cards.

A consortium of foreign and South African interests put proposals to the Government earlier this year but certain requests were unacceptable.



SALDANHA . . . great expectations

It is understood the proposals for a plant, estimated to cost about R1 600 million, probably foundered on the question of rail rates and other export incentives.

A spokesman for the Department of Industries says the ball is now in the court of the consortium to present new proposals for what will be one of South Africa's biggest industrial undertakings

The first proposals were examined by the Departments of Economic Affairs and Finance and were rejected by a Cabinet committee at the end of August

A Saldanha Bay resident says there is a new feeling of quiet excitement in the town. People in the know — senior officials and leading members of the National Party — are walking around with a sparkle in their eyes and an air of expectancy.

The plant will make semi-processed steel products such as large flats, bars and billets to be exported for further processing into products in rolling mills overseas. The demand for semis is particularly good in the United States where strict anti-pollution laws discourage erection of blast furnaces in the first stage of steel production

Additional iron ore and coking coal will have to be railed to Saldanha Bay for blast furnaces and the question of rail rates is crucial to the success of the project It is possible that direct reduction using electricity or gas could be used

The idea of a semis plant has been around since a railway to transport iron ore from Sishen to Saldanha was planned 10 years ago.

The Austrian company Voest-Alpine AG had talks with Iscor on the construction of a plant costing R660 million to produce three million tons of semis a year

Voest, a state-owned company, ran into flak for proposing to invest in South Africa Costs began escalating and with Iscor in financial difficulties at the time, the plant was postponed.

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Controversy rages on in machine tools

14/9/80 SUN TIM (189)

By ELIZABETH ROUSE

MACHINE tool makers are aggrieved at a long-standing general lack of support from machine tool dealers, who are only too eager to criticise the industry in times of supply shortages

This is the viewpoint of the Machine Tool Manufacturers' Association, which represents 23 South African machine tool makers, who have in some cases been venturesome beyond the boundaries of a narrow market in previous years

Controversy over the ability of the industry to close gaps in supplies of machine tools in the current industrial boom — and the protection provided by customs duties on imported machines — continues to rage between dealers and the industry

The industry's counter-argument is hotting up as cheap imports from Spain, Iron Curtain countries and Taiwan are now flowing in

In fact, all overseas prices are highly competitive at the moment because the international machine tool industry is in recession and booming South Africa is one of the few lucrative markets

The dealer versus local industry battle began when new and used machine tool dealers started scrambling to satisfy unprecedented demand from the industrial sector

The used machine tool dealers began pleading for a customs duty rebate to make their imports competitive with new machinery and to help them bring in the machines quickly to fill supply gaps

The association points out that the duty was imposed when the needs of building up a strategic machine tool industry were investigated and that a rebate in duties can only be sanctioned by Parliament

The problem stems from a general underestimation of the industrial surge in South Africa, the extent of which caught both importers and local manufacturers by surprise

Most dealers said the local

● To Page 3

Machine tool controversy

(189)

● From Page 1

machine tool industry was unable to deliver on time

Mr H W Holsteyn, chairman of the Machine Tool Manufacturers' Association, says that criticism of long delivery times on local machine tools is unwarranted · Delivery times have not been longer than three months

This is about the time it takes to place an overseas order and take delivery in South Africa.

No used machine tool dealer and few new machine tool dealers have ever placed stock orders with local manufacturers They take it for granted that makers should keep stock for them, says Mr Holsteyn

They keep large stocks of imported machine tools, however

This hinders the South African industry in planning production lines and arranging finance in advance

Unlike deals with overseas suppliers, whereby down payments have to be made on order and the balance paid on shipment, dealers make no down payments when placing orders in South Africa and in some instances they arrange to pay the maker only when the stock is sold

This means that the maker is ultimately financing the machine tool merchant, says Mr Holsteyn

Other factors that place local makers at a disadvantge against overseas manufacturers are excellent export incentives offered by most overseas governments and good credit facilities in exporting bulk orders

In the case of Iron Curtain countries where the industry is state-owned, the machine tool industry concerned can sell at highly competitive prices at times, depending on whether they need South African raw materials

This applies particularly to the Czech industry, which has sold machine tools to South Africa at prices 30% below the local industry's — in spite of the duty

Steel output slumps

STAR 15/9/80 (189)

Crude steel production in July was 35,69m tons compared with 40,98m tons in the same month of last year, a decrease of 12,9 percent. This sharp drop exceeds by far the lower output to be expected from seasonal influences.

Protea revises its budget

189

RDM 16/9/88.

Deputy Financial Editor

AFTER reporting a 58% earnings increase in the half year to June yesterday, Protea Holdings has traded so well in recent months it is to revise its budgets for the rest of the year, says the managing director, Mr Aidan Beard.

The group's forecast in the annual report to be published early next month will be based on these budgets

With all of its many divisions reporting better profits, it increased pre-tax profit 55% to R28 274 000 on a 29% increase in sales, which were R276 532 000

Thanks to a lower tax rate and a 44% rise in associate earnings, taxed attributable profit rose 60% to R16 349 000

Earnings per share at 54,6c (1979 34,5c) were 58% better

The final dividend was increased to 16c, making 24c for the year, a 41% improvement on 1979's 17c

The latest results mean that Protea has achieved a compound annual growth rate of nearly 20% over the past five years The 20-year growth record is an equally impressive 19,3%

Even though earnings fell in 1976 and 1977, dividends have never been cut during the 20-year period

According to Protea, management is more concerned with long-term performance than growth in any particular year and this is why its planning periods are over three-year spans

Mr Beard says he electrical and electronic divisions turned in excellent performances with chemicals only slightly less impressive The consumer products division increased profits

The lower tax rate was brought about by turnarounds in several companies

COMMENT. **At 370c, Protea yields 6,5% in a market with an average industrial yield of less than 5%. Considering that the dividend is likely to rise by at least 25% in the year ahead, and this suggests a prospective yield of 8,1%, the share is underpriced.**

Contracts bonanza

RDM 16/9/80

187

Financial Reporter

THE booming economy is producing a bonanza in contracts for firms in the construction and electrical sectors

GEC Power Products has received a R3 200 000 contract from the Government for the design, supply and installation of electrical equipment for 11 25kV a/c traction substations on the coal line between Ermelo and Richards Bay

The municipalities of Soweto, Diepmeadow, and Dobsonville have awarded Brown Bouverie a R7-million contract for the supply of six main substations for the Greater Soweto electrification project

And a R3,5-millon contract has gone to Murray and Roberts to build new headquarters for Anglo Alpha cement

Fintec (189) profits up

DM 16/9/80

Financial Reporter

FINTEC, electrical appliance manufacturer and distributor, has increased taxed profits 32% to R423 382 (R321 527), says the interim report for the six months to June 30 1980.

Over the period, interest payments were down 54% to R39 261 (R85 752)

In pursuance of the policy of its German holding company, Busch-Jaeger Electro Gmbh, no interim dividend has been declared

Busch-Jaeger acquired a further 300 000 shares making its holding 2 350 000 representing about 57% of the issued share capital.

At 115c the share currently yields 4,3%

RDM 16/9/80 (189)

Group 5 stages a comeback

By DAVID CARTE
Deputy Financial Editor

WITH its loss-making contracts behind it, Group Five staged a sterling recovery in the six months to June 30 with the conversion of last year's R1 500 000 operating loss into a R3 582 000 profit.

Taxed attributable profit was R2 170 000, compared to last year's loss of R1 553 000

Earnings per share were 25,1c and an interim dividend of 5c was declared

The interim report says all subsidiaries improved their results and the order book "is at a high level and generally at better margins than applied during 1979"

Executive chairman, Mr Fred Law, tells me that last year one major contract accounted for the bulk of Group Five's order book

Contracts at present were far better spread and the group was less exposed to problems on individual contracts

There were hardly any long-running contracts signed at low levels at the bottom of the recession left in the order book

Group Five, he said, had taken its bath, fully providing for possible losses on contracts

The group has spent R3 580 000 on expansion in the past six months and plans to spend another R4 580 000 by the year end This will be financed by long-term borrowings

Mr Law said that because civil engineering generally represented only 20% of a total contract, Group Five had expanded the range of its services and this is where most capital expenditure was occurring

Group Five could now offer "total site service" from ground levelling, to piling and foundation laying, to building It could also carry out mechanical and electrical engineering to complete the job

This would make it far more competitive in tendering in the future, when some of these services might be difficult to obtain

Mr Law said CMGM, the heavy civil engineering division, was busy mainly on private sector work It was operating at Sasol 3 and on several gold and platinum mines building hostels and mine compounds

With conditions quiet on big road construction, road contractor Basil Read was engaged in heavy earthworks and concrete work at Sasol 1 and 2 as well as at Coalplex

Mr Law said the group tax rate of 32% should be the level for the rest of the year

After this year, the rate might rise as assessed losses were used up but he did not see it going substantially higher and was even hopeful that investment allowances for contractors might be reintroduced

COMMENT: Failing further strikes or materials shortages, the group can confidently be expected to improve on these results in the next six months, perhaps even to earn a record 52c

Group Five's debt was equivalent to 60% of equity last balance sheet Another R8-million of debt might take debt-equity to uncomfortable levels if retentions are not stepped up

Indeed, the company warns of higher cover to come.

The group also wants to bring the interim and final dividends more into line.

For this reason, interim cover probably gives a good idea of the level to expect in future.

Assuming interim cover of 3,6 is maintained and 52c of earnings is achieved, Group Five will pay 14c for the year, which puts it on a prospective yield of 6,7%. The growth prospects warrant it.

Morlite has a sterling comeback

(1871) RDM 18/7/80

Deputy Financial Editor

MORLITE, Mr Jimmy Haslam's building supplies and engineering company, made a fine comeback in the year to end June, converting a loss of R1 207 000 into a profit of R730 000

Because of past assessed losses no tax was payable with the result that earnings per share were 33,7c on a weighted average basis, compared to last year's loss of 69c

A dividend of 8c has been declared

The preliminary report says the turnaround was "materially better than budgeted for"

It was achieved by better cost control, the elimination of losses improved selling prices and the contribution of new divisions, Ace Engineering and Benoni Forge Products

According to Mr Haslam, the stemming of losses was the biggest factor in these figures but the strong upturn in the remaining divisions was also important

He told me there was still 'plenty' of profit mileage merely in improving existing operations

The new acquisitions were all performing above expectations

Next year he expected Benoni Forge Products in these results for only four months and Boksburg Foundry which is not included at all to be the major profit contributors to Morlite

They would contribute approximately 35% of profit each, while the two window factories remaining in Morlite would bring in 20% and Ace about 10%

While Morlite still had big assessed losses, some subsidiaries would have to pay tax in the year ahead

Boksburg Foundry, which makes consumable manganese steel castings for the mines, is expected to add 4c to earnings in the year ahead so that alone should ensure an 8c rise next year

Jimmy Haslam tells me that dividends will be 'approximately 40% of fully taxed earnings'

This year's dividend was worked out assuming a full 42% tax rate on the R730 000 before and after tax profit and this will be policy in the future

COMMENT It would be surprising, with the mining and building industries likely to boom for some time to come, if Morlite does not achieve solid earnings growth in the year ahead despite the greater number of shares that will be in issue next year end

RAND DAILY MAIL, Th

BUSINESS MAIL

18/9/80 (189) RDM

Labour shortages mar Seifsa upturn

CONDITIONS in the metal and engineering industries in July reflected a sustaining of the appreciably improved output levels achieved in the second quarter, says the Steel and Engineering Industries Federation of SA

Seifsa says that in particular order intake and inquiries in the automotive component manufacture sector, building industry supplies and the basic iron and steel industries improved This was because of continuing expansion in mining activity, a further upturn in the construction industry and the continuing briskness of private consumption expenditure on durables

"Concern, however, continues to be expressed over shortages of skilled and semi-skilled labour which are affecting production performance and lengthening delivery periods in certain sectors, particularly the heavy engineering and foundry industries

"South African steel producers report that the current strong upsurge in the overall economy is stimulating domestic sales and helping to offset lower earnings from exports Steel mills' output for the first seven months of 1980 reflected an increase of 5,7% on the same period a year ago and expectations are that overall output for 1980 will top the 1979 level of 8 900 000 tons

"In contrast, the largely export-oriented ferroalloy industry, suffering from the combined impact of worldwide depressed demand, particularly in the US, the strengthening of the rand against the dollar, and increased freight costs, is cutting production "

"The large and heterogeneous general engineering sector, however, is benefiting from the increasing consumption of goods and services in the mining sector and reports further strengthening in order intake and output levels during July

"Heavy engineering also advise receiving some further flow-through from the current expansionary phase in mining activity and the electricity generating sector, enhancing prospects of a satisfactory increase in workload during the current and final quarters

"Overall business conditions in the Seifsa group of industrial indicate some levelling off in export performance during the second half of the year, some import substitution progress in sectors such as electrical machinery and machinery production is being impacted by increasing volumes of imports activity in the mining, telecommunications and energy-related sectors "

●**Agricultural and irrigation machinery and implements** Prospects for growth have been enhanced by price increases in agricultural products and the reported overall improvements in agricultural production There is some measure of spare capacity and a drain on skilled labour resources

●**Automotive component manufacture** This sector continues to benefit from improved vehicle sales and the extension of the local content programme, but some restraint on production is being experienced from imported competition in the component replacement field

●**Building industry supplies** Demand is increasing from the sharp upturn in building and construction

●**Electric cable**· In spite of rising costs of input materials, trading conditions were satisfactory in July Production levels continue to improve and there is some new investment in capital equipment

●**Electric machinery and electronics** The order intake for switchgear equipment and electric motors continues reasonable, but the demand in the transformer market continues soft The heavy electrical equipment sector reports some improvement in capacity use with an expected build-up in demand in the medium to long term

●**Iron, steel and ferroalloys** Steel producers report a continuing improvement in domestic demand for flat products and some further pick-up in structural steel products The problem area is skilled labour Ferrochrome and ferromanganese have cut production

●**Foundries** Improvement in private sector foundry output continues Modernisation and capital investment are contributing to improved output and sustained export performance

●**General engineering.** Order intake and output improved in July The sector continues to experience a shortage of some types of skilled labour

●**Non-ferrous metals and semis** The sectors report further strengthening in order intake and output levels during July

●**Plastic manufacture** Manufacturers report some improvement in orders and output

●**Shipbuilding and repair** The industry remains a relatively depressed sector as regards the construction of vessels and continues to express concern about future orders The repair industry, however, continues reasonable and reports some strength-

neering and building construction Market conditions are highly competitive Margins, although reflecting some improvement, continue to be on the low side The volume of short-term inquiries remains unsatisfactory

●**Tubes and pipes** Demand, particularly for welded and seamless tubing, continued to strengthen in July with prospects of sustaining export performance throughout 1980

Untrained welders waste money

By Sieg Hannig
Labour Editor

An estimated wastage of R500m a year is attributed to lack of training in welding in South Africa says Mr Chris Smallbone, executive director of the South African Insitute of Welding

He says the steel and engineering industry has fewer than half of the welding apprentices it would like to have.

And the expansion of steel production indicates that South Africa will have to double its number of welders over the coming 10 years

"This manpower problem has prompted leading companies to provide about R1m in cash and equipment for the creation of a welding training centre in Johannesburg," Mr Smallbone said

He hoped the training centre, to be run by his institute, would be ready by the middle of next year

The centre would provide training right up to engineering level for welders of all races

It was expected to cater for the training of about 400 welders annually in five to 10 week courses

BUSIN

Seifsa reports steady output

189
STAR 18/9/80

By Pieter de Vos

Largely as a result of higher consumer spending and expanding mining activities, the Steel and Engineering Industries maintain their appreciably higher levels of output.

According to the Steel and Engineering Industries' Federation July report, the output levels achieved during the second quarter of the year show no signs of decreasing.

In fact, manufacturers of motor components, building supplies and the basic iron and steel industries report further improvement because of expanding mining activities, further improvement in the construction industry and higher consumption expenditure on durables.

The large general engineering sector continues to benefit from the increasing consumption of goods and services in the mining sector and reports increasing orders and output.

Expansion in mining and the electricity generating sector is pushing output in the heavy engineering higher. The industry can look ahead to a "satisfactory increase in workload this year," according to Seifsa.

Future bright, says Seifsa

RDM 19/9/80 189

Industrial Reporter

BUSINESS confidence in the metal and engineering industries is improving and capital investment last year was more than a quarter up on 1978, according to the latest survey by the Steel and Engineering Industries Federation of South Africa (Seifsa)

The survey says the business outlook is particularly bright among the basic metals group of industries

New capital investment in 1979, at current prices, totalled R428-million, an increase of 25,9% on the relatively low level of 1978, the survey says

More than 80% of the new investment went in spending on new machinery, plant and equipment to keep up with the rising demand for goods and services, particularly in the mining and electricity-generating sectors

Spending on imported products in 1979 was up 3,5% over 1978 but 35,6% more South African-made plant and equipment was bought over the same period than during the preceding year

Investment in new buildings and other construction projects in 1979 was up 45,1% on the year before

The basic metal industries — iron and steel, basic non-ferrous metals, steel pipe and tubes and steel, iron and non-ferrous foundries — spent R137-million last year in new capital investment, an increase of 55,7% on 1978, the survey says

The metal fabricating and engineering industries — fabricated metal products, machinery, electrical machinery and car components, spent 15,5% more in investment last year than in 1978

No 182, 1980

DATUM VAN INWERKINGTREDING VAN DIE WYSIGINGSWET OP KRYGSTUIGONTWIKKELING EN -VERVAARDIGING, 1980 (WET 86 VAN 1980)

Kragtens artikel 6 van die Wysigingswet op Krygstuigontwikkeling en -vervaardiging 1980 (Wet 86 van 1980), verklaar ek hierby dat die bepalings van genoemde Wet met ingang van die datum van publikasie hiervan in werking sal tree

Gegee onder my Hand en die Seel van die Republiek van Suid-Afrika te Pretoria, op hede die Vyftiende dag van Augustus Eenduisend Negehonderd-en-tagtig

M VILJOEN, Staatspresident

Op las van die Staatspresident-in-rade

P W BOTHA.

No 182, 1980

DATE OF COMMENCEMENT OF THE ARMAMENTS DEVELOPMENT AND PRODUCTION AMENDMENT ACT, 1980 (ACT 86 OF 1980)

In terms of section 6 of the Armaments Development and Production Amendment Act, 1980 (Act 86 of 1980), I hereby declare that the provisions of the said Act shall come into operation on the date of publication hereof

Given under my Hand and the Seal of the Republic of South Africa at Pretoria this Fifteenth day of August, One thousand Nine hundred and Eighty

M VILJOEN, State President

By Order of the State President-in-Council

P W BOTHA

SP tries to get strikers to return to work

RDM 20/9/80.

By STEVEN FRIEDMAN
Labour Reporter

SECURITY police have been approaching workers who are on strike at an East London factory and urging them to return to work

The strike, at Ray-Lite Batteries, has also led to the arrest of four of the company's workers and two officials of the South African Allied Workers' Union

The strike remains unresolved after two weeks

The SAAWU, which says it represents all the strikers, claims 90% of the firm's workers have refused to return

The Ray-Lite action followed several other strikes in East London, which is fast becoming a centre of black worker organisation

Although Ray-Lite spokesmen were unavailable yesterday, management has said the factory is back to full production because strikers have been replaced by new recruits from neighbouring townships

Both the visits by police and the arrests have become major issues in the strike, and workers are demanding an end to the police approaches and the release of those being held, before they return to work

They are also demanding company recognition of SAAWU

The "Mail's" East London correspondent reports that police have confirmed that Security Police visited 58 strikers and told them it was now safe to return to work because "intimidators" had been arrested

The union claims that workers feel intimidated by these approaches

In another development in East London, 128 workers from a plastics factory, National Converter Industries, are to appear in court today, charged with contravening the Riotous Assemblies Act

The charges follow an incident at the company after workers had demanded the recognition of a committee elected under the auspices of SAAWU

The strike at Ray-Lite was sparked by management's refusal to recognise a committee elected under SAAWU's auspices and to deal with the union SAAWU claims the company refused because the union is not registered

However, management says it took this step because the union "could not provide evidence of its *bona fides*" and because it could not allow "a committee to be elected from outside the factory."

Shortly after the strike, two union officials, Mr Richard Gqweta and Mr Sifa Njikalana, were arrested Mr Njikalana has been released, but Mr Gqweta has been charged under the Riotous Assembly Act

He is still in police custody, but is likely to be released on bail when he next appears in court on August 28

Four workers — three members of the worker committee and a union shop steward at Ray-Lite — were arrested last week and have also appeared in court, with the State alleging they "intimidated" workers

Bail has been refused, but it is understood that the four will be released on R100 bail later this month

Workers are now demanding the release of their colleagues, an end to police approaches and the recognition of SAAWU before they return to work Negotiations with management have been "inconclusive", according to a union spokesman.

He rejected claims that production was back to normal "Most of the workers are fairly skilled and can't be replaced that quickly," he said.

GRIM FUTURE FOR ENGINEERS

20/9/80 ARGUS

ALAN COOPER, Property Editor

189

WHILE the building industry is booming, the picture for civil engineering contractors in the Western Cape is grim, with little work ahead.

The situation for civil engineering contractors in the Western Cape is very serious There is little work coming up for tender from the local authorities for 12 months ahead, said a spokesman for the civil engineering contracting industry

'The situation will adjust itself, bringing less investment in capital equipment and staff laid off Then if there is resurgence later we shall find we are short of equipment and skilled labour as the building firms did'

For engineering contractors, there was a grave shortage of work in certain categories — main roads and services, and new industrial premises for instance

'The civil engineering contracting industry provides the infrastructure for industrial growth but it is not getting the work in the Western Cape unlike the Transvaal where the industry is booming All this points to a slow growth rate for the Western Cape and dismal prospects for the contractor'

The Federation of Civil Engineering Contractors had about 200 members with 35 in the Western Cape and 25 in the Eastern Cape There were also about 70 firms in the Western Cape which were not registered with the federation

All these were seeking work and competition was keen for the little work available.

The bigger firms were luckily able to move to where the work was but not the smaller firms In fact, some of the big firms had already moved their headquarters out of the Western Cape

Representations had been made to the Government about the unequal allocation of funds for civil engineering works in the country through the Civil Engineering Advisory Council The private and public sectors were represented on that council

Earlier this year the federation had been told that there would be no special Government allocation of funds to improve the growth rate in the Western Cape It was up to the private sector

'This slow growth which has lasted for 10 years will then continue,' he forecast

R5-m for Strand flats

THE SALE by sectional title of 136 luxury flats at Welgelegen on the beachfront at The Strand has realised R5 320 000 and 42 units have been sold since July this year at a value of R1 800 000

This large block of luxury flats owned by Deras (Pty) Ltd, affiliated to Saambou Building Society, first went on the market in July last year. Six flats were sold but with the lack of demand it was decided to let the remainder

However, Mr J V Groenewald, the marketing manager of the block, embarked on a marketing campaign in November last year and by this month had sold all the 136 flats

Mr Groenewald said that a buyer took one flat for R50 000 but, as he had to move away, asked Mr Groenewald to sell it again An offer of R65 000 was obtained and later offers of R85 000 came in

'But the owner now wants R100 000 for his flat and he is likely to get it,' he said. The flat was bought for the original R50 000 nine months ago.

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Profession faces shortage of graduates

21/9/80 SUN TR 18 (PROY)

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By COLIN VINEALL
Property Editor

THE acute shortage of civil engineering graduates entering the profession means that there will soon be three jobs available for each newcomer, according to national president of the Institution of Civil Engineers, Ian Braadvedt

He was commenting in an interview during a break in the symposium held in Durban this week on the profession's prospects for the decade ahead.

He said youths had been put off by the recession, by the need to obtain a difficult degree and aspects of military service

Braadvedt described civil engineering as a thoroughly satisfying career with an infinite variety of avenues But he saw some youngsters being put off because they would have to get "their hands dirty" during the early stages

'There is tremendous competition from other professions," he said

He talked of civil engineering as working for humanity but added few women or blacks were involved

He said one of the difficulties was black people were employed in Government for half the salaries they should be able to command

Many found positions overseas

He also blamed the educational system which did not stress subjects such as mathematics enough to encourage blacks to move into an engineering career

The symposium was attended by about 100 civil engineers The first paper presented emphasised the importance of the young graduate civil engineer

M Lipschutz, a past president of the Federation of Civil Engineering Contractors, discussing what the profession would demand of young graduates, said "unfortunately specialisation will increase '

He said it was unfortunate because he believed the graduate loses much by not being exposed to the full range of civil engineering activities

"One cannot discount the future role of Technikons in producing highly competent technicians who will take over to an increasing extent, operations previously carried out by the graduate

'This in turn will bring about the requirement that the graduate must be better able to fulfill the work which he performs

'There is already the need for two types of engineer — the engineer competent in design and the engineer competent in management Specialisation will increase this polarisation

Plenty of variety but intense competition

and the universities will need to restructure their courses to allow for this distinction even at undergraduate level, while industry will have to during the training period"

Other points from papers presented at the symposium included

- Water As demands grow in extent and sophistication, the easily developed and economic water supply projects are becoming fully developed Providing for future water needs is going to necessitate development of more sophisticated projects Civil engineers must be prepared to let their ingenuity run free of conventional ideas and restrictive norms and become involved in the politics of developing resources of common interest to neighbouring states — R A Pullen Assistant chief engineer (Planning) Department of Water Affairs

- New materials Local interest is focussed on alkali-resisting glass-fibre reinforced cement products This material has many advantageous properties but the major drawback has been the attack of alkaline cement on the glass-fibre, resulting in the loss of the advantageous properties over relatively short periods. The rate of deterioration is accelerated under hot and humid conditions The introduction of a new grade of specially treated glass-fibre to provide greater resistance to attack by cement has considerably extended the effective life of the material — George Donaldson Assistant Director, NBRI take this into account

- Railways Whereas in the past decade Natal had the lion's share of the new railway and harbour developments the next decade will see a shift to the Transvaal Here the largest project will be the new central yard at Bapsfontein and the complex of new lines to link this yard with the trunk railway routes Costs involved will be between R400-million and R500 million . In spite of suffering under the enormous disadvantages of a narrow gauge system, the SAR is today one of the most advanced and certainly one of the most viable railway organisations in the world. — Denis Yeats, resident engineer, construction, SAR, Durban

University

Ferro-alloy production up

(187) RDM 21/9/80

Financial Reporter

FERRO alloy production rose by 12,6% to 823 700 tons in the first half of 1980 compared with 731 300 tons in the same period last year, the Steel and Engineering Industries Federation of South Africa says.

Non ferrous castings produced by the private sector rose by 42,8% to 12 236 tons while iron castings rose 10,9% to 143,900 tons and steel castings 3,6% to 68 800 tons, Seifsa's monthly bulletin shows.

Production of pig iron rose 5,8% to 3 625 000 tons and of ingots and continuously cast billets by 5,4% to 4 444 900 tons.

June production figures were (in tons): ingots and continuously cast billets 771 900, pig iron 633 500, ferro alloys 137 700, steel castings 12 000, iron castings 25 300, non ferrous castings 2 262.

S. Rapport 21/9/80

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Groot veranderinge kom in staalbedryf, sê Muller

Deur Franz Albrecht

DIE wêreldprys van staal gaan in die volgende tien tot twintig jaar geweldig styg. Daarby sal die swaartepunt van die wêreld se staalproduksie in dié tyd weg van die ontwikkelde lande na die ontwikkelende lande beweeg.

Dit is die slotsom waartoe die voorsitter van Yskor, dr Tom Muller, kom uit sy intieme kennis van die wêreld se staalbedryf Hy is lid van die bestuurskomitee van die Internasionale Yster- en Staalinstituut (IISI) Elke jaar die afgelope nege jaar woon hy die twee raadsvergaderings van die instituut by en kom daar met die wêreldleiers van die staalbedryf in aanraking Vanweë hierdie intieme kontak met die vrye wêreld se staalbedryf het hy al 'n paar jaar gelede twee ingrypende aanpassings in dié bedryf sien ontvou

Die eerste is dat die aandeelhouers van private staalmaatskappye, en die regering wat staalkorporasies besit, nie onbepaald sal voortgaan om staalproduksie te subsidieer nie. Daar is menige plekke ter wêreld waar staal teen 'n verlies, of teen 'n baie swak opbrengs, vervaardig word

Die ander is dat groot ontwikkelde lande soos Amerika en Wes-Europa nie meer op groot skaal hul eie staal sal vervaardig nie Hul produksie het reeds begin afplat en toon selfs 'n afwaartse neiging. Terselfdertyd toon die ontwikkelende lande gestadigde uitbreidings in hul produksie.

Die prys van Suid-Afrikaanse staal sal nie noodwendig so vinnig by internasionale prysstygings aangepas word nie Maar veral die ontwikkelde lande sal groot opwaartse aanpassings moet maak om hul staalbedrywe enigsins ekonomies gangbaar te kom, sê dr Muller

Mettertyd sal die ontwikkelende lande die belangrikste verskaffers van staal aan die wêreldmark wees. Hulle het die grondstowwe en ook betreklik goedkoop, doeltreffende arbeid Onder hierdie lande tel Suid-Korea, Taiwan, Indie, Australië, Brasilie, Venezuela, Roemenië en selfs Pole.

„Suid-Afrika kan ook een van die lande word wat staal in halfverwerkte vorm aan die buiteland verskaf," sê dr. Muller.

„Yskor doen dit reeds, maar is nie baie gelukkig met die betreklik onaantreklike pryse nie. Maar as in ag geneem word dat internasionale pryse baie kan styg, kan die uitvoermark nog in die toekoms aantrekliker word," sê hy

„Maar die prentjie kan ingrypend vir Suid-Afrika en die ontwikkelende lande se staalprodusente verander "

Die aanduidings is dat die ontwikkelde lande soos Amerika en Wes-Europa al hoe meer hul staal sal koop en dit tot verbruiksprodukte sal verwerk.

Die redes lê in grondstowwe, goedkoop, doeltreffende arbeid, lug- en waterbesoedeling en die astronomiese koste verbonde aan die vervanging van bestaande toerusting Besoedelingsmaatreëls in hierdie lande word al hoe strenger en die toerusting om dit te beheer, voeg maklik 'n derde van die koste van nuwe toerusting by.

Dr. Muller sê hy het al 'n paar jaar gelede hierdie aanpassings in die wêreldstaalbedryf voorsien, en wat sedertdien gebeur het, het hom verder oortuig dat hierdie veranderings nou besig is om plaas te vind.

„Amerika voer nou glad kooks in, terwyl hulle van die beste kookssteenkool ter wêreld het. Japan maak vir hulle kooks omdat hul eie kooksoonde so verouderd is — en soveel besoedelingsprobleme skep — dat hulle nie langer die goed kan gebruik nie," vertel dr Muller

„Maar hulle kan ook nie bekostig om dit te vervang nie, want dan moet die koste van die besoedelingsbeheertoerusting bygereken word."

Nou kies die Amerikaners die maklikste uitweg Hulle voer baie van hul staal in, onder meer ook van Suid-Afrika. Die geweldige groot en sterk motorbedryf is veral ingestel op invoerstaal, hoofsaaklik plate en plat produkte.

edited by: bill cain

ISC

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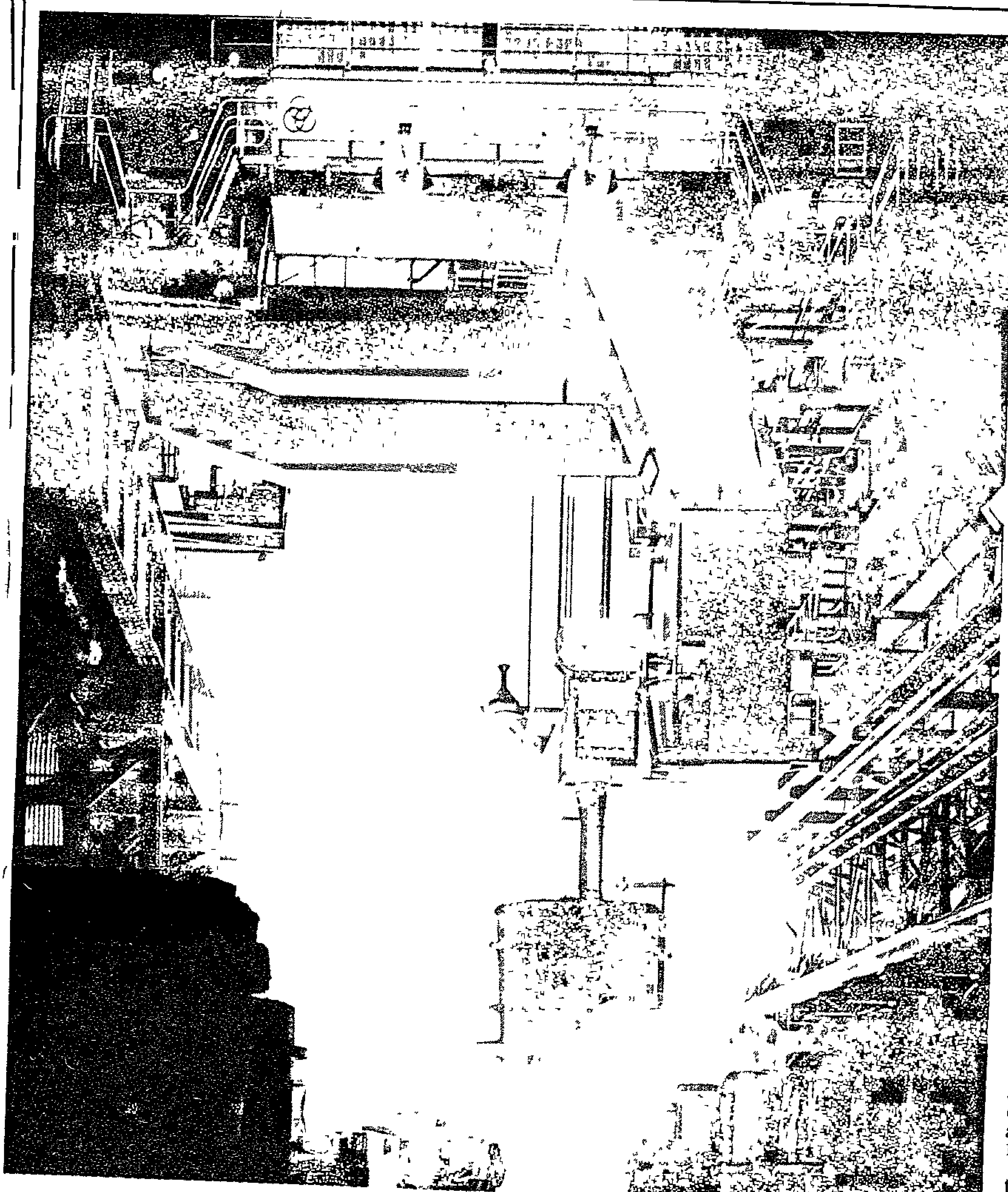

A brighter future — and more of it

STEELMAKING is being modernisation boost. P. taking off as the 52 Corporation enters a

Sales and morale are also rising rapidly at the State-owned organisation

Dr Tommy Muller, chairman of the 68 000 workforce company, describes the turn-around as dramatic after several stagnant years

His hints of a R100-million surplus this year should be regarded as conservative

Dr Muller admits that the final figure will be significantly more than his recent off-the-cuff predictions

But he declines to reveal the precise profit pending Iscor's imminent annual report

Meagre

General manager Floors Kotzee agrees that Iscor will have more than R100-million in hand this year despite relatively meagre returns from widely-depressed overseas markets

"We're working at full capacity Domestic demand rose 25% in the last July-June period and we expect it to go up at least another 8% in the current 12 months," he adds

Top executives at Pretoria headquarters are meanwhile ticking off the weeks to publication of Iscor's latest profit-and-loss

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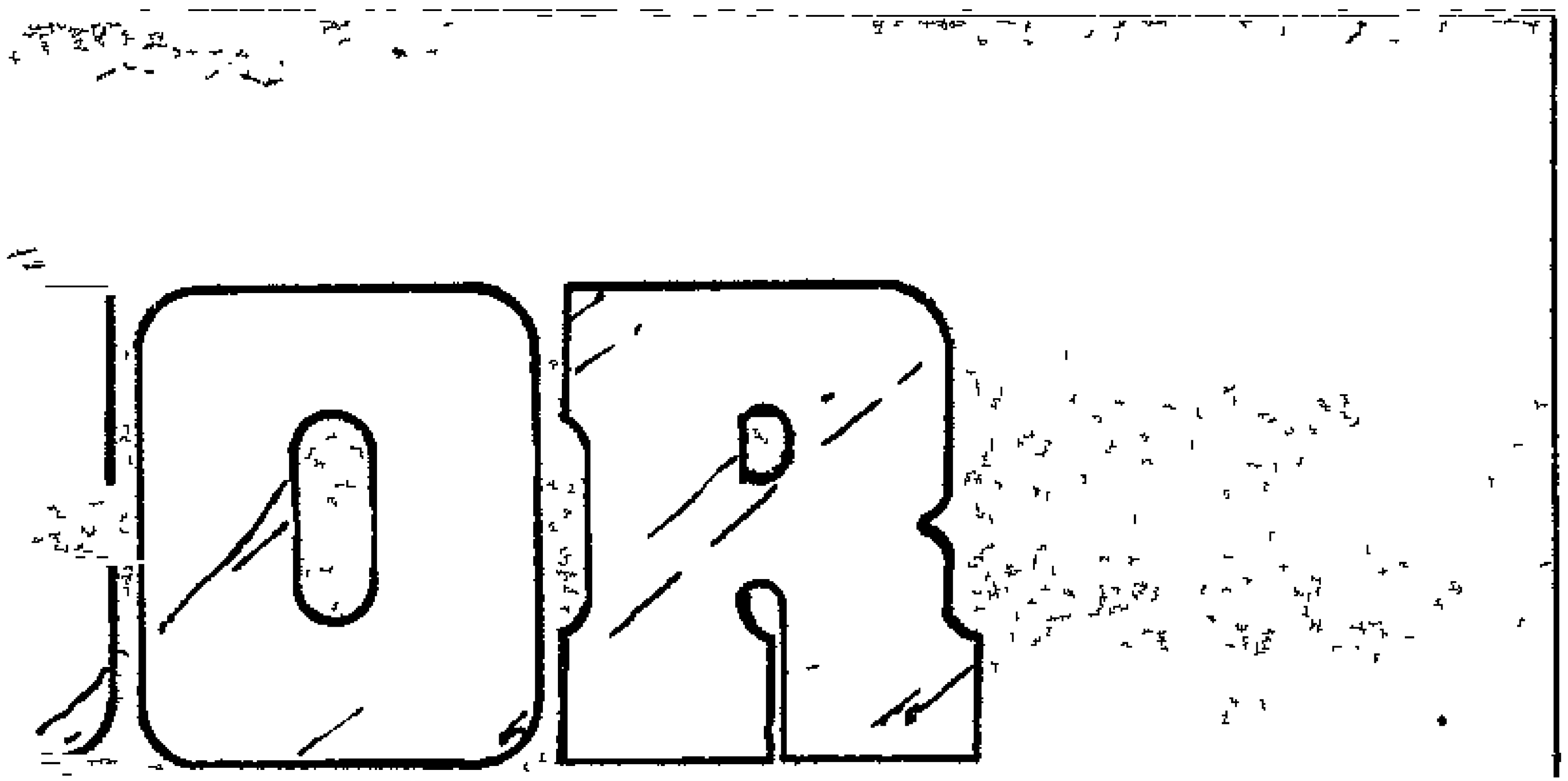
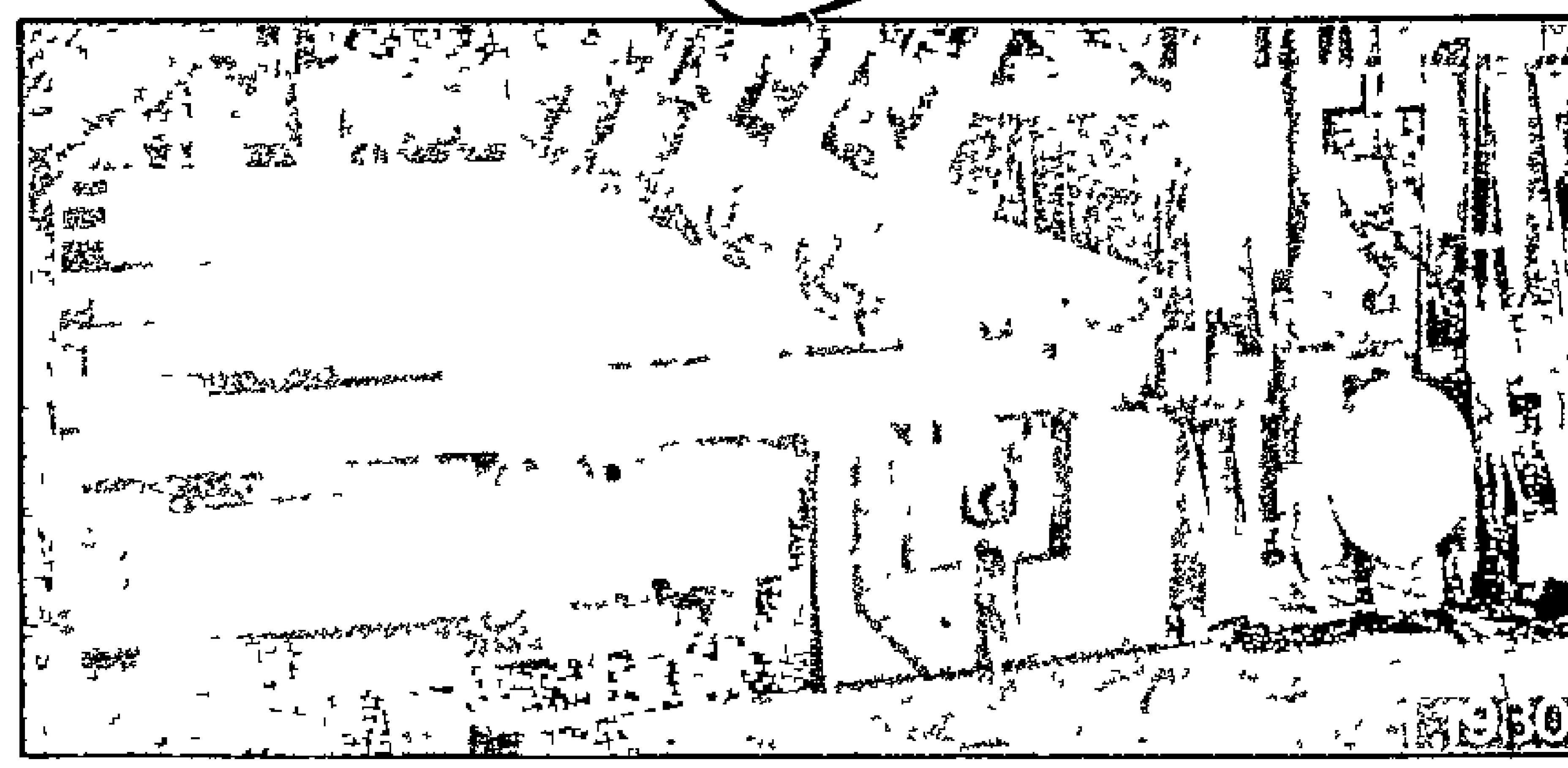




)00-million boost steel industry

..... a R1 000-million ...ction and profits are ...-old Iron and Steel era.

By BILL CAIN

account after living through several stagnant years

Aggregate losses of ₹334-million during the six ...evious years have in 12 months been turned into ...bstantial profits

This was eased by a ..70-million government handout in 1978 to halve a ...lossal R143-million annual deficit

Exactly how big the ...n-around is from last ...ar's R38-million loss ...ll take some working ... as Iscor is changing ...ver to lifo inflation ...counting

This year's actual profit ...ll just about be halved ... show up as a more modest R60-million or so.

The R1 000-million ap...rtioned for 1981-86 ...ading at today's prices plant looks like being ...amped as expected out... snowballs towards the ... of the decade

This includes R300-million earmarked for a yet-...ned mine, north of ... Soutpansberg

No great greenfield projects, apart from one or two mining schemes to do with the critical quest for better coking coal, are likely in the foreseeable future

Recurrent speculation that Newcastle's steel-making facilities will be doubled looks like remaining speculation

The original estimated cost of about R700-million has, after a couple of postponements mainly because of declining world economic conditions, zoomed to nearer R2 000-million

At best major expansion at Newcastle, failing a miraculous surge in domestic and overseas demand for steel, will remain a pipe-dream till nearer the end of the century

Accent in the medium term will be on modernisation and consolidation Most noticeable shift in Iscor's overall strategy will be a spread of its coal mining interests

The corporation will do so by increasing its own coal contribution from the present 25% of needs to nearer 50%

Dr Muller says "We'd prefer to stick to steel-making but, in the long run, it will be cheaper and healthier for us to open more of our own mines"

These will be apart from the R240-million Grootegeluk open-cast scheme near Ellisras in the northern Transvaal

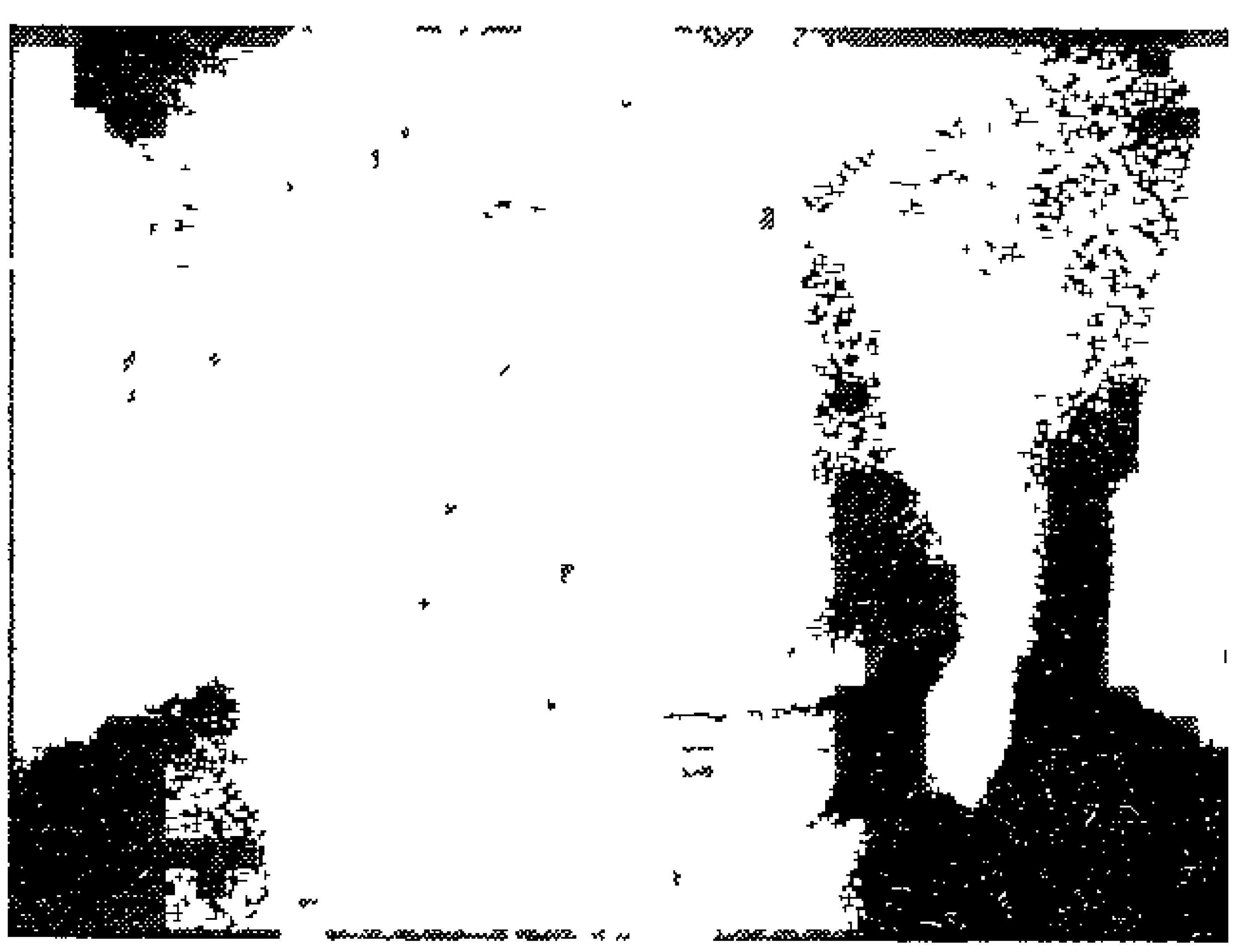
Another significant shift in Iscor policy — and prospects — will be the determined shaking off of stultifying finance charges

Last year's R141-million in loan interest repayments brought the 1975-79 five-year aggregate to R480-million

Planning divisional general manager Keith Prince is among top executives who point to a positive cash flow throughout Iscor's doldrum years

General manager Floors Kotzee emphasises that the 68% debt-asset ration in 1975 has been pared to its present 48% with the intention of trimming it further

Chairman Muller says simply "Finance charges have been an albatross round our necks"



Dr Tommy Muller, chairman of Iscor

A R100-million profitmaker

ISCOR — the SA Iron and Steel Industrial Corporation — is a 52-year-old semi-State organisation whose A and B shares are held by the Government and preference shares by private holders.

- **Assets in 1979 stood at R1 839-million**
- **Revenue last year totalled R1 415-million (R238-million).**
- **Capital expenditure, at R61-million, was the lowest for many years.**
- **Profits this year are expected to be well over R100-million after six loss-making years (1970 profit was R15-million).**
- **Iscor has three producing plants Pretoria, Vanderbijlpark and Newcastle.**
- **Liquid steel output this year is 7,1-million tons, last year it was 6,7-million tons (1970 3,3-million tons).**
- **It has eight mines, including the new Grootegeluk open-cast coal site in the northern Transvaal and the Sishen iron-ore scheme opened in 1976.**
- **Last year, Iscor used 8,3-million tons of iron ore.**
- **6,1-million tons of coking coal**
- **1,3-million tons of dolomite**
- **Produced 4,7-million tons of prime steel (2,6-million tons in 1970) and 149 000 tons of pig iron (100 tons)**
- **Growth is projected over the next 10 years at 5,2 per cent annually**
- **The 68 000 workforce is expected to pass 80 000 by the end of the decade**

...eastern deposit, which started in 1934, s highly mechanised and uses so... ...t ...ated underground

SA's important role in world steel

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Record growth for Haggie

RDM 22/9/80

By DAVID CARTE
Deputy Financial Editor

A DECLINE in exports because of the strong rand and a higher tax rate did not stop Haggie, one of the world's biggest makers of wire ropes, from achieving record earnings growth in the six months to end June

According to the interim report, Haggie pushed up sales 31% to R97 224 000, pre-tax profit 55% to R19 725 000 and taxed attributable profit 49% to R12 823 000

Because of the greater number of shares in issue after the Samuel Osborn minorities take-out, earnings a share were 45% better at 68c (1979 47c)

The interim dividend was raised 50% to 15c (10c)

The booming mining industry was mainly responsible for the improvement in Haggie's fortunes, despite retrogression on the export side In addition, Samuel Osborn achieved "a substantial increase in profit"

The directors say profits will not increase at the same rate for the full year, but forecast a dividend of not less than 45c a share for the year

New acquisition, Consolidated Wire Industries, the 50% joint venture with Iscor, is not consolidated in these results but should make a maiden contribution in the second half

Because of reduced exports, the tax rate rose from 30% to 34%, a level it should hold in future, says chief executive, Mr Richard Savage Exports, he said were down 10% in volume terms because of the strong rand and the depressed American economy

COMMENT. It has been an eventful year for Haggie, listed through reverse takeover late last year Apart from the very attractive CWI deal with Iscor recently, it has taken out the minorities in Samuel Osborn And control of Haggie has changed from Briden of the UK to Anglo and Union Corp, who today hold 35% each

The company has no borrowings and last year's first half was by no means a disaster This makes these results very impressive. With mining expansion going on apace and the company now diversified into many sectors of the economy through Consolidated Wire, the best is yet to come.

The forecast minimum dividend of 45c is an improvement of 25%. Alongside these figures it looks conservative.

It would be surprising if Haggie were not 30% ahead at the year-end with earnings on 134c and assuming dividend cover of 2,8, a total payout of 48c.

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All in all all's well, Cullinan reports

(HAWN)

RDM 23/9/80

By DAVID CARTE
Deputy Financial Editor

WITH attributable profits up 81% in the year to end June, Cullinan Holdings reports "all's well in all divisions" — including refractories

Cullinan's bullish view on refractories comes less than a fortnight after Mr Graham Boustred chairman of Vereeniging Refractories, reported business slow in refractories during the same period

A Cullinan spokesman said his group was happy' with local demand for refractories and "more than happy" with export demand Cullinan derives just less than half its profits from refractories

The spokesman said export prices for refractories were higher than local ones and was confident local prices would eventually have to move up to match foreign ones

Not even the strong rand was proving a problem he said, as the refractories being exported were a specialised, high quality product, not easily obtained more cheaply elsewhere

Cullinan's preliminary report shows sales up 39% to R75 700 000 and operating profit 53% better at R14 061 000 With interest costs up only 19%, pretax profit was 62% better at R11 927 000

The tax rate fell from 34% to 26%, with the result that taxed attributable profit was 81% ahead at R8 787 000

Because of the greater number of shares in issue after Old Mutual's exercising an option to acquire 500 000 shares recently, and the issue of more shares for acquisitions, comparable earnings a share (before lifo) were 56% better at 95c (1979 61c)

A final dividend of 17c has been declared, making 27c for the year, a 28% improvement on 21c paid in 1979 This means cover by pre lifo earnings has increased from 2,9 to 3 5

For the first time, Cullinan has valued its stocks on the lifo method of valuation, which reduces nominal profits but also tax

The lifo provision knocked R1 780 000 off attributable earnings with the result that post-lifo taxed profit was R7 087 000 No lifo provision has been worked out for last year, so post lifo earnings, equivalent to 75 9c are not comparable

Lifo enhanced cash flow by R1 200 000

The Cullinan spokesman said there were no problems in any divisions and all performed well even the previously problematical andelusite mine

With SAG Ceramics of Boksburg included for the full year for the first time, the electrical porcelain division had done particularly well Two new additions to the division and strong demand for electrical porcelain from Escom, the SAR and the mines made the medium term outlook look bright, he said

Last year s rights issue the recent R6 million convertible debenture issue and the much higher level of dividend cover, he said, were aimed at keeping the balance sheet in good shape despite the group's aggressive expansion and increased working capital needs Exports he added required far more working capital than domestic sales

Expansion had recently been concentrated in the electrical porcelain division Soon Cullinan would embark on further mining expansion The group had acquired the rights to a large bentomite deposit in the Southern Cape and intended to exploit this Bentomite was used in the re-refining of oil in foundries, the chemical industry and in drilling

Cullinan was also contemplating another andelusite mine

COMMENT At 520c Cullinan yields 5,2% on the new dividend That may be on the slender side but the price is only 5,5 times pre-lifo earnings and with recent acquisitions still to come to account and existing divisions performing well, there is plenty of growth left in the stock

A handsome div from Asea

RDM 23/9/80

Deputy Financial Editor

ASEA Electric, the maker of high voltage electrical equipment, reported only a small rise in taxed profit in the six months to end June but has increased the interim dividend handsomely

Taxed attributable profit in the first half was up 10% to R2 760 000 but the first half payout rose 28% from R540 000 to R690 000

Earnings rose from 23c to 24c per share and the dividend from 5c to 6c per share But, after the capitalisation issue there were 700 000 more or 11 500 000 shares in issue and this makes the published earnings and dividend per share figures incomparable

Asea is encouraged' by "satisfactory increases in turnover and orders received, says the interim report The cable division has exceeded expectations and the new distribution transformer and capacitor factories are operative and will increasingly contribute to profits

Capital investment has declined but working capital requirements increased Asea has taken advantage of low local interest rates to redeem overseas loans but foreign facilities remain available, the company says

COMMENT First half earnings rose 33% last year, so were particularly good To have improved on those after the cap issue and in a period in which two new factories were opened was an achievement

But the 510c share price offers a thin yield and a high earnings multiple It appears to discount more than dividend and earnings prospects Perhaps the hope of a takeover by one of the Altech companies still lives It looks a sell

Globe wants all Shipwrights

RDM 24/9/80

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Financial Reporter

GLOBE Engineering Works proposes a complete takeover of its subsidiary Shipwrights. The two companies are in the Anglovaal group.

A scheme of arrangement is proposed by which Shipwrights shareholders will be offered nine Globe shares for every 10 Shipwrights

Globe closed at 375c on the Johannesburg Stock Exchange yesterday and Shipwrights at 295c

On that basis Shipwrights shareholders are being offered Globe shares worth 3 375c for every 10 Shipwrights shares valued at 2 950c

The directors of Globe — marine, electrical and general engineers — say that if approved, the deal will simplify the administration of the Globe group and lead to cost savings

Had such a scheme been effective on June 30 last, the earnings, dividend and net asset value of Globe shares would not have been affected

However, the directors say, for each Shipwrights share held, members of that company would have earned 12,7c more a share and received 1,5c more a share in dividend, and the net asset value would have been 15,4c a share higher

In the Globe report for the year ended June 30, the chairman, Mr R J Hamilton, says "It is difficult to predict results in the current year, particularly as the group operates in the international marine market where excess capacity exists

"As Western economies approach recessions of varying degrees this position is expected to worsen and competition, already keen, will inevitably intensify "On the positive side, however, the group has a reputation for maintaining excellent standards of workmanship and, notwithstanding inflationary trends, it is believed that it will continue to remain competitive in both the local and international markets "

Abercom chief's confident forecast

STAR 26/9/80

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By Jean Moon

Mr Peter Herbert, chairman of the diversified engineering group Abercom, said in the annual report that he expects to report further increases in profits during this year, and forecasts total dividend payments should be at least 28 cents a share. Last year's total distribution of 24c was covered 2,1 times by earnings

While pre-tax profits leaped 52 percent in the year from a mere 24 percent rise in sales, the heavy dilution from the rights issue in May last year, and the near doubling of the tax rate to 20,8 percent, left earnings for shareholders 37 percent higher at R9,8m.

The profit against sales ratio improved from 6 percent to 8 percent, and the net asset value per share improved from 286c to 316c An amount of R4,4m remained available for reduced future tax charges.

Heavy engineering accounted for 57,3 percent of turnover, and 55,3 percent of pre-tax profits Metal components contributed 26,1 percent of turnover and 43 percent of pre-tax profits.

Light engineering's contribution accounted for 14,9 percent of turnover, but only 6,3 percent of income

Abercom would continue to acquire small and medium-sized companies only when they were directly relevant to existing areas of specialisation But the acquisition of larger companies would be given when they were relevant to Abercom's existing activities or when they brought to the group new fields of activity capable of standing alongside existing business as viable and worthwhile long-term investments.

MACHINE TOOLS (189) FM 26/9/80

Fighting talk breaks out

A leading importer of machine tools has accused the country's biggest manufacturer of "undue influence in government circles" in procuring protection from competing imported products

This is the accusation of Robert Skok, MD of Robert Skok & Son, the machine tool importer, against Six Hundred Group, a local manufacturer In a letter to Industries & Commerce Minister Dr Schalk van der Merwe, Skok claims that all applications by Six Hundred for import protection are "automatically approved" by government

Says Jim Economides, Six Hundred's MD "We do not enjoy any government preference "

The furore in the R160m-a-year business has arisen out of Six Hundred's latest application to have a 20% tariff and an import permit requirement slapped on to turret milling machines his company proposes to make locally

Six Hundred has already succeeded in getting tariffs of up to 160% placed on some centre lathes as well as stiff duties on imported drilling machines and sheet metal machines Skok and other importers claim that this protection is not deserved They allege that Six Hundred adds very little local content by value to the machines it sells and that it still imports substantial quantities of these machines in fully finished condition without paying the duties to which its competitors are subject

"The industry, and ultimately the customer, is paying R5m a year in import duties to protect a local manufacturing investment of less than R2m," says Skok

It is claimed that when Six Hundred is given protection on an item, prices invariably rocket In his letter to the Minister, Skok cites the prices of Arboga drilling machines, which he claims, "doubled overnight" after Six Hundred was awarded protection Importers also claim that it is often cheaper to buy a lathe from a dealer in the UK, ship it to SA and pay the duty, than buy the identical item from Six Hundred Economides vigorously denies this

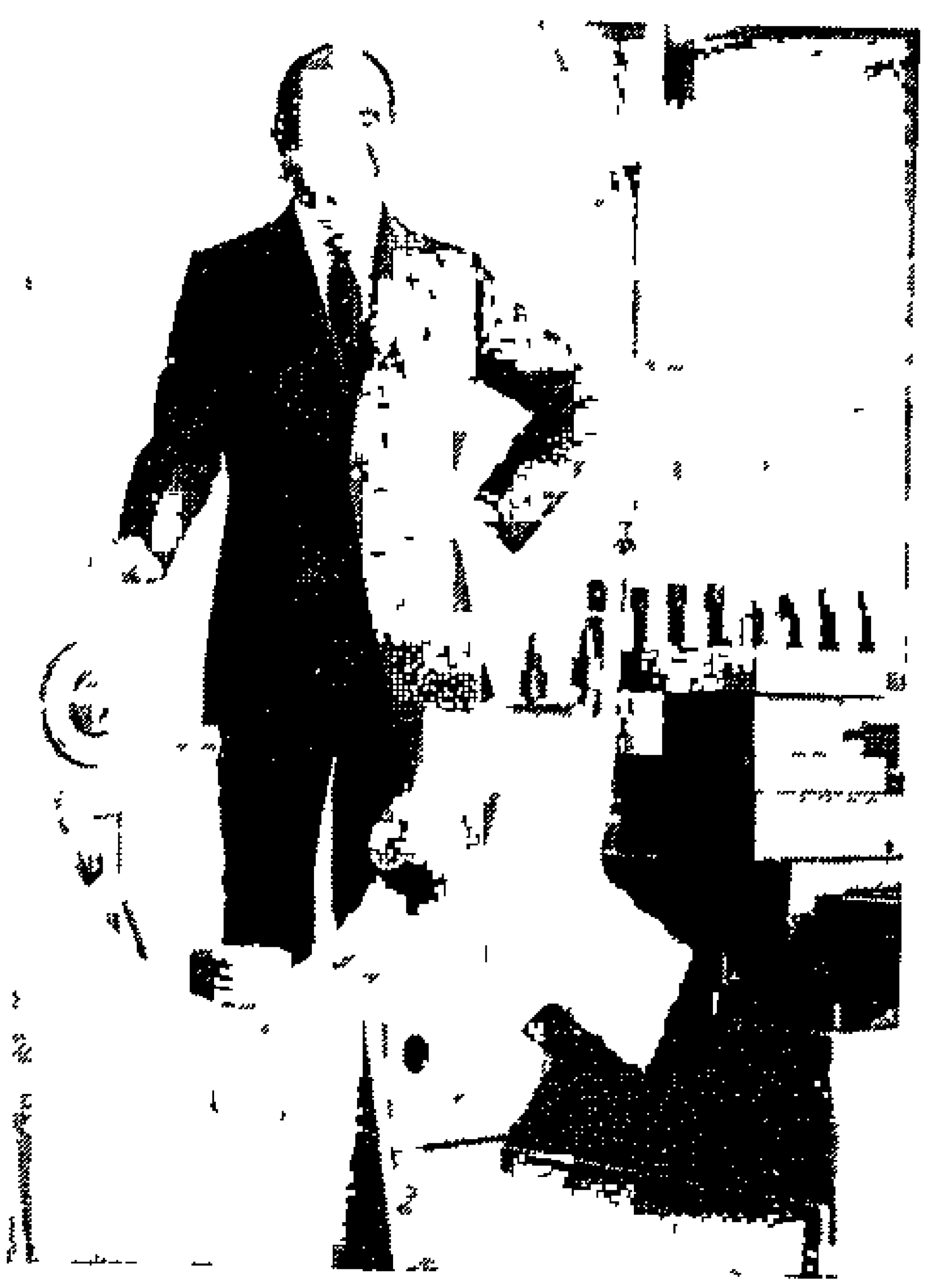
In a letter to the Board of Trade and Industries, Doug Sulin, chairman of the Machine Tool Merchants Association writes that Six Hundred undertook to achieve the complete local manufacture of centre lathes some years ago and that this had not yet been done

Machine tool merchants are also critical of the Holke, the type of milling machine Six Hundred proposes to make here "The Holke is of such inferior quality that in open competition with between 600 and 700 milling machines imported into the country, it sells only about 25 a year," says Skok who markets the Bridgeport machine which, he claims, has 70% of the market

He further claims that total production of the Holke factory in Spain is only 500 machines a year "It is therefore patently obvious that even if the entire production of this factory were given over to the SA market, it would be unable to meet the demand " This statement is backed up by the Machine Tool Merchants Association

"He's talking through the back of his hat," says Economides "We can supply the demand and will have 65% of the market in three years time Our local content should be about 75% by then " Economides also says that the market size figures quoted by Skok are "too high "

Sulin, on the other hand, maintains that Economides' record of fulfilling his local



Skok . . letter to the Minister

content undertakings has not been impressive

Importers also complain at having to pay duties on high precision lathes not made by Six Hundred Says one German importer "Six Hundred makes the Colchester which is a good workhorse lathe for general work and training purposes But it was never designed as a precision toolroom lathe and my customers pay up to three times more for such a machine They are doubly penalised by having to pay the import duty as well "

Says Economides "Today one lathe is as good as another, and Colchester lathes were used to make parts for space rockets We are given complete technical support for the products we manufacture by the companies concerned and from engineers with experience in the industry "

He adds that Colchester lathes are used in all phases of industry

"To all those who doubt our abilities, Six Hundred extends a cordial invitation to visit our works and see what we are doing "

Perhaps someone should do just that

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Sunday Times

MES, September 28 1980 3

Two Iscor men win R22 648 each for brainwaves

By MARTIN WELZ

TWO Iscor employees have received record bonuses of R22 648 each for money-saving tips they gave the corporation last year

The previous highest amount paid to an Iscor worker for a money-saving tip since the scheme was introduced in 1948 was R15 450

Iscor estimates that the tips given by Mr Dirk Botha and Mr Jan Kruger, both employed at the Newcastle works, will save the corporation more than R900 000 a year

Mr Botha, 36, has worked for Iscor for 15 years He is co-ordinating foreman at Iscor works in Newcastle.

He told the Sunday Times this week that he had started working on his idea more than 10 years ago.

He had no formal scientific training, but for the past five years has been studying part-time for an engineering diploma at the Newcastle Technical College He hopes to complete the course at the end of this year

Corrosive

His discovery relates to the corrosive effect of slag formed in basic oxygen furnaces in the steel-manufacturing process.

Formerly, the expensive fire-proof linings of the furnace had to be replaced after every 222 firings because of the chemical composition of the slag formed in the furnace

He found that, by the addition of dolomite to the "mix", the furnace lining needed replacing only after 420 firings, when combined with a blast technique developed by his colleague, Mr Kruger

Mr Kruger is head smelter.

Their money-saving techniques were first applied on an experimental basis at the Newcastle works five years ago. It proved successful.

Migrant flood for Iscor's UK office

R.D.M. 29/4/80

(189) (179)

By SIMON WILLSON

LONDON — Iscor is set to take advantage of reductions in British Steel Corporation's workforce by recruiting redundant workers

The recession-led lay-offs by British Steel this year have come at the right time for Iscor whose expansion is so starved of skilled manpower that its present production targets may have to be revised downwards unless extra labour can be recruited

Iscor has had a recruiting office in Britain since 1970 but it has never been as busy as it is now

Last week as British Steel closed down yet another steel works employing 2 500 men at Consett in County Durham, Iscor placed a new six-column advertisement panel in the classified section of the Daily Telegraph Britain s biggest-selling quality broadsheet daily

Headed Steelworks expansion on a massive scale in South Africa , the advertisement says the positions at Iscor offer sustained challenge, positive long term prospects and an outstanding lifestyle to the truly self motivated

The advertisement concentrates on the contrast between South Africa s expanding economy and the simultaneous recession in Western Europe

Unlike the economies of most other heavily industrialised Western countries South Africa s is booming Raw materials are plentiful, industrial relations are healthy, the basic income tax rate is low, VAT ... and the standard of living is as high as ever it says

The lure is obviously having the desired effect Iscor s recruitment head here, Mr Len Verdoorn says the corporation will attract considerably more immigrant workers this year than last year

The exact figures are hard to calculate at this stage because some applications are still in the pipeline and other workers change their minds at the last minute, but the indications for this year are pretty good " he said

Our intake is always improved by recession in the European steel industries, although it takes some time for factory closures here to turn into applications to join Iscor

When a European steelworker is made redundant he first of all looks for work in his own country and only turns to the possibility of working abroad once he has exhausted all prospects at home

So in the case of the Consett closure it will probably take a few months before any of the plant s workforce come to us It s certainly not worth our while to approach the laid-off Consett men directly "

Iscor's London-based recruiting office also handles advertising and job applications in the rest of Europe Scandinavia and Israel Iscor has stopped advertising in France for the moment, but Sweden Finland Israel and the United Kingdom are proving to be the most productive sources of immigrant manpower

The corporation s recruitment office is also recruiting over the short term — a minimum three-year contract — to employ the more reticent workers who are unsure of a complete transfer They are banking on the lifestyle and conditions which the workers encounter over the three years convincing them to stay on

SHORTAGE IN 1982 OF ENGINEERS

4/10/80 ARGUS (PROP) (189)

Alan Cooper, Property Editor

THERE will be a grave shortage of civil engineers by 1982, at a time when opportunities will be great, says Professor J B Martin, head of the Department of Civil Engineering at the University of Cape Town. Universities throughout South Africa report a severe falling away in the numbers of graduates.

Forecasting that the present upsurge in construction in South Africa will continue for some years, Professor Martin said 'the demand for civil engineers is very large while the output at present is small'

There were 'tremendous opportunities' at present for civil engineers

'As this country grew and the population increased, more infrastructure-roads bridges, towns, would have to be provided and this growth would need engineers

Despite this promising future, the recently depressed state of the building industry had deterred people from studying as civil engineers 'This is going to bring serious problems in the future,' he warned

In a report on professional engineering manpower demand and supply, Mr P D J Lloyd, Mr P Scribante and Mr D W de Vos point to the expected shortfall in engineers

- In 1982 the projected demand for civil engineers will be 780 a year minimum,
- Actual number of graduates in 1982 in South Africa will be about 190,

It is projected that it may be possible to attract another 200 foreign graduates but the figure is more likely to be 60

Professor Martin gave figures for his department's enrolment

1976, 72 graduates on the course;

1977	82
1978	61
1979	51
1980	60

The third year class this year numbered 55 of these about 40 would graduate

The second year class numbered 43 Of these about 30 would continue to the third year

The same pattern was seen in all universities in South Africa he said 'But it is surprising that, even when conditions are slow in the construction industry, there is never any difficulty in placing civil engineers in jobs,' he said

THERE was a four percent increase in the number of factories in Natal up to June 1979 and their number now stands at 5 369. But the number of workers increased only fractionally in the same period to 366 149 - up 309.

The figures, supplied by the Department of Manpower Utilisation, show that employment of black women slumped in the same period while that of men and white women rose. More men were taken on to reduce the overall increase to a few hundred.

There was a 9 percent employment fall for Coloured women, 11 percent for Indian women and a 16 percent fall for African women.

Unemployment figures in Durban for July 1980 compared with July 1979 indicate an overall lower level. There were 4 707 unemployed and 5 299 registered with the department this year compared with 6 584 registrations and 5 910 unemployed a year before.

Each of the sectors has been surveyed by the department.

Engineering: There has been a notable improvement generally and most employers have a full work-load. The marine division is extremely busy and the position for the rest of the year appears to be very favourable. There were 90 artisans unemployed (no change on July 1979) and 311 operators out of work (290 in 1979).

Building: the position in the last year has improved considerably and most employers are working to capacity. There are 417 artisans unemployed (531 previously) and 160 operators out of work (159).

Textiles: there has been a big improvement and while new factories have not been opened existing facilities are now being used to a maximum. There are 36 (69) registered as unemployed.

Clothing is very busy at present and there is still a great demand for machinists. The number of employers increased by about 40 in the past year and since job reservation ended there has been a marked increase in blacks joining the industry. There were 187 (276) unemployed in July 1980.

Motor: since last year both the retail and wholesale sectors have recovered from the fuel crisis and have shown an appreciable growth compared with last year. In fact each sector of the motor vehicle market has shown more stability and even an upswing in sales. There were 75 (74) unemployed.

Footwear: the position has continued to improve and most factories are working to full capacity. There is still a demand for trained workers in various capacities. There were 264 (131) unemployed.

NM 7/10/80

189

Proud record of service

THE giant Stewarts & Lloyds Group, with turnover of more than R300-million a year, originally started serving industry in Natal at the turn of the century.

From the original office in Smith Street established in 1902, it moved to premises in Maydon Wharf in 1910 which grew to the Durban branch of today

The Trading Division, with its 31 outlets in South Africa, operates in Natal as Stewarts & Lloyds Trading (Pty) Ltd and Baldwins Steel (Pty) Ltd.

Stewarts & Lloyds Trading Pty) Ltd in Natal has a egional head office in Durban ith sales branches in Durban, ietermaritzburg, Dundee and Empangeni

Throughout the century Stewarts & Lloyds in Natal has contributed to the growth of the economy by its service to the sugar, petro-chemical, ship building, civil engineering, mining, paper and agricultural fields, and also Provincial and Central Government projects

EXPERTISE

This has been done by providing technical expertise, stockholding and service facilities In providing this comprehensive service, the branch handles about 8 000 line items through its specialist departments for tubes, valves and engineering products

Products handled by tubes department include SABS tube and process pipe, buttweld and malleable fittings, W S fittings and flanges

The engineering department actively promotes the sale of the famous Lister and Honda range of engines and lighting sets, as well as centrifugal pumps of all sizes and description

The transmission package, also handled by the engineering department, includes chain, sprockets, gearboxes, variators, vee pulleys and belts

The branch is also the Rainbird Sprinkler distributor in Durban Many thousands of these units are in service

Saunders diaphragm valves are among the valves sold and other famous names in the valve portfolio are Worcester ball valves, Smith forged steel valves, Kitz cast steel valves, Clayton control valves, and Vosa cast iron and cast steel waterworks valves

Recently acquired Group

METEK (Natal) is part of the Metek Group, importers and distributors of refrigeration and air-conditioning equipment, which was recently acquired by Stewarts & Lloyds

Metek will continue to operate with its existing management and staff, and under its own identity. Mr. Roy Jenkins, who built up the company, has been appointed a director of the reconstituted board and will continue as general manager

The new business will complement activities of Koolmaster Manufacturing and Centurator Air-Conditioning, wholly Stewarts & Lloyds-owned subsidiaries.

Profile of a giant in S.A.

STEWARTS & Lloyds of South Africa Ltd is the corporate name of a group of companies in the steel and engineering industries with an annual turnover of more than R300-million a year and with assets of more than R170-million.

The holding company is quoted on the Johannesburg Stock Exchange. The group operates throughout South Africa, South West Africa / Namibia, Zimbabwe and Malawi, and employs about 10 000 people.

Stewarts & Lloyds (South Africa) Limited came into being in 1902 as a subsidiary of the British company of that name. It was incorporated in South Africa on August 25, 1927 as Stewarts & Lloyds of South Africa Ltd and a works was established at Vereeniging to manufacture steel tube.

Following the nationalisation of the steel industry in Britain in 1970, a new body came into being known as IPSA (International Pipe and Steel of South Africa Ltd) which acquired the majority of the ordinary shares of Stewarts & Lloyds of South Africa Ltd.

The group, through its manufacturing companies based mainly in the Pretoria / Witwatersrand / Vereeniging complex and its trading branches spread throughout Southern Africa, makes and/or markets a range of products required by the mining, agricultural, automotive and industrial markets and by the public sector.

THE Durban premises of Stewarts & Lloyds Trading at Maydon Wharf houses the Southern Regional Office as well as the Durban Branch office

The activities of the group are centred, to a large degree, around the steel and engineering industry — the main products being steel pipes, valves, pumps and fittings.

The product range includes welded and seamless steel tubes, rectangular hollow steel sections, tubular steel structures, pipe fittings and joints, stainless steel tubes, copper and brass tubes, mild steel sheets, plates and sections, centrifugal pumps, valves, sluice gates, diesel engines, generating plants, irrigation equipment, malleable and grey iron castings, windmills, industrial chain, locks, air conditioning and refrigeration components, mining machinery and ventilation equipment.

Annual turnover of R300-m a year

Group companies are: Trading: Stewarts & Lloyds Trading, Baldwins Steel, Salvalve.

Manufacturing: Vereeniging Division, Tubemakers of South Africa (TOSA) — welded tube, seamless tube, stainless steel tube, flanges and fittings, Tubewrights, Bundy Tubing, Pipe Couplings, Climax Windmills and Salister Diesels

East Rand Division, Salcast, Valvemakers of South Africa (VOSA), Salweir, J K Fulton, Vivian Saunders, Vivian-Colt, Koolmaster, Weiser Lock, Salchain, Maksal Tubes, Centurator and Metek

SOUTH AFRICAN DEFENCE FORCE

No. 2065 9 October 1980

APPOINTMENT OF A DIRECTOR OF THE ARMAMENTS CORPORATION OF SOUTH AFRICA LIMITED

The State President has been in terms of subsections (2) and (4) of section 5 of the Armaments Development and Production Act, 1968 (Act 57 of 1968), as amended to re-appoint Johannes Bernardus Maree as a director of the Armaments Corporation of South Africa, Limited for a further period of three years Mr Maree's present term of office expires on 30 September 1980

UG 7755 9/10/80

SUID-AFRIKAANSE WEERMAG

No 2065 (184) 9 Oktober 1980

AANSTELLING VAN 'N DIREKTEUR VAN DIE KRYGSTUIGKORPORASIE VAN SUID-AFRIKA BEPERK

Dit het die Staatspresident behaag om kragtens subartikels (2) en (4) van artikel 5 van die Wet op Krygstuigontwikkeling en -vervaardiging, 1968 (Wet 57 van 1968), soos gewysig, Johannes Bernardus Maree as 'n direkteur van die Krygstuigkorporasie van Suid-Afrika Beperk vir 'n verdere tydperk van drie jaar aan te stel Mnr Maree se huidige ampstermyn verstryk op 30 September 1980 group total of 77c (60,9c) a share On an unchanged cover, a 26c dividend seems likely, giving a 6,9% prospective yield at 375c At this price Tedelex thus looks a sound income hold over the next two or three years, though there might be better near-term buying opportunities *Des Kilalea*

TEDELEX (159)

Bright prospects

FM 10/10/80

Activities: *Manufactures and distributes TV sets, radios hi-fis, consumer electronics, lighting equipment and sewing machines Owns 50,5% of Ellerine*

Chairman *B Slome joint managing director J Cohen*

Capital structure *13m ordinaries of 25c, 9 377 12,5% cum red prefs of R1 Market capitalisation R48,8m*

Financial *Year to June 30 1980 Borrowings long- and medium-term R34 2m, net short-term R33,2m Debt equity ratio 131% Current ratio 2,5 Group cash flow R13 8m*

Share market *Price 375c (1979-80 high, 450c low 80c, trading volume last quarter 832 000 shares) Yields 16 2% on earnings 5,5% on dividend Cover 3 1 PE ratio 6 2*

	76	+ 78	'79	'80
Return on cap %	12 5	14 0	14 8	16 1
Turnover (Rm)	88 2	109 1	140 7	196 1
Pre tax profit (Rm)	8 8	14 1	13 8	19 1
Gross margin %	12 2	14 1	13 6	12 6
Earnings (c)	50 8	43 9	39 1	60 9
Dividends (c)	18	13	13	20
Net asset value (c)	169	206	244	291

+ Adjusted from 18 months

The market's faith in Tedelex in the year to end-June was not misplaced Earnings advanced 56% to 60,9c and the dividend was raised to 20c (13c) Nor should this year s prospects discourage longer-term investors The outlook for Tedelex s traditional operations is good in view of the consumer boom the electrification of black areas and the pending introduction of a TV2 in 1982 Equally subsidiary Ellerine will benefit from the growth in black disposable income

Last year Tedelex revealed its turnover figure for the first time Total sales including Ellerine s R100 9m (R76m) were R196 1m (R140 7m) Thus Tedelex s traditional operations produced turnover growth of 47,1% to R95 2m (R64 7m) compared with Ellerine s 32 8% gain Pre-tax profit from non-furniture interests rose 78 6% to R4 3m (R2 4m) reflecting a considerable margin improvement, whereas Ellerine s profitability was squeezed by higher operating costs

The substantial improvement in non-furniture activities followed chairman Bennie Slome s forecast last year that the consumer boom would impact on profits The result was that Ellerine s importance to earnings was reduced slightly and this year could see the electronic appliance side contribute more than 50% for the first time since the takeover of the furniture retailer in 1977 The Christmas bonus season should see retail sales rise strongly which will probably have a greater effect on Tedelex s own activities In addition the group has expanded some of its consumer electronic ranges and the recently-introduced Commodore mini computer is exceeding budgets Another bull point is the change in TV licence requirements to one per household instead of one per set which should further stimulate the group s TV manufacturing activities

Financially, Tedelex ended the year stronger and more liquid A better balance

TEDELEX EARNINGS
ATTRIBUTABLE PROFIT BY DIVISION

	1979	1980
	%	
Electrical/electronics	34,7	46,0
Retail furniture	65,3	54 0
	100	100

was obtained in the group's borrowings structure with long-term loans now comprising 45 2% (14 7%) of total indebtedness of R75 7m (R65 2m) Ellerine's total borrowings were R26,2m (R23,9m) — 34,7% (36 6%) of the group total The accounts also reveal improved stockturn — 5 1 (3 8) — and debtors control Cash at end-June was R8,2m (R2,2m) — 63c (18c) a share of a 291c (244c) net worth

On the basis of the *FM*'s 155c earnings forecast for Ellerine (see earlier story) furniture operations should contribute some 41c (33c) a share to group profits of which some 10c (8c) will be dividend income It seems safe to assume Tedelex itself will grow at around 30%, with an earnings contribution of 36c (28c), for a

ENGINEERING (181)

On the move

FM 17/10/80

Projections for new capital investment in the metal and engineering industries indicate 1980 totals will reach R645m, a massive 50,7% increase on 1979 figures

In the basic metal industries — iron and steel ferro-alloy non-ferrous metals, steel pipe and tube sectors and the steel, iron and non-ferrous foundries — figures are expected to show an investment of R244m 78,1% over 1979 levels In the metal fabricating and engineering industries which include manufactured metal products machinery and automotive components, projected improved investment levels are expected to be 37 8% up to R401m

Doug Ellis, executive chairman of Dorbyl says the figures must be seen in relation to those of the past two years, when very little was spent, due to recession and lack of confidence in the economy

Much of the expenditure is accounted for in the expansion of the mining industry and the building of new mines since the rise in the gold price, and the enormous investment by Escom in power generation as well as projects like the R150m stainless steel mill at Southern Cross Steel

Outgoing Seifsa president, Ron Shaw, who released the figures at the AGM this week says inflation obviously plays a big part in the increased figures Machine tool prices alone have been rising by about 16% a year, he says

Shaw says machinery, plant and equipment, the major component of new capital investments, will show an expenditure of R524m, up from R354m last year And investment in new buildings, including construction activities, is expected to show an increase of 63,5%

However export performance is expected to be down on last year's R1 200m, because of downturns in the economies of trading partners, and the hardening of the commercial rand which is diminishing export earnings

Shaw says the trend towards lease and lease-back financing of buildings, machinery, plant and equipment and motor vehicle is on the increase During 1980 an estimated R302m in lease and lease-backs will be spent on land and buildings, R59m on machinery, plant and equipment, and R42m on motor vehicles

Financing costs for new investment programmes and the existing financing of assests and workng capital, he says, is still high The incidence of corporate taxation and the financing of operations in a period of high inflation still reflects high gearing in many cases and the continuing practice of off-balance sheet financing as a counterbalance

Shaw believes one of the factors contributing to the high spending rate must be the move towards more sophisticated equipment by companies battling with the skills shortage Although more sophisticated equipment requires skill in setting up, once operational one skilled person could supervise a number of machines This factor is, however, creating problems for unskilled workers

ALUMINIUM FM 17/10/80

See-sawing demand

(139)

Alusaf, Richards Bay producers of primary aluminium, has withdrawn temporarily from export markets because of a combination of low export prices and an upsurge in local demand

Alusaf MD Danie van Vuuren says Alusaf, with a production capacity of 87 000t/year, has exported only about 15 000t this year The figure is likely to drop even further in 1981, because Alusaf has to provide 8 000 t of metal for aluminium busbars (to conduct electric current) for the new smelter it has commissioned

Van Vuuren says prices on the export market were buoyant during 1979 and early 1980, whereas the local market was depressed But, by the end of last year, the company began running short of metal due to a tremendous increase in local demand As the price situation also reversed, Alusaf stopped taking export orders

The company is, however, still honouring existing contracts.

To cope with increased demand, Alusaf has embarked on a R230m programme to double production capacity It is importing a mothballed smelter from Japan, which was no longer viable because it was run on oil-based energy At Richards Bay, it will be using coal-based electricity.

At this stage ground in Richards Bay is being prepared for the new smelting plant. The first portion of the plant, which will consist of two smelters, is expected to be commissioned early in 1982.

Van Vuuren believes there will be sufficient raw materials to supply the increased capacity But he is not optimistic about medium-term potential for aluminium, as Australia and some South American countries will be bringing further smelters on stream by about 1984, which could lead to over-production Although capacity at present is sufficient for world demand, Van Vuuren says the situation would change if the US came out of its recession

The local picture could also change considerably At present SA is one of the lowest consumers of aluminium, with 3,1kg *per capita* usage, against America's 21kg *per capita*

E L BATEMAN (189)

Earnings thumped

FM 17/10/80

Activities: *Mechanical and electrical engineer making and supplying capital equipment and spare parts for the mining, chemical and food industries Directors hold 52% of the equity*

Chairman: *E L Bateman, managing director W G L Bateman*

Capital structure. *2,6m ordinaries of 40c, 22 850 6% cum red prefs of R2 Market capitalisation R16,6m*

Financial: *Year to June 30 1980 Borrowings long- and medium-term, R1,2m Net cash R4,5m Debt equity ratio 8,1% Current ratio 1,2 Net cash flow R4,4m Capital commitments R2,6m*

Share market· *Price 640c (1979-80 high, 770c, low, 460c, trading co-*

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vided this does not exceed investment income Based on the results of Unsbic for the year to end-June, and those of Guardian for the 12 months to December 31 1979 earnings of the combined group on the enlarged capital would have exceeded 41c a share This in terms of the company's stated policy, would have justified a dividend of 29c, which would still have been covered 1 6 times by investment income

These estimates compare with the 38c which Unsbic earned last year, and the 20c it paid out

In the longer term, a more important effect of the merger will be the creation of a larger and consequently more viable, insurance group With economies of scale it should be better placed to withstand the often intense competition which characterises the short-term insurance industry In addition, as part of a UK-based group it may also have better access to the international reinsurance market which acts as a stabilising influence in underwriting results

The combined group is shown to be financially stronger with a solvency ratio (shareholders' funds premium income) of around 62%, which is some 10 percentage points higher than for Unsbic alone The comparison is misleading, however, as the *pro forma* consolidated balance sheet includes investments at market value, whereas Unsbic has traditionally shown these at cost

Unsbic is changing its financial year-end to December 31 to conform with its new parent The company makes no forecast for the current six-month accounting period but, given the initial benefits of the merger plus normal growth in investment income, shareholders could perhaps anticipate a dividend of 15c or 16c — three-quarters of the amount they received for the previous full year

Enhanced prospects are already reflected in the current share price of 365c which yields an historic 5,5% compared with an average of around 8% for other short-term insurers But with a prospective yield approaching 9% the share still has income attractions

Brian Thompson

Seifsa looks to 1973-74 repeat

(189)

RDM 17/10/80

By HAROLD FRIDJHON

POSITIVE trends in the metal and engineering industries are expected to continue through the current quarter and the production performances in most sectors this year are likely to match the high growth period from mid-1973 to mid-1974, according to the Seifsa report on business in the metal and engineering industries.

In August conditions stabilised on the much better levels attained during the second quarter. Orders and inquiries in the consumer-related sectors strengthened further.

Steel producers say that demand for flat products has been sustained and that there has been some strengthening in the demand for structural steel products.

In the first eight months of 1980 the output from steel mills was 4,3% higher than in the comparable period of last year. In spite of the current drop in exports, it is expected that the overall output for 1980 will top last year's 8 900 000 tons.

Ferroalloy sales, which are largely export-orientated, continue to be adversely affected by a depressed worldwide demand. This has necessitated a cutback in production.

The engineering sector continues to benefit from the expansionary phase in the economy and, in particular, from the increasing consumption of goods and services in the mining sector.

The heavy engineering industries are also benefiting from the increased activity in the mining and electricity-generating sectors, enhancing prospects for a satisfactory increase in workloads for the rest of the year.

Manufacturers of agricultural machinery and equipment say the upturn in trade is continuing. Automotive component manufacturers are benefiting from higher motor vehicle sales, but are experiencing competition in the replacement field from imported components.

In the electric machinery and electronic industries, orders for switchgear equipment and electric motors are reasonable, but the demand for transformers is still soft. An improvement is noted in the heavy electrical equipment section.

Foundries report satisfactory gains in steel and iron castings.

The Seifsa group of industries is concerned about shortages in certain categories of skilled and semi-skilled labour, the high rate of inflation, and the recession in important export markets.

DURABLES FM 24/10/80

Record year

189

With money in their pockets, consumers aren't simply spending on the durables they have denied themselves for the past four years — white goods, television sets, air conditioning, etc — they're also making sure that they buy in at the top of the range

The manufacturers of Defy, GEC, and Hotpoint, with an estimated 70% of the white appliance market, have experienced a 100% increase in their top of the range, built-in-units The increase in unit sales of free-standing stoves is just under 30% Sale of air conditioning units is up 60% on last year

Estimated industry sales of white appliances for 1980 are 800 000 units (including baths and coal stoves) And guesstimate industry earnings for those sales are R240m, 30% up on last year The figure does not include the sale of small appliances

The figures are calculated off what is considered a good base And predictions are that white appliances will see further growth, in real terms, of between 5%-10% in 1981

MD of Defy Industries, Mike Newby, believes the present level of confidence in the economy will see continued growth for the industry And if the promised level of 150 000 black households supplied with electricity a year comes anywhere near being fulfilled, things look pretty exciting

MD of Barlows Manufacturing, Robbie Williams, says the upsurge in demand was predicted, and manufacturers are therefore catering to demand With a lead time of between six to eight months, decisions had to be taken early, he says

However, he says, manufacturers are concerned about the flood of imported appliances arriving in SA Particularly those from the troubled European manufacturer, Indesit Williams says the goods are competing on price only and with the uncertainty surrounding Indesit at present, back up could be questionable

Indesit is apparently beset by liquidity and other problems, and is attempting to turn its vast stockpile into ready cash, not necessarily at a profitable rate

Manufacturers of television sets, the other major consumer durable, have also seen tremendous sales growth Predictions are that 250 000 units will be sold this year, up 100 000 from 1979 Again, last year was an acceptable year

In the television market about 70 000 units are expected to be of the large, colour sets, which range in price from R750 to R1 000 The portable market will, however, take the lion's share with 100 000 units — ranging in price from about R200 to R300

Although manufacturers of television sets were initially caught unawares, and were sitting with a backlog of orders earlier this year, a threefold increase in production capacity has been effected in some instances, and by year end back orders should be cleared

Dave Mitchell, marketing director for SATV manufacturers, believes the television manufacturing industry will see continued growth "The white market will remain a very important factor for the foreseeable future, because of the replacement market And with the onset of Channel 2 and imminent electrification of the black urban areas, sales should see the steady growth within the black market "

	'77	'78	'79	80
Return on cap %	19 3	18 1	19 9	[illegible]
Turnover (index*)	[illegible]	[illegible]54	28[illegible]	[illegible]31
Taxed profit (Rm)	[illegible]	4 4	5 0	[illegible]
Earnings (c)	63 [illegible]	68 9	[illegible]	[illegible]
Dividends (c)	[illegible]	16	20	[illegible]
Net asset value (c)	503	[illegible]74	635	[illegible]

*1977 = 100

Conservative dividend policy has allowed the company to always at least maintain payouts, and company sources add that last year's cut in cover is not necessarily indicative of a continuing trend

The payout was increased from 20c to 25c, giving cover of 3,6 times (4), and retained earnings were a hefty R2,6m (R2,3m) With retentions of this magnitude, the group obviously has considerable scope for internal financing of its expansion and, indeed, is paying for its new piping plant — "a major investment" according to one source — out of its own pocket The conservative image, therefore, also extends into the group's debt position, and the debt equity ratio is particularly low at under 8% (2%) It appears, as well, that there are no plans to increase borrowings

The group's profit performance, at the same time, seems to reflect this low-profile position Though turnover climbed 35% (11%) last year, continuing overcapacity in the industry, as well as a tax rate of just under 42% (36%), has kept after-tax earnings down to R3,6m (R3,1m) — an increase of only 18% Tax could be cut slightly this year as a result of capex allowances on the new plant, but this is unlikely to be too significant

The group's main operating areas, farming, mining, building and fencing, should reflect increased activity this year, and the board admits that the "encouraging" increase in sales has filtered into the current year However, company sources insist, there have been "no fireworks," though the problem of tight margins has been alleviated to some extent One possible constraint on growth could, of course, arise from the virtually unchanged level of government and municipal expenditure for the current fiscal year

The piping plant, incidentally, is still a few months away from commissioning because of delays caused by a shortage of parts When it does come on stream next year it should make a useful contribution to profits

At the interim stage, chairman Sam Green forecast that earnings in fiscal-1980 would equal the previous year's Admittedly, first-half growth in attributable earnings was only 12,5%, but Green must have had some better indication of the year's targets by the time earnings were reported in March Anyway, the market has discounted his pedestrian outlook to some extent, and the share, off its high at 670c after a steady 14-month climb, yields an historic 3,7% At this level, it appears that the stock is fully priced, for a dividend increase of more than about 20% to, say, 30c this year would seem unlikely at the present stage

Scott Hawker

12 hurt in city blast

By CHRIS MARAIS

AT LEAST 12 black workers were injured when an explosion ripped out the windows of a central Johannesburg radiator works yesterday afternoon and damaged cars parked nearby.

The injured men, employees of Green's Radiator Works, Ferreira Street, were taken to the General Hospital. Two employees were still in a serious condition last night.

The explosion happened about 3.20pm. The staff could not say what had caused the blast, although they confirmed the company did use gas in various processes.

Damage is estimated at thousands of rands.

ATI/SOUTH ATLANTIC (187)

More to come

FM 7/11/80

Activities: *Holding company for Anglovaal's industrial interests Subsidiaries include Cons Glass (56%), Claude Neon (51%), National Bolts (64%), Steelmetals (72%) and South Atlantic (75%) The last-named holds 51% of T W Beckett, 62% of Globe Engineering and 43% of I & J ATI is 61%-owned by Anglo-Transvaal Consolidated*

Chairman: *B E Hersov*

Capital structure: *13,9m ordinaries of 50c, 1m 5,5% cum prefs of R2, 1,4m 8% red cum prefs of R1 Market capitalisation R93,1m*

Financial: *Year to June 30 1980 Borrowings long- and medium-term, R10,1m; net short-term, R12,4m Debt equity ratio 27,6% Current ratio 1,7 Net cash flow R34,9m Capital commitments R39,2m*

Share market. *Price 670c (1979-80 high, 745c, low, 270c, trading volume last quarter, 213 000 shares) Yields 27,0% on earnings, 5,2% on dividend Cover 5 1 PE ratio 3,7*

	'77	'78	'79	'80
Return on cap %	16 6	18 6	22 3	26,7
Turnover (Rm)	441,6	431 7	494 7	653,5
Gross profit (Rm)	34,7	39,1	51 2	72 0
Gross margin %	7 9	9 1	10 4	11 0
Earnings (c)	68 0	86 5	120 2	180 6
Dividends (c)	19	20	24	34
Net asset value (c)	513	576	697	824

ATI's main subsidiaries outside of South Atlantic provided the group with most of its high-margin, high-profit benefits. Though chairman Basil Hersov says the profit improvement in fiscal 1980 was "fairly well spread" the best profit performers were Cons Glass, National Bolts, Steelmetals and Claude Neon

Consolidated group sales rose 32% while attributable profit, excluding extraordinary items, was 48% higher Most of this boost to margins came from non-South Atlantic interests, as South Atlantic's consolidated turnover was up by 21,2% but taxed profit rose by only 17% to R13,9m

The directors blame South Atlantic's unexciting growth on the poor performance of Cerebos Food and James Brown & Hamer Cerebos was merged with Food Corporation during the year and higher-than-expected merger costs coupled with negligible immediate rationalisation benefits meant that budget was missed by a wide margin JBH has been an albatross to the group for years but the company has now been sold off to M & R's Elgin

Had JBH been stripped out of Globe, earnings from this subsidiary would have increased by more than the 25% posted As it was, South Atlantic's strongest company was T W Beckett, which boosted profit 36% on an 18,3% turnover increase I & J did not come up to scratch, with only a 10,6% profit increase, half that of its sales improvement, mainly because of costs, mostly fuel related

To look, then, at what gave ATI its booster, it is useful to start at the breakdown of consolidated earnings Engineering was up to 39% (34%), containers contributed 28% (27%), food 20% (27%) while "others" contributed 13% (12%) Having already looked at South Atlantic's engineering earnings, it is evident that both National Bolts and Steelmetals lent much to pushing total earnings growth above the average

In fact, National Bolts improved taxed profit by 80,1% on a 29,4% sales increase while Steelmetals' profit was 62,2% up on a turnover rise of 46,5%

The marketing and contracting operations of Steelmetals were responsible for the improvement in profits while the plant hire addition recorded a loss but has, say the directors, been rectified and should contribute to profits in the current year

Cons Glass, a direct beneficiary of any consumer upturn, enjoyed a 31 5% increase in sales while profit rose 45% The outlook for packaging products has encouraged the group to go ahead with a two-year R51m expansion project A new factory is being built in Elandsfontein

The group's balance sheet remains strong, and the strengthening process throughout fiscal 1980 (debt equity was virtually unchanged at 27,6%, but long-term borrowings were lightened at the expense of short-term) leaves the group considerably undergeared The exceptionally good return on capital — 26,7% for a holding company is way above average — points to some serious capex projections in the near-term

Group cover is indicative of the individual company funding requirements but ATI's cover of the 34c dividend is only 1,6 (1,3) Subsidiaries only declare dividends once their results have been audited So, the dividend declared by ATI itself is based on dividend receipts declared from profits earned by subsidiaries during fiscal 1979

Hersov says he has "no hesitation in forecasting higher group profit for the current year, provided labour relations remain stable" The seemingly more attractive 7,1% historical dividend yield on South Atlantic is partly a function of the time lag in dividend flow The current yield on ATI is as close as one can get to a distilled example of the opinion that industrials may be fully valued but growth prospects over the next year will still give today's buyer a real return on his money

Ian Muil

Stewarts & Lloyds looks to even higher earnings

STAR 14/11/80 (189)

By Jean Moon

After an excellent year to concerned, Stewarts & Lloyds is anticipating a satisfactory improvement in earnings for the current financial year

The only black cloud on the horison at the moment is plant and human resources limitations As far as manpower is concerned Stewart Lloyds actively recruits experienced workers overseas and its R1m a year investment in in-service training is being expanded with extensions to the training centres in Johannesburg and Vereeniging

For the year to September 1980 earnings rose from 33 8c a share to 52,1c a share and the dividend has been increased by 6c to 28c a share

Turnover was 27 percent higher at R,58m, and pre-tax profits 62 percent up to R19,6m

This gave a percentage pre tax profit against sales ratio of 5,4 percent against 4,2 percent in the previous year The rise in the tax rate from 28,2 percent to 32,09 percent left after tax profits 48 percent higher at R1,4m

While the LIFO method of stock valuation covered only steel stocks last year, for the 12 months under review this accounting practice had been adopted for all group stocks If the old LIFO method had been applied to pre tax profits the figure would have read R30m

While Stewarts & Lloyds is a multi-product, multi market group of companies, Tube is by far the largest single product group Following the R10m modernisation programme in 1978 which made the welded tube plant the most modern of its kind in the world expenditure of R7 8m for the installation of a new galvanising plant and ancillary equipment has been authorised for 1981/82

AFRICAN CABLES (189)

Expanded base? FM 14/11/80

Activities: *Manufacturer of electric cables Owns Alucab which has an aluminium conductor factory at Dundee, Natal Various UK cable companies own 60% of the equity*
Chairman: *W N Randell*
Capital structure· *23,4m ordinaries of 25c Market capitalisation R87,8m*
Financial: *Year to July 31 1980 Borrowings long- and medium-term, R1,4m Net cash R9,0m Debt equity ratio 2,6% Current ratio 2,2 Net cash flow R5,7m Capital commitments R6,3m*
Share market: *Price 375c (1979-80 high, 390c, low, 275c, trading volume last quarter, 31 400 shares) Yields 8,3% on earnings, 5,9% on dividend Cover 1,4 PE ratio 12,0*

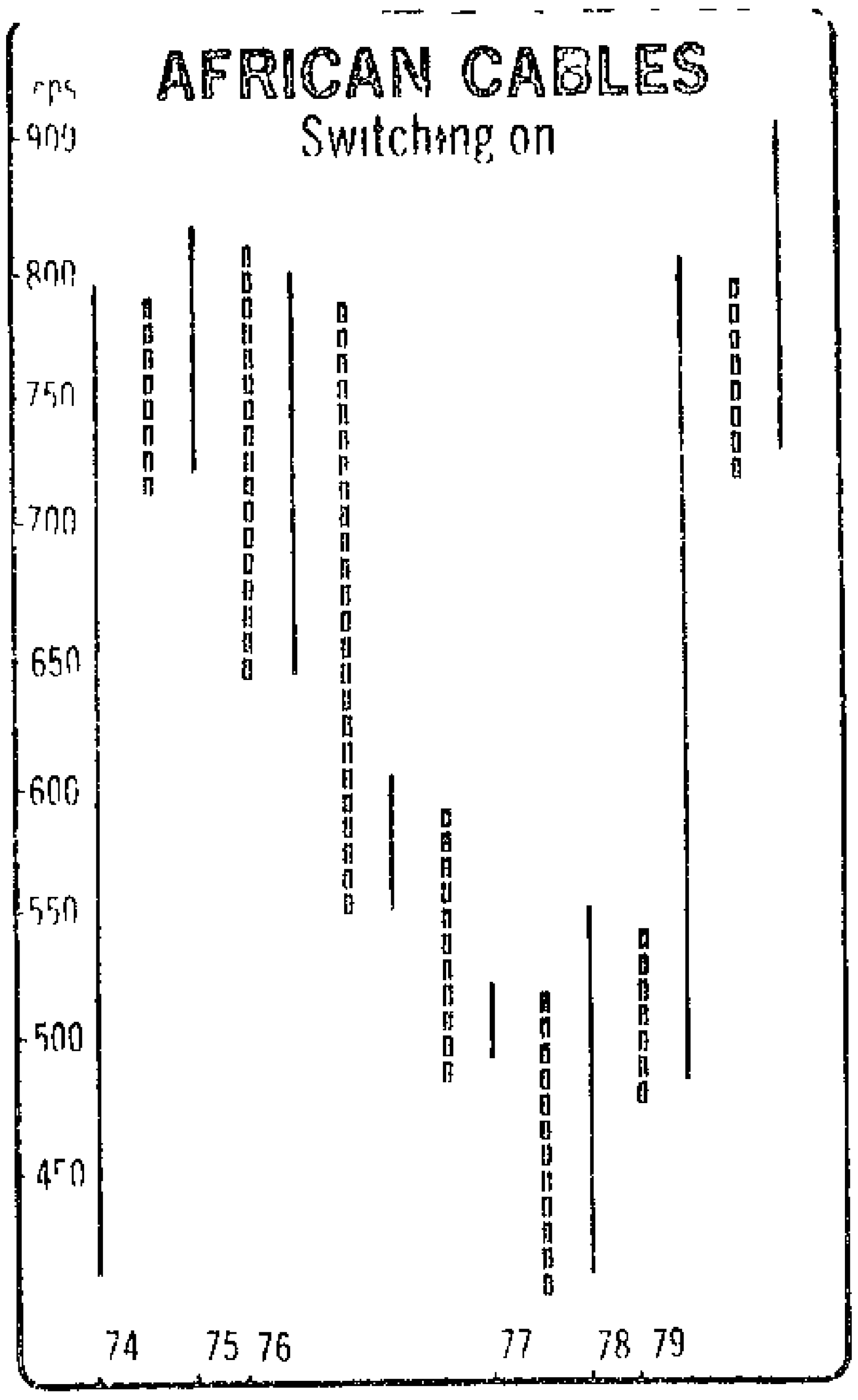
	'77	'78	'79	'80
Return on cap %	15,5	14,7	15,9	23,9
Turnover (Rm)	39,9	44,4	46 7	75,1
Pre-tax profit (Rm)	6,6	7,1	8,3	13,4
Gross margin %	17,3	16,9	18,7	18,2
Earnings (c)*	19,0	19,3	20,9	31,2
Dividends (c)*	10,0	12,0	14,25	22
Net asset value (c)*	176,3	192,3	216,5	238,0

* Adjusted for the four-way share split in December 1979

At first glance African Cables appears to be cutting things a bit fine with a reduced dividend cover of 1,4 times (1,5) and a capex programme 103% up at R6,3m The group's balance sheet is exceptionally strong, however, and the year's operations at the higher turnover and cash flow levels allowed debt equity to be reduced from 8,4% to 2,6% The outstanding feature of the balance sheet at this stage is that the projected capex is almost entirely covered by one year's cash flow but more significantly could be paid in cash and then still leave some R3m on call deposit

Sales rose, last year, by 61% to R75,1m But due to a higher tax rate of 45,5% (41,0%), and as there was only a modest improvement in the gross margin, attributable earnings were up 49,3% The strong balance sheet and high level of liquidity (the acid test is 0,86), allowed dividends to be increased by 54,4% to 22c a share Cover is thus shaved to 1,4, the lowest it has been in the last five years

According to the directors, the higher level of sales was due to both higher costs and increased sales which, unfortunately



were mainly in lower margin products The increase in profitability was due to the higher sales volume and as severe competition in the industry kept margins down the group was not able to derive the benefits it might ha from utilising excess capacity

Now in fact the company is virtually being forced to start running just to keep walking as far as the electrical cable industry is concerned For years a suitable diversification has been sought No acceptable prospect has as yet developed despite the fact that there must have been plenty of candidates which would have boosted the group's average return on capital to the end of fiscal 1979 From now on however African Cables need to protect its investment in its traditional area of operation and with the projected increased demand from both private and public sectors both the range of products and capacity of manufacturing facilities need to be expanded to keep market share

On the balance sheet the reduction in gearing was partly due to the revaluation of fixed assets The surplus has been transferred to non-distributable reserves but the concomitant accumulated depreciation was until now to be met by transfer from distributable reserves Instead this will now be transferred via the income statement from non-distributable reserves The effect of these moves is to decrease non distributable reserves from R40 6m to R26 6m and to push distributable reserves up from R4 2m to R23 3m With share capital at only R5 9m the distributable portion of shareholders' equity seems to be somewhat high The expansion of business and any future gearing to diversify could thus require a broadening of the capital base

Asset considerations and the tight control held by major shareholders are responsible for the high PE ratio of 12 The share, however, has sound long-term growth potential

Ian Muil

AFROX (189) FM 14/11/80

Expanding margins

Afrox's results for the year to end-September indicate that the increased business activity evident at the half-way mark has been sustained

The upturn in the economy and the marketing of a wider range of products have continued to increase both turnover and profits, and even more important, to improve profit margins

Trading profit rose by 28% to R29,6m (R23,1m) on turnover growth of only 17%, from R153,5m to R178,8m As a result, last year's gross margin was substantially higher level of borrowings following the 15,1%

But this significant improvement was somewhat reduced by a higher interest bill — it more than doubled due to the reassessment of financial leases and a higher level of borrowing following the R10m debenture issue in May

Nevertheless, the pre-tax profit-to-turnover ratio was healthier at 15,2% (14,4%) And due to tax allowances on the group's heavy capex programme, a lower tax rate resulted in a 37% rise in after-tax profits to R17,8m

This was before an extraordinary profit of R753 000 from the sale of the electronics division Forty-nine percent of the shares were sold before the financial year end and the remaining 51% on October 1 Its results were thus not consolidated — if they had been, the turnover increase would have shown a 26% growth compared with 17%

The sale of this division underlines the group's policy of streamlining its current operations under the gases, welding and engineering umbrella New MD Peter Joubert, who recently returned from a two-year stint at parent BOC (UK), has stressed that the integration of these divisions is one of his priorities for the current year

Another priority is returning the engineering and mining supply company, Dowson & Dobson, to more acceptable levels of profitability It has been a disappointing performer in the current mining boom, and should certainly be reorganised to profit from the current construction upswing

The third sphere of interest is the large expansion programme being undertaken

Afrox's Joubert . . .

by the group over the coming few years By the end of 1980, about R22m will have been spent and the balance of the initial R50m will be invested by the end of 1981 A further R50m has been earmarked for new projects, as yet unspecified

Even this kind of expenditure is not likely to affect the payment of dividends this year The group's debt capacity is obviously somewhat limited by the UK parent's 60% holding But despite these limits, the 1979 balance sheet showed spare capacity of around R23m before bringing the debt equity ratio up to around 40%

And although dividend cover of around two times looks somewhat vulnerable, this cover is after deductions of R2,8m on the historical-cost accounting basis So real cover is unlikely to be increased

On this basis, profit growth this year should be passed on to shareholders as it was last year Total payout increased by 35% to 29c (21,5c) in line with a similar increase in earnings per share At 500c, the share yield an historic 5,8% *Fiona Halse*

Consumer buying boosts Seifsa

CONFIDENCE in the metal and engineering industries grew in the third quarter of the year, according to reports received by the Steel and Engineering Industries Federation of [illegible].

Seifsa says [illegible] [illegible] [illegible] [illegible] is providing [illegible] [illegible] sectors and the [illegible] component manufacturers [illegible] [illegible] and the building materials suppliers sector all [illegible] improved order intake and production levels during September.

The telecommunications, electronic and electrical machinery sectors also report strengthening order books and improved output.

The agricultural and irrigation machinery and implements [illegible] had a [illegible] [illegible] [illegible] third quarter.

[illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] that had [illegible] the flow [illegible] [illegible] in [illegible] mining and electricity [illegible].

In spite of the worldwide drop in steel consumption and its effects on South Africa's steel exports, steel mills output [illegible] [illegible] month of 1980 increased [illegible] over the same 1979 period.

Overall output for the year is expected to marginally top last year's peak of 8 500 000 tons. But ferroalloy and ferromanganese export sales continue to be adversely affected by world-wide depressed demand causing production cutbacks, says Seifsa.

The structural steel and reinforcing steel work sectors are [illegible] benefiting fully from the upswing in the overall economy [illegible] [illegible] [illegible] [illegible] [illegible] improvement [illegible] [illegible].

[illegible] [illegible] [illegible] improvement in [illegible].

[illegible] [illegible] shortages of [illegible] [illegible] [illegible] and semi-skilled labour, which are imposing some restraint on production performance and tending to lengthen delivery periods in a number of sectors.

The inflationary impact of these shortages on labour costs is also causing serious concern.

Business conditions, however, in the metal and engineering industries indicate the expansionary phase should continue into the final quarter with probable easing in the growth rate in first half of 1981. — Reuter

C.T. 19/10/80

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Labour scarcity worries Seifsa

JOHANNESBURG — In the third quarter of the year, reports to Seifsa indicated a further strengthening of the general confidence now engendered in the metal and engineering industries

The Steel and Engineering Industries Federation of South Africa (Seifsa) says in its September newsletter that the continuing high rate of private consumption spending "is providing further stimulus to Seifsa's consumer-related sectors and the automotive component manufacturers, the electrical appliance industry and the building industry supplies sector all report improved order intake and production levels in September

Plus factors were also seen in the increasing activity in the large and heterogenuous general engineering sector, which continued to benefit from the current expansionary phase in the overall economy and from the increasing consumption of goods and services in the mining sector

Despite the worldwide drop in steel consumption and its effects on South Africa's steel exports, steel mills' output for the first nine months of 1980 increased by three percent on the corresponding period a year ago

However, Seifsa says concern continues to be expressed by the Seifsa group over the worsening shortages of professional, technical, skilled and semi-skilled labour This was now imposing some restraint on production performance and tending to lengthen delivery periods — Sapa

Meat price soared ~~great~~ 12 percent ~~24~~ last month

14/11/80 Argus

(18c)

Consumer Reporter

THE consumer price index shows that the average price of meat went up by 12,2 percent during the past month and by 37,8 percent over the past year

This compares with a 5,6 percent increase in the average price of food between August and September and a 20 percent increase in the price of food in the year ending September

The current issue of the Housewives' League newsletter says that the marketing scheme operated by the Meat Control Board has not served its purpose of ensuring a regular supply through the provision of a fair guaranteed price to the farmer

SHORTAGE

This had resulted in a shortage and high prices

'As a consumer organisation, surely it is our responsibility not only to resist the excessively high prices of an important basic food but to question the reasons for them,' the newsletter says

Welcoming the setting up of a commission of inquiry into the meat industry it adds that two aspects needing attention were the Meat Board, with its direct involvement in the industry, and the position of producers who were also agents, wholesalers and retailers

The newsletter points out that the investigation by the commission is not 'an attempt to deprive the farmer of a fair price'

'FAIR PROFIT'

'It is the function of the floor price — the minimum guaranteed price which is set by the Meat Board — to ensure that the cost of production plus a fair profit is paid to the farmer marketing in the controlled areas.

'The full responsibility must fall on the Meat Board and not the consumer if the floor price is not correct

'We would point out that increased prices granted in the controlled areas in no way benefit the farmers who are unable to obtain permits to sell in them and are therefore forced to sell at a lower price in uncontrolled areas.'

'SUPPORT PRICE'

The newsletter points out that the SA Federation of Meat Traders, at their recent annual congress in East London, were 'unanimous in their opposition to the "support price" and wished it to be abolished immediately'

The support price system, introduced in Cape Town in September, is in addition to the floor price Its object is to prevent prices at the abattoir auctions from falling too suddenly

Under the support price system, auction prices cannot drop more than six percent below the average price for the previous week

Butchers claim it is inflationary because it interferes with the usual pattern of a drop in prices in the middle of the month when demand is normally low.

Star 20/11/80 (184)

Leyland gets R40m Atlantis contract

Leyland South Africa has been awarded the Atlantis Diesel Engine (ADE) contract worth R40m to manufacture and supply flywheel and ring gear assemblies, writes Geoff Shuttleworth.

This is the largest component contract yet placed by ADE

Leyland will have to spend R4m to meet the requirements for the contract and this will involve the purchase and installation of 21 of the world's most sophisticated computer-controlled machine tools

These 160 tons of tools are being supplied by companies in the US, the UK, Germany and South Africa. Delivery of the tools will begin in June 1981 and initial production will start in November the same year

In terms of the contract, Leyland will supply ADE with more than 200 000 flywheel and ring gear assemblies for use as both original equipment and as replacement parts for the full range of ADE engines.

Leyland's expansion programme to accommodate the new machine tools for the ADE contract will involve the provision of 1 400 sq m of floor space alongside the existing machine shop at the Blackheath factory.

LABOUR

To bring the new production facilities on stream, Leyland will require an additional labour force of nearly 100 skilled and semi-skilled workers

By the beginning of 1982, when the new machine plant is in full production, more than 9 000 tons of locally supplied cast iron and 1 000 tons of locally made steel will be machined

Leyland's existing machining facilities already comprise over 450 tools which are used for the machining of locally cast and forged cylinder blocks, flywheels, brake drums, crankshafts, camshafts and exhaust manifolds for the existing range of Leyland's four- and six-cylinder engines

The machine tools involved in the ADE project will include the most sophisticated computer numerically controlled units incorporating the latest cutting tool technology

Leyland's in-house computer installation, as well as the computer facilities of the various machine tool suppliers, will be used to programme the new machines.

Tooling, jigs and fixtures required for the contract will be designed by Leyland Engineers and manufactured at the Blackheath factory. The production programme will be prepared by Leyland Engineers to ADE specifications

- The signing of the financial arrangements for the ADE project involving some R160m will be signed this afternoon

In April this year it was announced that Bankorp, with Trust Bank as the leading bank, had landed the deal

The deal is a tripartite one involving the IDC, ADE and the Bankorp consortium.

A Press conference will follow the signing, but peculiarly, no details of the agreement will be disclosed at the Press conference.

Metbox out of the cold

By HOWARD PREECE
Financial Editor

METAL Box, the packaging group, has joined the impressive list of companies which have been doubling up — pushing up net profits and earnings by more than 100%

Taxed attributable profit raced up to R8 118 000 in the six months to September 30 from R3 551 000 in the first half of the previous year

The interim dividend has been raised from 10c to 15c out of earnings up by 122% from 14,1c to 31,3c share

A cautionary comment comes from the directors who say "The large percentage increases in earnings and dividends in the first six months are partially attributable to the relatively depressed results for the first six months of the previous year

"This was due to the losses incurred at Walvis Bay and machinery division during those six months

"While your directors expect the results for the year to exceed those for the previous year by a comfortable margin, the percentage increases in profits and dividends in the second six months are unlikely to be as great as they were in the first six months"

Even with that qualification, Metal Box has done extremely well to boost pre-tax profit by 109% from R6 200 000 to R12 986 000 on turnover up by only 27% from R122-million to R155-million

The directors say. "The prevailing buoyant economic conditions in South Africa are reflected in the significantly higher sales of the group in the first six months of the financial year

"All sectors of the group's business have contributed to the upswing in sales and resulting higher profits."

COMMENT: Metal Box of Britain, Europe's biggest packaging group, owns 58% of the South African company.

It is suffering at present, along with most of British industry, and recently had to shut three UK factories, so it will certainly welcome the bigger contribution from its SA interest

However, too much should not be expected.

The directors say the final dividend will not be less than 21c, which is barely higher than the previous 20c, but they say the 50% rise in the interim dividend is intended to reduce the disparity between payments.

This means that the minimum forecast is for the total dividend to rise from 30c to 36c

That, however, could well prove conservative.

At 550c the share price is on a minimum prospective dividend yield of 6,5% That looks fair, depending on the general market trend.

SOUTH AFRICAN DEFENCE FORCE

No R 2441 28 November 1980

AMENDMENT OF REGULATIONS MADE UNDER THE ARMAMENTS DEVELOPMENT AND PRODUCTION ACT, 1968

The State President has amended the regulations made by Government Notice R 1977 of 26 October 1973 under section 9 of the Armaments Development and Production Act, 1968 (Act 57 of 1968), as follows

SUID-AFRIKAANSE WEERMAG

No R 2441 Sf 7312 28 November 1980

WYSIGING VAN REGULASIES UITGEVAARDIG KRAGTENS DIE WET OP KRYGSTUIG-ONTWIKKELING EN -VERVAARDIGING 1968

Die Staatspresident het die regulasies kragtens artikel 9 van die Wet op Krygstuigontwikkeling en -vervaardiging, 1968 (Wet 57 van 1968) uitgevaardig by Goewermentskennisgewing R 1977 op 26 Oktober 1973, soos volg gewysig

189

1. Regulation 1 is amended by—

(a) the insertion after the definition of "Act" of the following definitions:

'"Black" means a person who is a Black within the meaning of the Population Registration Act, 1950 (Act 30 of 1950);

"Chief Executive Officer" means the person responsible to the board of directors of the corporation, instituted by section 5 of the Act, for the management and control of the corporation;'

(b) deleting the definition of "Bantu";

(c) substituting the following for the definition of "coloured person":

'"coloured person" means a person who is not a White person or a Black.';

(d) deleting the definition of "non-technical personnel";

(e) deleting the definition of "supervisory personnel";

(f) deleting the definition of "technical personnel".

2. The following is substituted for regulation 2:

"Categories of employees

2. For the purposes of section 8A (1) (a) of the Act, the categories of employees employed by the corporation or a subsidiary company shall be as follows:

(a) White personnel;

(b) Coloured personnel;

(c) Black personnel:

Provided that personnel in management grades as determined from time to time by the Chief Executive Officer shall not be considered members of any of the above-mentioned categories."

3. Regulation 3 is amended by substituting the following for paragraph (2) thereof:

"(2) Every application shall be typed and shall contain—

(a) the name of the proposed employees' association;

(b) the category of employees that it purports to represent;

(c) the full names of all the members of the management committee;

(d) the name of the corporation or the subsidiary company, as the case may be, by whom each member of the proposed employees' association is employed."

4. The term "Chief Executive Officer" is substituted for "General Manager" wherever the latter occurs in the Regulations.

1. Regulasie 1 word gewysig deur—

(a) die omskrywing van "Bantoe" te skrap;

(b) die omskrywing van "gekleurde" te vervang deur die volgende:

'"gekleurde" iemand wat nie 'n Blanke of 'n Swarte is nie;'

(c) na die omskrywing van "gekleurde" die volgende omskrywings in te voeg:

'"Hoof Uitvoerende Beampte" die persoon wat aan die raad van direkteure van die korporasie soos ingestel by artikel 5 van die Wet, verantwoordelik is vir die bestuur en beheer van die korporasie;

"Swarte" 'n persoon wat 'n Swarte is binne die bedoeling van die Bevolkingsregistrasiewet, 1950 (Wet 30 van 1950).';

(d) die omskrywing van "nie-tegniese personeel" te skrap;

(e) die omskrywing van "tegniese personeel" te skrap;

(f) die omskrywing van "toesighoudende personeel" te skrap.

2. Regulasie 2 word deur die volgende vervang:

"Kategorieë van werknemers

2. Vir die doeleindes van artikel 8A (1) (a) van die Wet is die kategorieë van werknemers wat by die korporasie of 'n filiaalmaatskappy in diens is, soos volg:

(a) Blanke werknemers;

(b) Gekleurde werknemers;

(c) Swart werknemers:

Met dien verstande dat personeel in bestuursrange soos van tyd tot tyd deur die Hoof Uitvoerende Beampte bepaal, nie geag sal word lede van enige van bogenoemde kategorieë te wees nie."

3. Regulasie 3 word gewysig deur paragraaf (2) daarvan deur die volgende te vervang:

"(2) Elke aansoek moet in getikte vorm wees en die volgende vermeld:

(a) die naam van die voorgestelde werknemersvereniging;

(b) die kategorie werknemers wat dit heet te verteenwoordig;

(c) die volle name van die lede van die bestuurskomitee; en

(d) die naam van die korporasie of die filiaalmaatskappy, na gelang van die geval, waar elke lid van die voorgestelde werknemersvereniging werksaam is."

4. Die term "Hoofbestuurder" word vervang deur "Hoof Uitvoerende Beampte" waar eersgenoemde ook al in die Regulasies voorkom.

DEPARTMENT OF TRANSPORT

No. R. 2422 28 November 1980

AMENDMENTS TO THE LIFE-SAVING EQUIPMENT REGULATIONS, 1968

The Minister of Transport Affairs has, in terms of section 356 of the Merchant Shipping Act, 1951 (Act 57 of 1951), made the regulations in the Schedule hereto.

DEPARTEMENT VAN VERVOER

No. R. 2422 28 November 1980

WYSIGING VAN DIE REGULASIES BETREFFENDE REDDINGSUITRUSTING, 1968

Die Minister van Vervoerwese het kragtens artikel 356 van die Handelskeepvaartwet, 1951 (Wet 57 van 1951), die regulasies in die Bylae hierby uitgevaardig.

800 on strike refuse to quit factory

RDM
29/4/80

(184)

(152)

By STEVEN FRIEDMAN
Labour Reporter

ABOUT 800 workers at the Raleigh Cycle plant at Springs have downed tools in protest against the dismissal of two of their colleagues

Late yesterday the Engineering and Allied Workers' Union said the workers had been fired but were refusing to leave the premises because they still regarded themselves as employees

The union's general secretary, Mr Calvin Nkabinde, said yesterday that he had offered to negotiate but that management had not taken up his offer

He said management appeared to be attempting to resolve the dispute by holding meetings with officials of either the Department of Manpower Utilisation or the industry's industrial council

Company comment could not be obtained yesterday

According to Mr Nkabinde the stoppage was sparked on Thursday by the dismissal of two workers for fighting

Yesterday Raleigh told workers that those who wished to work could, but that those who refused should leave, Mr Nkabinde said

"Workers said that they wanted to work but that they would not until the two were reinstated They refused to leave because they did not regard themselves as dismissed"

Training manual available

NM 26/11/88 (189)

Mercury Correspondent

JOHANNESBURG—A unique 300-volume compendium of training manuals for engineering workers, drawn up by the Engineering Industry Training Board (EITB) of Britain, has become available to South African engineering firms wishing to upgrade the skills of their workers.

The manuals are clearly illustrated and simply phrased, says the director of the EITB, Mr Joe Moon, and this made them ideal for the training and upgrading of black operators in South Africa

The books cover all branches of engineering and take trainees, on a specially designed modular basis, from an extremely basic school-leaving level to craftsman and finally to the more advanced technician's level They lay heavy emphasis on safety

According to Mr Moon, these manuals transformed engineering training in the UK and enabled the apprenticeship system to be scrapped

The EITB, which designed and produced the manuals, was set up under statute by the British Government, educationists and employers and trades unions in the engineering industry, still Britain's biggest industry

Its manuals, produced by a staff of 800, including 450 professional engineers, have been sold in 30 countries, including countries as advanced in engineering as West Germany and the US

Sole distributor of the manuals in South Africa is BD Consulting of Johannesburg, who have a full-time expert to help companies to design tailor-made training programmes and select the appropriate books

STAR 2/12/80

189

White machine workers strike

152 184 177

White machine workers have gone on strike at Pellew and Co, in Selby, Johannesburg

A spokesman for the 15 striking workers said this morning that they had laid down their tools yesterday to protest at "being forced to teach blacks to take over from us"

The strikers, he said, decided to stop work when management "would not listen to our grievances"

700 seek jobs back

STAR 3/12/80

The unregistered Engineering and Allied Workers Union is to seek an urgent court order requiring the reinstatement of 800 workers dismissed from Raleigh Cycles in Springs last week.

The workers were sacked on Friday following a dispute over the alleged summary dismissal of two colleagues for fighting on the job.

THE ARGUS, WEDNESDAY DECEMBER 3 1930

3/12/80

Argus

Slowdown seen in food, clothing, wine production

184 184 182

THREE key manufacturing industries in the Western Cape — food, clothing and wine — are showing signs of slowing down after a year of one of the best growth performances in the country's economic history.

This is one of the conclusions of Trends, the quarterly statistical analysis by the Stellenbosch Bureau for Economic Research

In consumer goods manufacture, a disquieting trend to stagnate is shown in food production, says Mr Willem Roets, compiler of Trends

Clothing production is slackening off at a record high level, while liquor production in growth terms is definitely slowing down

FINANCE

Metal products are recording their best growth performance, textiles are faltering slightly but machinery production has shown no growth this year

Clothing and textiles are probably encountering problems in expansion on the export markets, partly due to recessionary conditions overseas and worsening terms of trade for overseas buyers as a result of the increasing strength of the rand

Food exports, particularly canned fruit and vegetables, were hit by the appreciation of the rand and increasing competition from South American countries

'Trends in liquor consumption are gradually being influenced by changing social precepts associated with improving standards of living of the lower and middle income groups

'These changes seem to favour beer in preference to both wine and brandy'

Under the Act, labour control boards have been appointed: these have supervised the abolition of the labour tenant system and have also made determinations requiring individual farmers to reduce the size of their labour force. This Act is also the Act under which 'homeland consolidation' takes place. 'Badly situated' African owned land has been expropriated - Africans owning at least 20 morgen (17 hectares) have been entitled to a similar area of land in trust areas; those with less have received cash compensation. Removals of labour tenants and squatters and people from 'black spots' under the homeland consolidation

pr ... 1970's.

Union delegates will probe SA's labour policies

16/12/80 STAR

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By Drew Forrest

A 12-man team representing the world's largest trade union federation arrives in South Africa this week on a mission with far reaching implications for the local labour movement and the country as a whole.

German Swedish, British and American delegates of the International Metal Federation — whose affiliates represent about 13 million workers worldwide — will spend eight days probing labour policies and practices in South Africa.

From the beginning of next week they will test worker, management and trade union opinion in Johannesburg and Port Elizabeth on a wide range of issues, among them the State's new labour deal, according to union sources.

An interview with the Minister of Manpower Utilisation, Mr Fanie Botha, has also been arranged, sources say.

The delegation's report which will be submitted to the IMF central committee at its next triannual meeting in May next year, could have a crucial impact on South Africa's economic and labour future.

According to sources an unfavourable report could mean the expulsion of certain local trade unions from the IMF, thus intensifying South Africa's estrangement from the international labour movement.

It could also lead the IMF to throw its considerable weight behind international calls for economic sanctions against South Africa.

So far the federation's central committee has resisted powerful pressures for support of sanctions and disinvestment saying it wishes to foster the development of a strong South African labour movement.

Also under scrutiny will be the friction between [illegible] and unregistered unions in the [illegible]

The Armscor giant

Last month marked the third anniversary of the UN arms embargo against SA that the SA Defence Force (SADF) is better equipped than ever before. And in a few short years the local armaments industry has grown into a giant which now employs nearly 90 000 people.

Fourteen years ago Armscor, the supplier to the SADF, spent R30m on armaments, of which 70% were bought overseas. This year it will spend R1 600m, of which 74% will come from SA.

The embargo reduced armaments supplies from overseas (*Business* November 11) and sped up the drive towards local self-sufficiency. There were at first many technical teething problems but most have now been overcome. As Armscor chairman Commandant Pieter Marais puts it: "Initially we underestimated the costs of getting into local production and most of our contractors made losses, but now you can set your watch by the armoured cars which come off the production line every few hours."

Most of SADF's armaments are supplied by 800 local contractors and subcontractors in the private sector. Armscor's policy is to buy from existing companies which already have the manufacturing facilities, but it has had to set up its own companies where these facilities did not exist.

Segregation and integration

Armscor itself now employs 25 000 and controls eight manufacturing subsidiaries. Some 45% of its staff are blacks who enjoy equal pay and advancement opportunities. Although canteens and toilets are segregated, the shop floors are integrated.

The Armscor subsidiaries are: Atlas Aircraft Corporation, which manufactures and maintains military aircraft; Lyttleton Engineering Works, which produces rifles and guns; Kentron, which produces missiles, missile systems, gun sights and periscopes; Naschem, which fills and assembles large calibre ammunition; Pretoria Metal Pressings, which produces rapid-fire and small-arms ammunition; Somchem, which produces propellants, explosives, rocket propellant systems and rockets; Swartklip Products, which produces hand grenades, pyrotechnical items and ammunition for commercial consumption; and Musgrave, which produces high precision commercial and hunting and target rifles.

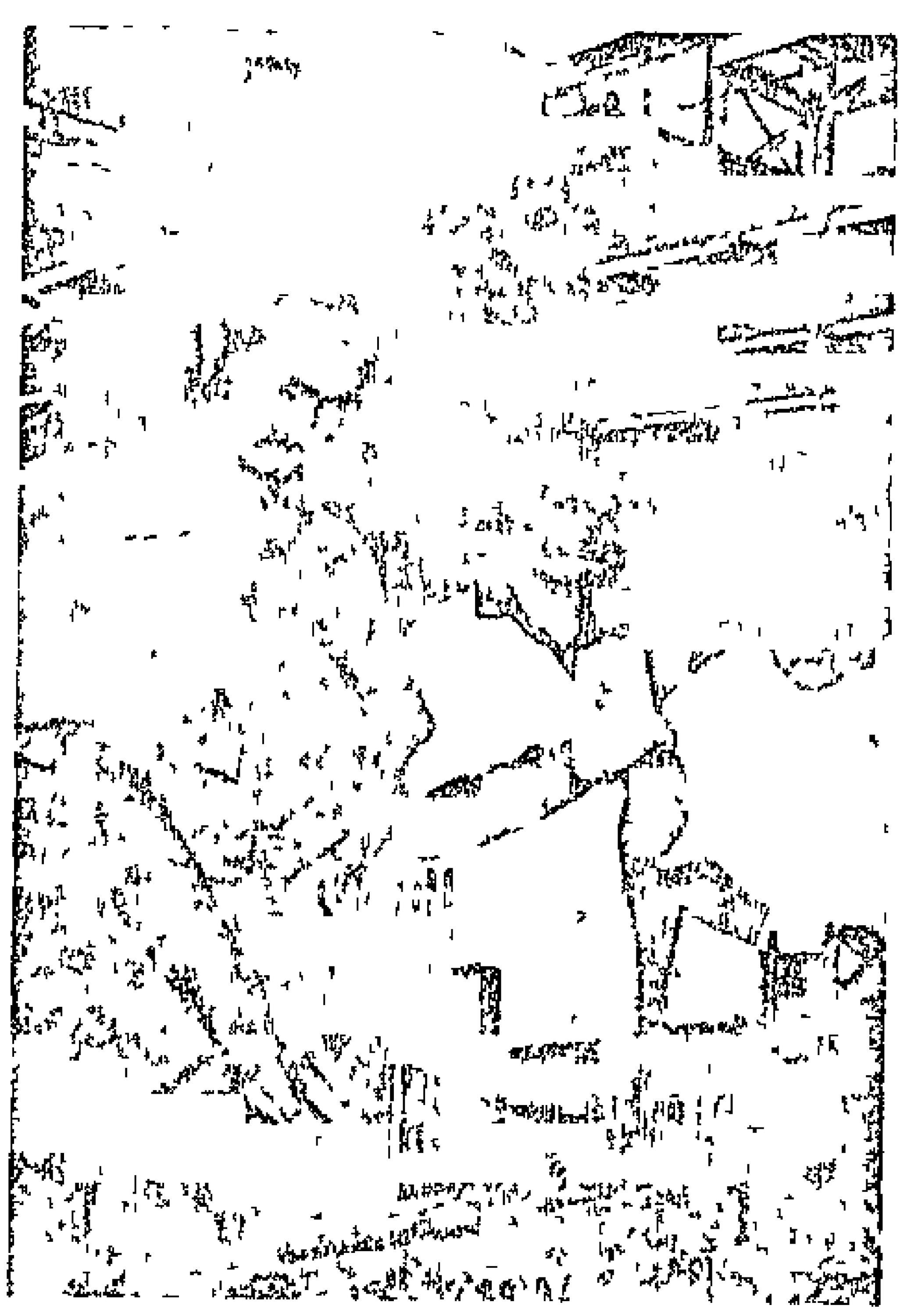
Armscor's expansion is near its end. Says Marais: "For we have achieved our first objective, which was to supply from local sources the needs of the SADF. All our weapons and ammunition and 95% of the equipment used by our ground forces are now locally made."

Most items still imported by Armscor are one-off items or high technology components. These are presumably obtained more easily and cheaply through the international arms black market than through local manufacture.

Says Marais: "We are now working on our second objective; this is to establish a research and development capability which will keep us ahead of the world in waging a local war."

The production of super-sophisticated military equipment has demanded new techniques and technologies which are already benefiting the non-military manufacturing sector.

The most important of these, according



Armscor shop floors integrated

to Marais, is quality assurance engineering. With this technique the job of production workers is designed to include checks which allow mistakes to be rectified as the work progresses. This replaces the conventional practice of inspecting the product after it has been finally finished and scrapping it if it does not meet specifications.

As one Armscor executive puts it: "Our workers need surveillance only on whether they are doing the job correctly, not a checking of the products they make. They have to be trained to a higher level of expertise for their greater responsibilities, which means that they earn more and get better job satisfaction."

Training workers

It is claimed that this technique saves money, as the costs of planning the production jobs and training the workers to do the job correctly in the first place is less than the costs of scrapping expensive items which are found to be defective after being made. This is particularly important for low production runs and one-off items, and the technique is used in the US space programme where perfect functioning of each part of the finished product is aimed at.

Armscor's most dramatic boost to local manufacturing capability has been in micro-electronics. Armscor contracts for communications equipment, missile guidance systems, radar and mini computers have been behind the establishment of most micro-electronic manufacturers in SA. All of the SADF's new radio equipment has been designed and made in SA.

Research and development in SA has traditionally been a neglected area as it has always been cheaper to import new technology. But Armscor's objective to stay ahead on R&D is changing this. Local companies have already produced items such as the Ratel armoured car which has a suspension and gearbox designed and made in SA for local conditions.

Steel-making has also benefited from Armscor orders, and as a result of Iscor's steps to produce vacuum-cast armour and barrel steel it can now produce a range of tool steels which previously had to be imported.

Code Details No. of Tuts

KEY TO COSTING TUTORIALS

following their callings to mission work.

Some of the background to this interest can be seen in the remarkable library of Sir George Grey, Governor of the Cape Colony from 1850 to 1865, and previously Governor of New Zealand. He amassed a very large collection of the publications and manuscripts that were produced over most of sub-Saharan Africa and from Borneo, Papua, Australia, Tasmania, New Zealand and the Pacific Islands as far as Hawaii, as well. This library, now a part of the South African Library in Cape Town, reveals a tremendous surge of writing on African linguistics and ethnology in the period 1820 to 1850. This burgeoning store of information allowed for the possibility of a modern anthropological perspective based on fieldwork. Linguistic studies, from 1850-1890, in particular, laid the foundations for linguistic competence of later missionaries. They could learn the languages of their "people" more efficiently and have time left over for ethnological field work and writing. This earlier mission output helped, too, to create a market for information about Africa since it whetted interest and, perhaps more importantly, began to accumulate in public and private libraries. Because of this, they began to develop their section on "Africana". A bibliographical tradition was born.

These libraries that preceded the rise of the ethnographic monograph also contributed the vocabulary that the ethnographic monograph eventually employed to organize its material. The discovery of native terms like mana, totem, hau (the spirit of the gift) and taboo, and their wide usage in ethnological and many other types of literature, has been well documented and discussed (e.g. Henson, 1974: 30). These terms were borrowed into European languages to express efficiently what European languages had no words to express, but their meanings were distorted in order to answer European moral questions, as in Freud's Totem and Taboo. This, in turn, distorted the course of anthropology when they were used as catchalls by such theory ... J.G. Frazer.

Another use of ... directly from missionary texts that recorded hitherto ... was the coining of words to name and classify the var... ople with which ethnography purported to deal. Thus "t... name for a conquered congeries of linguistically di... turalists, iron-smiths, pastoralists, fisher-folk an... l under the rapidly growing military kingdom of ... was true of the "Zulu", the "Thonga", and so on. O... he coining of the terms Bantu that came eventually ... sly, an imagined "race",

-a-

Otis results

There is very little change in Otis Elevator's profits for the year to November when compared with last year

Pre-tax income rose a meagre R32 000 to R8-million, and a reduction in the tax rate from 41,5 to 39,9 percent left distributable income at 3 percent higher at R4,9m

Earnings 0,9c higher at 28,7c a share out of which a final dividend of 20c has been declared giving an unchanged total distribution of 40c a share — Jean Moon

Amicable merger

(84)

Star 1/11/82

By Jean Moon

The Reunert and Lenz-Barlow Rand link-up has been perhaps one of the most amicable, and mutually beneficial mergers for some time

The Reunert shareholders approved the necessary resolutions to enable it to proceed with

- Constituting the Barlow Rand Limited sub-group of companies as subsidiaries of Reunert and Lenz,
- Issuing 3,75m Reunert ordinary shares to Barlows,
- Effecting the capital redemption of 167c to shareholders in Reunert

Shareholders will receive their capital redemption cheques just after Christmas The registration books will be closed from December 12 to 19 to determine which shareholders are eligible for the redemption.

High hopes for surge in civil engineering

STAR 12/12/80

189

By Frank Jeans

While activity in the civil engineering industry has not matched the boom conditions of the building industry, there are high hopes that 1981 will see a big surge as a result of the expansion of infrastructure in industry.

With current work on hand, as well as a steady turnover level during 1980, contractors generally are optimistic about future prospects

And one strong indicator of the sustained improvement throughout the construction industry in South Africa is the employment position.

Civil engineering workforce over the past year rose by about 15 percent and now stands at a total of 110 000 employees which collectively earned R350-million in 1980

Reporting on the past year and prospects for the new year, the South African Federation of Civil Engineering Contractors says that while output was still below the peak recorded in 1975-76, the overall level of activity is satisfactory to good.

Turnover during the third quarter of the year was R450-million, and though, in view of the start of the close-down this month, output in the final quarter is likely to fall back.

However, the industry's total turnover for 1980 is expected to be about R1 700-million compared with about R1 325-million in 1979

"Much of this increase," says Safcec, "is due to cost inflation, and in real terms, output in 1980 has improved by about 15 percent

"A healthy sign of the upturn this year has been the rise in the number of small and medium-size jobs, for instance, in the field of township development, which have come out to tender and which are of particular interest to the smaller contractor"

But it is in the Transvaal that the focal point of strong activity is being experienced, with just over half of all civil engineering construction in the country being undertaken in the province.

'Acute' shortage of black engineers

C.A. 12/6/80

Chief Reporter

STATISTICS reflecting the "pitifully small" proportion of black and coloured civil engineers in South Africa have been highlighted by a Cape Town member of the SA Institution of Civil Engineers, Mr Kevin Wall, who has called for the removal of all barriers to training in the engineering and allied fields

The Minister of Manpower Utilization, Mr S P Botha, this week drew attention to the acute shortage of engineers generally and particularly to the shortage of black and coloured engineers

Mr Wall, who is chief engineer (planning) in the Cape Town City Engineer's Department, says in a paper published in the official journal of the SAICE

Reverse discrimination required

"Increased trained participation by coloured persons — and Asian and black persons for that matter — in technical aspects of national development is essential to the long-term prosperity and stability of the national economy

"An increased number of coloured graduates in engineering and other construction-related disciplines in particular is required

"There are many statistical indicators of the lack of trained coloureds For example, over the past 10 years only 0,7 percent of civil engineering graduates of Southern African universities were coloured "

Mr Wall says the removal of negative legislative restrictions, where they exist, is not enough to rectify the situation

"Positive forms of support, to the extent of reverse discrimination, are required. These should take the following forms

- Financial support by employers and other interested bodies,
- Removal of the barriers inherent in the educational system,
- Measures to increase the knowledge among coloured people of an engineering career and to increase the incentive to them to choose this career

Motivate the authorities

"The recommendations include the need to motivate all the enabling authorities, particularly the central government The professional institutions are well placed to initiate these moves "

Mr Wall points out in his paper that six South African universities offer complete courses in civil engineering. Two of these — Pretoria and Stellenbosch — do not admit students who are not white

Statistics taken over the past 11 years for the other four universities — Cape Town, Durban-Westville, Natal and Witwatersrand — show, he says, that the relative proportions of the races among students who graduated in civil engineering were

White, 98,5 percent, coloured 0,7 percent, Asian 0,7 percent and black 0,1 percent

"The planning profession provides similar statistics Of 96 recipients of the master's degree in planning from the University of Cape Town between 1968 and 1978, only one — a coloured — was not white " that the proportion of people making a living from agriculture had dropped, probably considerably, since 1960.

TABLE 8: NATIONAL ACCOUNTS OF THE HOMELANDS, 1960/1, 1970, 1976

Steelworks 'driving family mad' woman tells Court

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13/12/80

Judge asked to stop 'continuous' noise from factory

Court Reporter

A UMBILO housewife yesterday claimed in papers before a Durban judge that noise from a nearby engineering steelwork was a threat to the mental and physical health of her family.

Her affidavit was one from people who since have complained to the City Council since early last year about conditions in Alpha Road because of the operations of Tracom Construction (Pty) Ltd which also trades as Prospect Engineering.

Yesterday an application brought by the Durban City Council before Mr Justice Milne for an order against the company was adjourned to February 22.

The Court was told by company director Mr David Eric Jehring, and provisional judicial manager, Mr John Stanley Evans, that not enough time had been available to prepare adequate response to the application.

Mr Evans said he intended opposing it because the relief sought would affect the company's continued existence and would have a drastic effect on its staff and creditors.

Mrs Natalie Becker said it was impossible for her family to sleep because of the factory's noisy operations which on occasions continued throughout the night. The factory also worked at weekends and on public holidays.

She said there was loud whining and grating which caused anxiety, tension, irritability and violent frustration.

Durban's Town Clerk, Mr Gordon Haygarth submitted that since early in 1979 there had been numerous complaints about the volume of noise from sheet metal work outside the building and in the street.

In June that year the company had agreed to cease its daily activities at 6pm but from complaints since received from residents it had apparently not adhered to this for long.

He said the premises occupied by the engineering works were in an area zoned for general industrial use but bordered on an area zoned for special residential purposes.

In his submission the use of the property in the manner reflected in the affidavits constituted a health hazard to the people living in the area.

Mr V V Hurt instructed by Shepstone and Wylie appeared for the Council.

	%	1976	%
409	25	258 711	26
339	28	278 272	28
157	47	460 927	46
405	100	997 910	100
881		864 525	
324		1 342 304	
374		- 124 538	
236		3 080 201	
68,9		71,6	
53		68	
133		187	

Dept. of Statistics
immigration to the
tes after 1970, the

nds have been rising in the 1960's and 1970's, real GNP per capita having risen faster than real GDP per capita reflecting the increasing

BLACK UNIONISTS CALL FOR EXPULSION AS METAL INDUSTRY REACHES BOILING POINT

GET 'EM OUT!

S Tribune 14/12/80

LONG - SIMMERING differences between South African trade unions in the metal industry reached boiling point this week when black unionists demanded the expulsion of certain predominantly white unions from membership of the 40 million-strong Geneva - based International Metal workers Federation.

The demand was made to a nine-man IMF delegation who visited South Africa this week specifically to probe the effects and political consequences of the new labour dispensation, and who flew home today after urging trade unions to resolve their differences and to merge in order to make a "meaningful contribution to the whole South African debate".

The delegation also called on employers to work with trade unions to improve the social climate in South Africa and to ensure legislation in the next session of Parliament meets with recommendations of the Wiehahn Commission which the IMF is reported to "endorse absolutely."

By MAUREEN GRIFFIN

It was in meetings with the IMF's 11 South African affiliate unions, consisting of about 85 000 members, that unions belonging to the predominantly-black Federation of South African Trade Unions voiced irreconcilable differences with unions in the mainly white and coloured Confederation of Metal and Building Unions

According to a union official who does not wish to be named, the main grievance against some of the IMF's South African affiliates is that they are racialistic because they have formed parallel unions for members of other races instead of integrating, or they are registered only as white unions

"The IMF policy is one of non-racialism and equal opportunity for all workers In our opinion these unions are not toeing the line

"We have tried in vain for years to establish some basis of co-operation with these unions are not toe- can never be co-operation between paternalistic white unions that are no better than benefit societies for well-paid, privileged workers who have never been in conflict with management, and black unions based on the shop floor, always in confrontation situations with management, fighting for the rights of black workers

"We told the IMF delegation this week that we can't be affiliated to an organisation which also has racialistic unions as affiliates If they are not expelled, our membership will have to take a decision whether we want to continue our affiliation with the IMF"

Approached for comment, spokesman for the delegation Werner Thoennessen said "We are here to look into the effects of the new labour dispensation, and particularly the organisational and political consequences

"Members of the delegation have agreed that all our opinions, assessments and conclusions will have to be formulated once the visit is over Therefore we will not comment on anything resulting from the visit."

Unity

But Ben Nicholson, general secretary of the South African Electrical Workers Association and director of the newly-formed Federation of Electrical Trade Unions of South Africa — consisting of a white, coloured and black union — told the Sunday Tribune this week

"The leader of the delegation assured me it was not IMF policy to talk about expulsions but rather to bring unity to the movement

"Although the delegation believes unions must integrate, and although there were different factions within the delegation, members of it expressed understanding of the federation of union of different races as a step in the right direction

"They have also recognised there was a need at one stage for separate unions, and some have expressed understanding of why parallel unions were started"

He predicted the delegation would have difficulty in writing a report on the visit that would find agreement with all shades of opinion within the delegation

"They did however, agree there should be a merger of trade unions with similar interests and in the general context, a merger of all unions.

"They believe it is in the interest of workers in general and the country as a whole that there should be as limited a number of trade unions as possible"

Tubby Faure, national chairman of the all-white Amalgamated Engineering Union of South Africa, responded angrily to the accusation of racialism

"We have never turned our back at any time on any worker who needs help, irrespective of his colour He doesn't have to belong to the union to get assistance

"I am not prepared to be dictated to and I don't like dictators To accuse us of not toeing the line sounds like dictatorship"

Steve Scheepers, general secretary of the Radio TV Electronic Allied Workers Union in Johannesburg said "Ours is a coloured union with a parallel union for African members

"But we expect to integrate in January At the moment we have to get permission from the Minister to do so, and as yet we have not applied for such permission. However when unions become fully autonomous next year, we will naturally integrate"

Archie Poole, general secretary of both the Engineering Industrial Workers Union of South Africa (coloured) and the National Union of Engineering Industrial and Allied Workers (African) said the two unions would possibly merge next year

"We are putting out feelers to discover how members feel"

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New handling contracts

S TIMES BUS 14/12/80

By Andrew McNulty

THE UK-based bulk mechanical handling specialist, Strachan & Henshaw, which established a South African operation in July last year, has been awarded new contracts from Escom and Iscor worth R3,5-million

The group has been represented locally for about 30 years and has supplied materials-handling equipment for the Richards Bay coal terminal, Saldanha ore terminal and port facilities at Durban and Richards Bay

John Kuzmanich, general manager, says these contracts have raised turnover since inception of the local company to more than R5-million

"We supplied the bulk of the coal tipplers for Richards Bay phase 2 Turnover will rise substantially if our tenders for phase 3 are successful"

Highveld Steel to expand

S. TIMES B. (189) 14/12/80

By Vera Beljakova

A R110-million plan has been approved by Highveld Steel to expand its iron-making capacity at the corporation's Witbank works.

The plan includes the building of the first furnace in a second iron plant and three pre-reduction kilns, as well as the necessary raw materials handling and storage facilities. Minor works will be undertaken at Mapochs mine.

The predicted commissioning of the furnace and kilns in 1983 will take steel capacity from the present 900 000 tons a year to 1,1-million tons, creating a further 400 jobs.

Cut Steel's R16-m expansion

By John Spira (189) S. Times B. 24/12/80

CUT Steel & Metal Co, a member of the Lenning Group, is in the throes of a R16-million expansion and modernisation programme.

Between 1978 and 1981, the company will have spent nearly R12-million on new plant and equipment and R4-million on property and factory development

Once the programme is completed, the company will be in a position to supply an extensive range of industrial fasteners, high-tensile and precision bolts and nuts, building fasteners and washers

Managing director Dennis Crutchley tells Business Times that the R16-million programme will consolidate the position of Cut Steel & Metal in the fastener field

About 2 500 tons of steel a month is converted at the company's Rustenburg, Boksburg and Wadeville factories. Now, a 10ha site in Wadeville has been acquired to allow for further expansion.

Nine companies investigate the feasibility of exploiting — the Palabora dumps — at a capital cost of R400-m

S. Times Bus. 14/12/80 (189)

'Plasma' process could double SA iron exports

A MAJOR technological advance has raised hopes of a massive lift of as much as 100% in South Africa's iron exports — already earning the country about R230-million annually.

By Andrew McNulty

The additional earnings could top R45-million by the mid-1980s — and far more later — if the increased exports programme is combined with beneficiation of the iron ore into ingots before shipment.

The new metallurgical extraction technology, based on the so-called plasma process, could also be applied to the extraction of other metals like platinum, in which it would similarly greatly reduce capital and operating costs.

"Plasma" is already being used in a large-scale, 60 000-ton-a-year plant in Sweden, only one step away from a truly commercial operation

It is also to be used in pilot operations by South Africa's National Institute of Metallurgy, working in close association with local and overseas mining and metal interests

The most obvious candidates for exploitation of the new process on a commercial scale in SA include the 120-million-ton dumps at Palabora copper mine in the Eastern Transvaal, plus some of Iscor's vast iron-ore deposits.

Palabora (PMC) terminated a 10-year contract in 1978 to export a million tons a year of magnesite to Japan because rising freight costs and falling market demand had eroded profitability.

Alastair MacMillan, chairman of PMC, told Business Times: "There is nothing on the go at the moment and nobody has brought any firm proposals to us recently."

However, it is known that at least nine companies have investigated a possible major project in recent months

Four have prepared detailed feasibility plans.

Exploitation of the dumps would require an initial 250 000-tons-a-year plant producing crude steel with a capital cost of about R400-million.

Some are considering a plant of more than a million tons, costing at least R1 000-million

A highly authoritative source believes that this could be one of South Africa's next big minerals ventures of the 1980s, and is hopeful that a decision will be taken during 1981

Iron in the form of magnetite contained in Palabora's 120-million tons of dump material could be recovered at a grade of about 66% without difficulty

As the material is already on the surface mining costs would be nil.

Titanium would have to be removed but the plasma technique would solve this.

A Minerals Bureau spokesman says "There is no doubt that this is a viable project The big question is whether market demand will justify anybody venturing capital of his size

"Secondly, the dumps would have to be shown to have an advantage over other iron-ore sources in South Africa."

Dr. Nick Barber, of the National Institute for Metallurgy, says the plasma process, which uses gases at intense temperatures and does not require coking coal in steelmaking, will cut capital costs of a conventional process by 30% and energy costs by 20%.

Quincor takeover of Hendler in air

(189) 15/6/80 STAR

Shareholders in Quincor (formerly Empisal and now a cash shell) will be asked to agree to the takeover of Hendler and Hendler Holdings makers of pots pans, galvanised products, stainless steel and office furniture, writes **Jean Moon**

Quincor currently has assets amounting to some R1,8m and the deal will cost it R18m This will be financed by the issue and allotment of 1,6m Quincor ordinary shares of 50c each and a cash payment of R16m The cash will come from existing resources, the private placing of 6m variable rate cumulative redeemable preference shares and a rights offer which will raise R8,7m

In the rights offer ordinary shareholders will be offered 8,3m shares in the ratio of two for one or 10c dividend convertible cumulative preference shares of 50c each, or a combination of the two The rights offer is to be underwritten by Central Merchant Bank Controlling shareholders have undertaken to follow their rights

The deal is to be backdated to May 25, 1980 Quincor's after tax profits for the year to May 27, 1981 will be at least R4m, but until the outcome and mix of the rights offer is known the net asset value and earnings a share are indeterminable

S/BR
15/12/80

Ferro-alloy output decreases

189

~~210~~

Output of ferro-alloys by South African producers fell 2,6 percent in the 10-month period to October, compared with the same period last year

The Steel and Engineering Industries Federation said in its latest newsletter that steel mills' output for the same period showed an increase of 2,2 percent.

Private sector foundry output showed a marginal improvement of 0,2 percent for steel castings, gains of 11 percent for iron castings and an increase of 50,6 percent for non-ferrous castings.

RDM 15/12/80

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Quincor pays R18m for Hendlers

BY GAIL PEMBERTON

QUINCOR, with assets of R1 800 000, has bought Hendlers Metal Industries for R18-million

Hendlers will become a wholly owned subsidiary of Quincor The deal has been backdated to May 25,1980

Formerly Empisal, the small cash shell Quincor, owned by Mr Hymie Meyerson, has finally made a major investment Quincor is expected to earn about R4-million for the year to May 1981, equivalent to 31,7c a share

Hendlers was listed on the Johannesburg Stock Exchange until March 1978 when the Hendler family bought out the 41% minority shareholding for 250c a share At that time there was an outcry Shareholders believed they were getting a rough deal as net asset value was more than double the offer price Nevertheless the deal went through, and Hendlers once again became a family-controlled private company

Hendlers makes pots and pans, galvanised products, enamelware, stainless steel and office furniture

Although Quincor's management could not be drawn on Hendlers profit record since delisting, it is apparently satisfactory, as shown by the expected profit projection for the top company Quincor

Hendlers management will continue to run the company

Consideration will be met by the issue of 1 600 000 Quincor shares, and R16-million in cash

Quincor will raise this by using its own cash resources of R1 800 000, and by a rights issue realising R8 700 000 Major shareholder Mr J Meyerson will take up his 50% entitlement The rights issue will be underwritten by merchant bank Senbank

The remainder of the consideration will be met by the issue of R6-million convertible redeemable preference shares

COMMENT Now that Quincor has made its first major acquisition it begins to look a more interesting proposition for shareholders. On prospective earnings of 31,7c a share, Quincor yields 23,8% at the current price of 133c Management has not said what dividend cover will be, but shareholders should be able to expect some recompense for their patience

Quincor will be relisted on the JSE under industrial holdings, and the group will continue to look for attractive industrial interests

STAR 15/12/80

Electrical workers on strike

(189)

About 300 morning-shift workers at the Siemens plant in Rosslyn, Pretoria, downed tools today in support of a wage demand.

A source at the factory said the entire morning shift walked off the job after management had refused a demand for a R1-an-hour across-the-board increase The demand had been posted on the company notice board a fortnight ago, he said, but management had not responded to it.

Mr Ben Nicholson, president of the Electrical and Allied Workers' Union of South Africa, denied there had been prior notice of the demand

Most of the 800 workers at the plant are believed to be members of the union

He said he saw the dispute as being a case of "epidemic unrest," since the union had established a good working relationship with management at the factory, This is the third strike to hit industry in Pretoria in the past month

Mr Nicholson said the secretary of the EAWU, Mr Raymond Khoza, had gone to the factory to determine the exact cause of the dispute

Star

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16/12/80

Metal men may delay tough line

By Drew Forrest

The powerful International Metal Federation was likely to give South Africa more time before taking "drastic action" against its affiliated unions or the country as a whole, the general secretary of the SA Boilermakers' Society Mr A J "Ike" van der Walt said today.

A nine-man team from the IMF — whose affiliates represent some 13-million workers worldwide — has just completed a week-long probe into the current South African labour scene.

Mr van der Watt added that the report, which will be submitted to the federation's central committee next year, was likely to be "fairly positive" and "objective"

PRESSURE

Other sources say the recommendations contained in this report are certain to be influenced strongly by the provisions of South Africa's forthcoming labour legislation.

The IMF is known to be under international pressure to support sanctions against this country.

Major concerns of the delegates were threatened State controls over foreign funds for local unions and industrial relations training, the sources said

The delegates had stressed that of 70 countries where the IMF had affiliates, South Africa was the only one to restrict funds from overseas bodies.

The delegates also probed the labour policies of its South African affiliates, and it is believed that some local unions may be expelled from the federation

A number of unions had come under "heavy pressure," the sources said, in particular those which have recently encouraged the formation of "parallel," racially exclusive worker bodies.

The delegates had made it clear that the local co-ordinating council of the IMF, which collapsed this year after prolonged friction between registered and unregistered unions in the metal industry, could not be resurrected in its present form.

They acknowledged that differences between the unions were too deep for effective co-operation, the sources said

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NOTES

1. 'South Africa' includes Transkei, Bophuthatswana and Venda, otherwise stated.
2. Following the sustained public discussion of unemployment in 1976 the Department of Statistics started (from October 77) a Current Population Survey of Africans (and 'Coloureds'). Its object is to obtain current short-term information on the structure of the economically active African population, particularly as regards the unemployed. It does this by collecting i[...] sample of nearly 10 000 dwellings (in [...]r practical reasons) ... selected after strat[...]s of geographical area and national [...]l News Release, p 27.3 of 14 May 1980.
3. For a detailed accou[...]tion of the labour bureau system see Mo[...]
4. The terms are Profess[...]s.
5. For [...] Bromberger (1978).
6. Gove[...]VIII 24.
7. R120[...]
8. R120[...]

FIGURE 1: DISTRIBU AFRICANS 1976

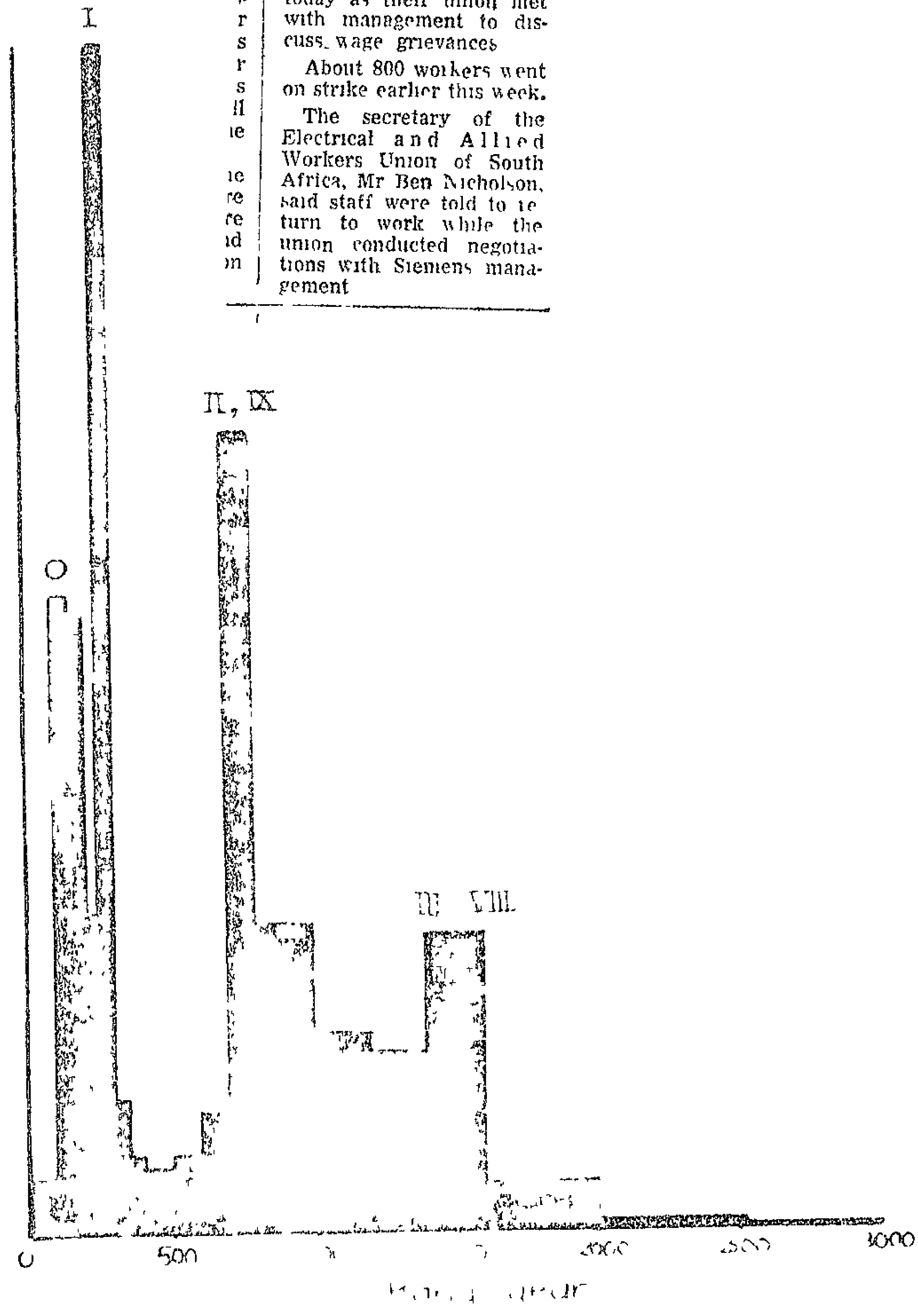
Workers go back

Labour Reporter

Striking workers at the Siemens plant in Rosslyn, Pretoria, returned to work today as their union met with management to discuss wage grievances

About 800 workers went on strike earlier this week.

The secretary of the Electrical and Allied Workers Union of South Africa, Mr Ben Nicholson, said staff were told to return to work while the union conducted negotiations with Siemens management



Source: Simkins, 1979b Figure 2.

Figure 1 is a histogram representing transfer incomes and earnings of Africans. Leaving aside the transfer earnings (pensions, unemployment insurance, maintenance and disability

Siemens strikers go back

Star

18/12/80

184

Eight hundred workers at the strike hit Siemens plant in Rosslyn, Pretoria returned to work yesterday as their union prepared to enter wage talks with management

The workers walked out on Monday after management had refused a demand for an across the-board increase of R1 an hour

However the secretary of the Electrical and Allied Workers' Union of South Africa, Mr Ben Nicholson said the workers had dropped their original demand, and had left negotiation to union officials

Talks would start tomorrow, he said

No workers had been dismissed, Mr Nicholson said The company had offered to pay those willing to return for the period they had been on strike

Local content plan raises fears of inflation

FM 19/12/80

STAR

153 144

189

Farming Correspondent

Tractor price increases of about 40 percent will push food prices up again.

The changeover from using imported tractor engines to locally made diesel engines, the result of an agreement between tractor manufacturers and the Government to use only South African-built Atlantis engines from the middle of 1981, will be responsible for price increases of about 25 percent, an executive of a large Nigel factory said today

And expected rises in the prices of items such as steel would take the total increase up to about 40 percent in the New Year, he said.

As the new diesel engine will also be fitted to trucks, all agricultural transport costs would be badly affected

According to spokesmen for various agricultural control boards, farm costs were rising more steeply than average consumer prices

Hefty rises in food prices were therefore inevitable, said the spokesman

A top agricultural economist commented that the Government's policy of not subsidising farm costs was doomed to failure

The State, not the consumer, should carry the burden of the strategically - motivated changeover to the South African manufactered Atlantis diesel engine, he said

If the consumer was to foot all cost rise bills, he said, less well-off consumers would be hit hardest

Inflation would run away with the benefits of the economic growth, the economist said

And, he continued there was good reason for subsidising some staple products such as bread, but as soon as farm costs caused dangerous new inflationary pressures, agricultural requirements should be subsidised out of tax revenue.

Food up 28 pc this year

By David Breier
Pretoria Bureau

Food price increases over the past year have reached the gigantic average of 28 percent, according to figures released today by the Department of Statistics

Food prices increased by two percent last month bringing prices for November 28 percent higher than during the same month last year

The steepest food increases were for meat which increased from an index of 146,1 in November last year to 229,5 last month

The average consumer price index increased by 0,8 percent last month compared to October, and the increase compared to November last year was 14,9 percent

Due to the steep food price increases the CPI increase for the lower-income group was 18,6 percent compared to 16,1 percent for the middle-income group and 13,5 percent for the higher income group

This disparity is caused by the high proportion of income spent by the lower-income group on food

STEWARTS & LLOYDS (189) FM 19/12/80

Steadier growth

Activities: *Manufactures and distributes tubes and other engineering products for the mining, agricultural, automotive, industrial and public sector markets Holding company is Ipsa (58% of the equity), while other major shareholders are British Steel (21%) and Anglo American (11%)*

Chairman. *H C Kuiper, managing director P H Levick*

Capital structure *22,8m ordinaries of 50c, 300 000 6% prefs of R2 Market capitalisation R100,3m*

Financial *Year to September 30 1980 Borrowings long- and medium-term, R42,5m Net cash R14,4m Debt equity ratio 45,8% Current ratio 2,2 Group cash flow R17,9m Capital commitments R26,5m*

Share market. *Price 440c (1979-80 high, 511c, low, 160c, trading volume last quarter, 73 000 shares) Yields 11,4% on earnings, 6,3% on dividend Cover 1,8 PE ratio 8,8*

	'77	'78	'79*	'80*
Return on cap %	13 8	9 8	13 1	17,8
Turnover (Rm)	190	228	282	358
Pre-tax profit (Rm)	12,5	8,8	12 0	19,2
Gross margin %	8,6	5 6	4 3	5 4
Earnings (c)	34 6	25 3	32 5	50 3
Dividends (c)	17	17	22	28
Net asset value (c)	331	343	346	372

* Lifo accounting base

Last year's 57% fifo-based earnings improvement, coming after an 85% leap the previous year, means that Stewarts & Lloyds' recovery from the 1978 profit trough is now virtually complete For this reason, future performance is likely to relate more closely to the general growth pattern of the economy, until benefits of present capex start making themselves felt

This could happen late in the current financial year, but full benefits are not expected until 1983 Still, with chairman Henry Kuiper forecasting an earnings improvement of at least 25% this year, it is clear that the group should have a good profit run ahead of it — always assuming that the economy maintains a reasonable level of activity

Performance over the past two years has been difficult to assess accurately because of the progressive changeover to lifo In 1979 this system was applied to steel stocks, representing about 58% of total inventories, but last year the new method was used to value virtually the entire stock

In an operation which needs to maintain stock at a fairly high level relative to turnover (26% on a fifo basis), this has clearly had a considerable influence on results, and last year's lifo earnings of 52,1c (on the company's calculation) were 34% below the fifo figure Interestingly, though, despite the more conservative base, these earnings were only 3c below the 1975 fifo earnings peak of 55 4c

Working backwards, it appears that the net return (fifo) on equity funds last year was a shade over 19%, which does not compare badly with 1975 s 19,6% There is, however, still room for improvement in profit margins which, on a pre-tax, fifo basis were only 8,3% of turnover in 1980 compared with 10,8% five years earlier

This is mainly attributable to the very competitive conditions which still exist in the tube industry, S & L's most important activity at around 25% of turnover According to the company, there continues to be a large measure of over-capacity, despite the increased off-take in line with general economic conditions, and the group's own capex in this area is related mainly to the replacement of existing plant with more efficient units

For instance, R7,8m is being spent on a new galvanising plant and ancillary equipment While this will increase capacity to some extent, the difference is apparently not material Where the group will score, however, is that the new plant is expected to be more efficient This project is due to be completed in June or July next year

But one area where there is major expansion is in stainless steel tubing where expenditure of R1,7m will triple capacity, although this is to a degree import replacement

Another activity where margins are not yet satisfactory is the foundry division (the group's second largest operation) which is still working off low-margin contracts taken on during the recession With the upturn in business, however, the group is now able to be more selective in the contracts it writes, so this situation should improve progressively The division is also expected to benefit in terms of efficiency from a R15,7m modernisation and expansion of its Benoni facility, although here again this will come too late to materially affect results in the current year

These are the major elements of the group's present capex commitments totalling R26,5m (1979 R24m) Financing this should not be a problem because of the strong cash flow (aided by lifo tax savings) and the fact that the group is making increasing use of suppliers' credit This was clearly reflected last year when creditors rose 36%, considerably more than would normally have been justified by the 27% turnover increase

On the basis of Kuiper's forecast, the group should earn 65c and pay 34c this year, putting the share at 440c on a prospective yield of 7,7% This is attractive for the industrial market, but roughly in line with the engineering sector which continues to be rated on a higher yield basis However, with prospects of good earnings growth during the next three years, as capex benefits are increasingly felt, S & L should have some attraction for those requiring above-average income Interestingly, its rating has not been affected by the splitting of what was previously an annual dividend The decision to pay 10c of last year's 28c total as an interim increased the real worth of the payment by about 2,8% which, I would have thought, the market could have recognised

Brian Thompson

Battle for power in tool industry

21/12/80
S. Express (189)

BITTER recrimination is likely to break out in the South African power tool industry as a result of allegations by representatives of European manufacturers that some Japanese and Far East manufacturers are now dumping on the South African market

By DAVID PINCUS

These allegations — hotly denied by local agents for Japanese power tools — stem from the fact that some tools emanating from the East are being sold as "specials" for more or less the same prices they were sold for about three years ago

What is odd about this new turn of events is that it comes at a time when all in the industry are going through their best year yet, with growth, measured in unit sales ranging between a modest, but highly satisfactory 40%, to an astonishing 700%

"Most definitely there is dumping on the South African market, in particular by one Japanese manufacturer and by several Taiwanese manufacturers," says Armin Hallerman, managing director of Metabo Power Tools, which showed a 125% increase in unit sales in the first 11 months of this year on the first 11 of last year

"How else can you explain that one Japanese manufacturer is able to sell power tools, albeit as specials, for about the same prices they were sold for a few years ago? And how do you explain that a certain Taiwanese bench grinder is being sold for about R29

"It would cost Metabo in Germany more than that to make just the armature for that unit, and it will cost R40 to have the armature such as the one that unit is fitted with rewound "

Derek Dreyer, national sales manager of Diesel Electric, distributors here of Bosch power tools, goes along with Hallerman

"We also buy in Taiwan," he said "One of our lines is a bench power grinder similar to the one being advertised for about R29 We cannot begin to match that price Ours sells at R39

"Although German power tools still hold the lion's share of the market, we are watching the situation very carefully We have a lot of respect for Japanese power tools as far as their quality is concerned, but they are becoming too competitive "

Sanlic International's managing director, Monty Nussbaum, who claims a 700% increase in turnover for Hitachi power tools so far this year, "and not much less in terms of units sold", strongly denied that there was any dumping from the Far East

"To start with we are being favoured by the yen easing in respect of the rand, with the result that the rand now purchases quite a bit more than it did a year or two ago," he said

"And if the Taiwanese are able to undercut others on the market, it means that the local importers who were able to squeeze those favourable terms and prices out of them know how to do business in the Far East You haggle and haggle until you get the price down as low as possible "

Rutherford's Jim Caunter, who sells Makita power tools, also denied that there was any dumping by Japanese power tool manufacturers, although he did concede that there would well be dumping from Taiwan sources

"I happen to know of certain people in this country who would like to claim that there is Japanese dumping in this market, and I know why they are making those claims," he said

"I know, too, that they are having a go at Hitachi, but the fact of the matter is that their distribution costs are less than anyone else's, so they can sell for less — and did you know that certain European manufacturers actually have their power tools made by Makita, then have them shipped to Europe where they fit their own labels and export them to other countries?"

European power tool manufacturers, who claim that Japanese dumping is now common throughout the world, as is Taiwanese dumping, plan to retain their market shares by adding value to their products

As Hallerman explained "Power tools are in the situation where calculators were a few years ago They are now smaller and more reliable, as well as being more powerful, than they ever were Also they are being made in larger quantities than ever which leads to economies of scale, so they can add value

"I cannot speak for other manufacturers, but in our case we have introduced a new breed of electric drill to the market, both for the do-it-yourself and the industrial market which isn't only a drill It is also an impact drill, is fitted with electronic speed control — which is old hat now — and also reverses That turns it into a screwdriver, a nut runner and a tapper Everyone, including the home handyman, has at one stage or another to take screws out of something

"For the industrial market we have introduced models that are virtually indestructable. They are fitted with electronic controls, speed stabilisers, safety clutches, electronic thermal cutouts, which means that, in theory, their motors will not burn out Their clutches are linked to their electronic controls and reduce power to their motors as soon as their clutches start slipping "

Hallermann does have a vested interest in Metabo, so can be forgiven for saying "Even if Metabo is ahead of the pack now, it won't take long before other manufacturers come up with similar improvements to their products

"They certainly aren't going to allow us to erode their market share because of the improvements we have incorporated in our products."

11

(i) Age. Younger p...
than older people do. During his twenties a person will ten
change his job with the objective of securing knowledge for h
that he has chosen the right career. For the same reason ol
tend to be more stable.

Another important factor concerning age is the fact that indu
today to prefer younger people to fill vacancies. The olde
fore are more interested in hanging on to what they have, i,
of security.

(ii) Sex. Females, who generally speaking are not classed
'bread-winner''of the family, and consequently are not comit
much as their male counterpart, often tend to be more unstab

(iii) Marital status. Young woman when they get married of
their jobs to become housewives and mothers, and are likely
on occasional work during this period. Married men on the
feel a greater sense of responsibility than single men and t
to be more stable employees.

(vi) Wage and salary rates. Poor wages and salaries are o
contributing factor towards the instability of a labour forc
problem becomes very prominent in industries, such as the cl
where generally speaking rates of pay are quite low.

A 2 11 OTHER MANUFACTURED PRODUCTS

Due to the underdeveloped nature of manufacturing technology in South Africa, many of these products are imported. The major firms operating in South Africa are

a) Cape Insulation Products (Pty) Ltd. This is one of the largest insulation contractors in the country, and belongs to the Cape [illegible] Group in the United Kingdom. It has a large factory in Benoni and manufactures [illegible] asbestos [illegible] for domestic, industrial and farm use, [illegible] insulation material such as [illegible] plaster, [illegible] heat resistant glass, [illegible] fittings [illegible] bleached, [illegible] and blended [illegible] added to plastics, paint, [illegible] glues

[illegible] workers [illegible]

[illegible] safety [illegible] 17

b) [illegible] Engineering [illegible] manufactures insulation [illegible] asbestos, [illegible] and packed [illegible] made by the company [illegible] years ago. This [illegible] number of asbestos fibres into the air [illegible] used

c) [illegible] are insulation contractors and manufacture [illegible] asbestos [illegible] tape lagging for insulations

d) Gallo, [illegible] - a subsidiary of Turner Brothers [illegible] and [illegible] manufacture brake linings

In 1975 the Erasmus Commission[13] [illegible] that a total of [illegible] 000

The Advisory Committee on asbestos [illegible] in 197[illegible] to examine health risks by the [illegible] most recent report that the level [illegible] for [illegible] 0,5 for [illegible] that the import of [illegible] committee [illegible] that [illegible] substitutes [illegible] should not [illegible]

[illegible]

Strike hits Metal Box

The strike by more than 500 workers at the Metal Box plant at Rosslyn near Pretoria yesterday is the fourth to hit the Pretoria area in recent weeks.

It is part of what a union official has described as "continuing unrest in the area".

A director of Metal Box, Mr P W Seddon, told The Star today there was no union involvement in the strike, which seemed to have some of its roots in workers' dissatisfaction, possibly because of the comparison with the high rate the motor industries are prepared to pay.

"About 500 workers have gone on strike, and they didn't say what their grievances were.

"We were surprised at the move because our Rosslyn plant is one where blacks are trained up to high level and there are many workers doing apprenticeships and training course who have joined the strikers.

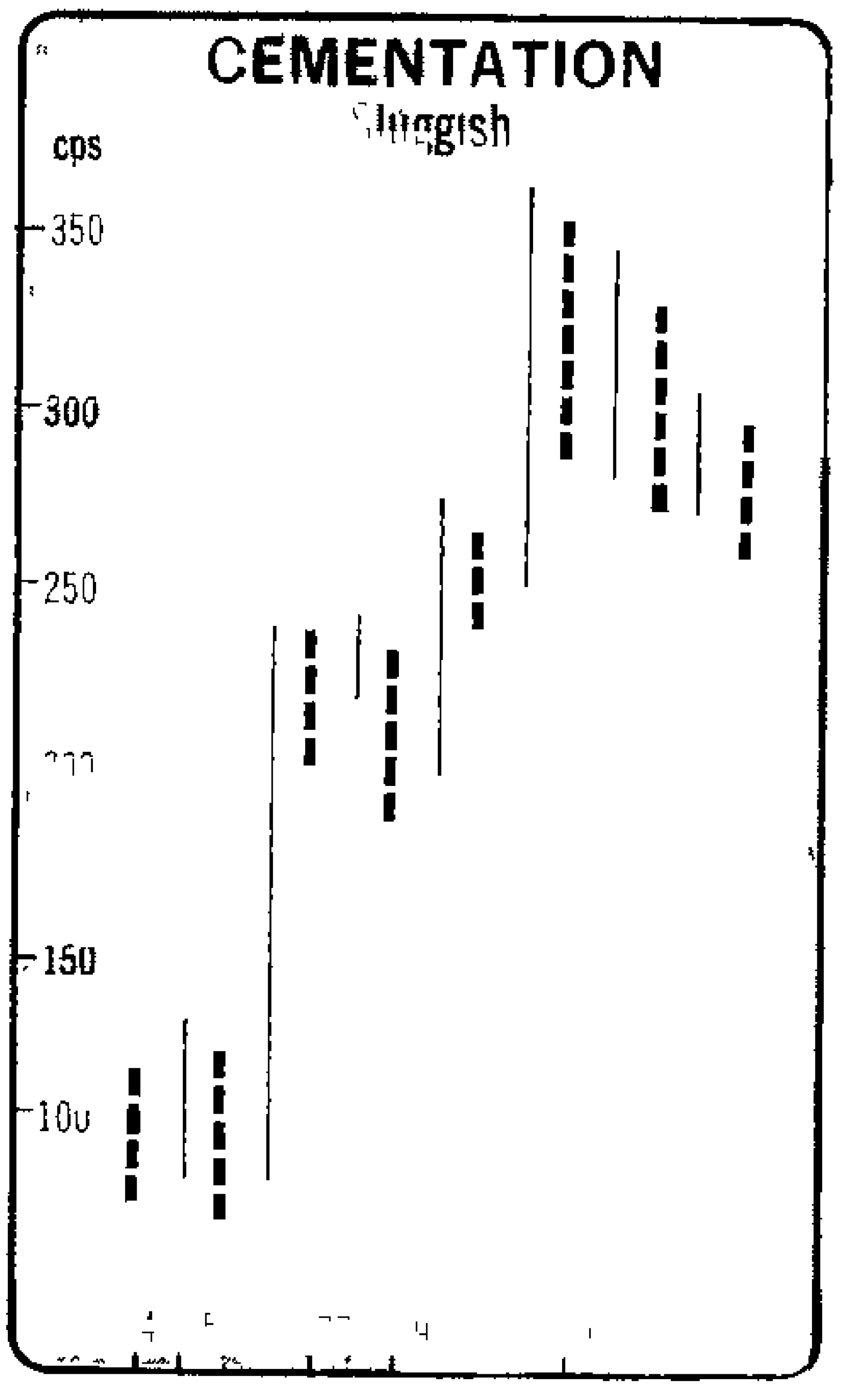
"We will be discussing our approach to the matter during the Christmas period and the workers say they will be back at the gates on January 5. We'll have to see what happens then."

CEMENTATION (189)

Better prospects

FM 26/12/80

Activities· *Holding company with main subsidiaries in design and manufacture of steel and metal products Holds 50% of Gold Fields Cementation, giving it interests in the mining industry Ultimate holding company is Trafalgar House (UK)*
Chairman· *A B Theunissen, managing director R T Shaw*
Capital structure. *6,8m ordinaries of 50c, 150 000 6% cum prefs of R2 Market capitalisation R17,7m.*
Financial: *Year to September 30 1980 Borrowings long- and medium-term,*



R5 6m net short-term, R2 6m Debt equity ratio 47,8% Current ratio 1,4 Net cash flow R3,9m Capital commitments R1 6m
Share market *Price 260c (1979-80 high, 350c low 187c, trading volume last quarter 173 000 shares) yields 20,3% on earnings 6 9 on dividend Cover 2,9 PE ratio 4 9*

	'77	'78	'79	80
Return on cap %	21 9	18 1	19 2	16 9
Turnover (Rm)	49 8	49 6	57 2	80 5
Pre tax profit (Rm)	4 0	4 1	4 3	5 0
Gross margin %	10 2	9 5	8 5	7 3
Earnings (c)	39 8	44 0	49 2	52 8
Dividends (c)	12 0	11 0	16 5	18
Net asset value (c)	284	290	316	338

Group profitability was hit last year by the inclusion of two new companies which, though they contributed significantly to turnover, provided virtually nothing in the way of earnings

The group acquired W D Wiggill — now Cemenco Foundry — and Siding Construction for R1,2m cash and 500 000 Cemenco shares at the beginning of the year As a result of this, as well as the higher interest bill generated by significantly more long- and short-term debt gross margins have extended their four year decline

MD Ronny Shaw says that much of the sluggishness in last year s results was also attributable to the low levels of government spending which hit railway track construction The group has four companies directly linked to this sector of the infrastructure responsible for [illegible] 15% of turnover

There are however strong indications that spending on railway development will rise quite substantially this year and there should be a considerable improvement in the contribution from this division Shaw adds

At the same time he says the group s mining-orientated associate has obtained a major contract on development at FRPM which has doubled the size of its order books The group s order book is now slightly higher than at the end of the year and stands at around R73m Further large contracts are also expected to come in soon

The structural steel market remains difficult Shaw says and this has dragged down profits Though demand has risen well the cut-throat pricing caused by poor [illegible] has not been overcome and margins are very low

The group pushed up its debt liabilities considerably over the last year with long-term borrowings at R5 6m (R2 1m) including a rescheduling of debt to include a five year revolving letter of credit Bank overdrafts rose from R698 000 to R5m Shaw says the major contracts landed by the mining division were partially responsible for the hike as they required quick funding but the longer term paper has been taken up as a policy move

The group is now near the ceilings dictated by the level of its foreign ownership but Shaw says there should nevertheless be no cash problems this year It is also unlikely on the other hand that there will be any takeovers he adds

Though capex is expected to be comparatively small this year following major expansion at the group s foundry division last year Shaw expects the tax rate to remain at around last year s 27% in financial 1981

Outgoing chairman Albert Theunissen says in his statement that pre tax profits can be expected to show " some growth " this year Shaw however is more optimistic and is looking for a " substantial improvement" in earnings With this in mind and given the broad spread of the group s activities dividends may reach 22c for a prospective yield of 8 8% At this level the price seems to discount much [illegible]

DATES TO REMEMBER

Last day to register for dividends
Wednesday December 31 Fuent 7c Sunderland 6c Tollgate 10c
Meetings
Monday December 29 W & A Investment
Tuesday December 30 Telef, SA Eagle

All meetings are in Johannesburg unless otherwise stated

Asseng order book hits record level

RDM 29/12/80

189

By JOHN MULCAHY

ASSOCIATED Engineering's order book is at a record level, and with economic prospects bright for South Africa, the chairman, Mr Cecil Dace, says he is confident of an earnings improvement in the current year.

In the year ended September 30, Asseng increased taxed profit 53,3% to R4 600 000 (R3-million) and, out of earnings of 141,7c, paid a total dividend of 42c, compared with 30c the previous year.

In his annual report Mr Dace says group profits are now more broadly based than in the past, and this should help if there is a downturn in any particular sector of the economy

"We are also increasing our efforts to improve further our export activities"

Mr Dace ascribes Asseng's improved performance last year to Government's stimulation of the economy, which spilled over into areas in which the company operates — the manufacture of precision engine components

In addition, Asseng benefited from its earlier capital expenditure programme, and there has been a general all-round improvement in performance by the companies in the group.

Operating profits before interest, tax and extraordinary charges rose to 8,8% of sales from 6,6% in the year to September 1979

Mr Dace says the group's order books attained a good level during the year and due to increased demand all the factories are now on double shift.

"This obviously highlights the shortage of skilled labour, which is a major problem in the South African economy, and we as a company are increasing funds available for in-house training both now and in the future"

During the past year the Silverton division started franchising its rural service operations, reducing Asseng's own involvement in this part of distribution and services

A noteworthy point is that Asseng recently received its first orders from Atlantis Diesel Engines in the Western Cape

Says Mr Dace "Though Atlantis has yet to come on stream, I view these orders with promise."

At September 30 Asseng's debt equity ratio was 61,7%, down appreciably from the previous year.

COMMENT: Demand from both the original equipment and replacement markets seems bound to remain strong in the current year.

While HP curbs might inhibit vehicle sales, a real growth rate of 5% suggests further real growth for the motor industry, which is the biggest component of GDP. At least one institutional research team is forecasting total vehicle sales of more than 430 000 in 1981.

There are also strong rumours from Pretoria that the national speed limit is to be raised to 120 km/h. This would be a huge boon to Asseng.

The group's maiden sales to Atlantis, its reorganisation into a less cyclical business and its substantial dividend cover are further bull points, making it look cheap on 500c yielding 8,4%.

Strike may end in the new year

RDM 30/12/80 (189) (14A)

Pretoria Bureau

THE STRIKE by 500 employees of the Metal Box plant in Rosslyn, near Pretoria, would be resolved early in the new year, the director of the company, Mr P W Seddon, said yesterday

He said the management would talk to representatives of the employees on January 5 to find out what had led to a sudden stoppage of work on December 22

The stoppage forced the management to pay the workers, and they were told to return to work on that date

Mr Seddon said they did not specify their grievances, but had just discontinued work

He assumed that they they had been inspired by the increase allegedly given to workers at a nearby motor assembly plant

Mr Seddon said he was not prepared to talk to a group because his company had a workers' council through which employees should air their grievances to the management

He disclosed that his Rosslyn branch was used mostly for training blacks for better jobs

Mr Seddon added that wages varied according to work done

A minimum hourly wage was R1,20 and the maximum R5

Some black employees were therefore earning up to R10 000 a year

Dunswart to double mill capacity

NM 3/12/80

(18)

Mercury Correspondent

JOHANNESBURG—Dunswart Iron and Steel, Gencor's iron and steel-making arm, is to spend R21-million doubling the capacity of its light section mill and installing a continuous casting plant

The capital expenditure will be financed by the R6 095 000 proceeds of exercising options and surrendering debentures, the sale of Dunswart's interest in Alpha Dunswart (Aldun) to Gencor for R4 247 000 and R11-million of retained profit and term finance

Boosting the capacity of the light section mill to 160 000 tons of finished sections a year will cost R16-million

It will involve uprating the reheating furnace and the installation of a new continuous finishing train, cooling bed and cold shear

Storage

Additional storage straightening and crane facilities will be included Orders for the equipment were to be placed this week and commissioning is expected to take place during the first quarter of 1982

The continuous casting plant will cost R5-million and will secure sufficient billet material for the finished section mill

The low yield cogging mill currently in use will be phased out an all steel will be processed by the modern continuous casting route

Gencor's offer price for Aldun substantially exceeds the net asset value of R1 017 000.

Aldun comprises an investment portfolio which includes 226 000 Standard Brass and 80 000 Rustenburg Platinum shares as well as 7,5 peerecent of, Lucas Block Minerals